

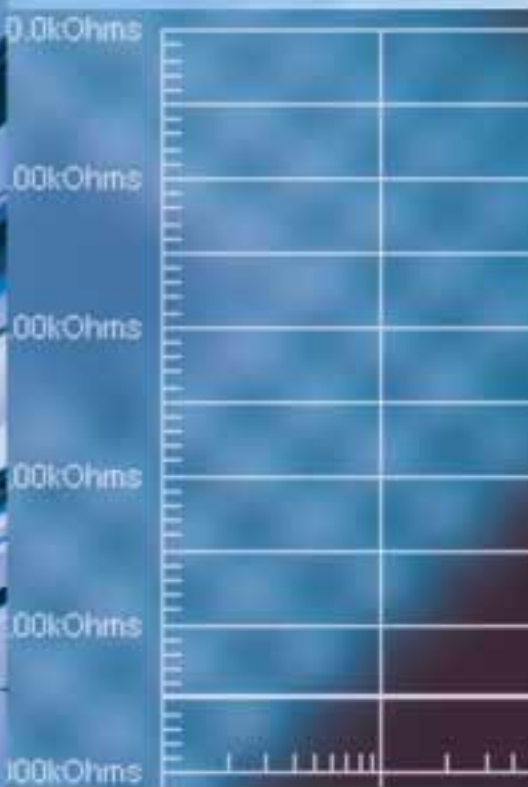
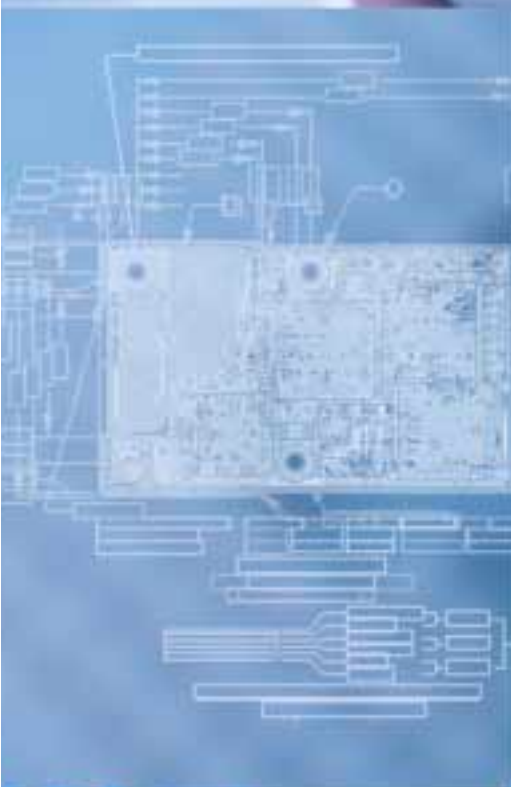
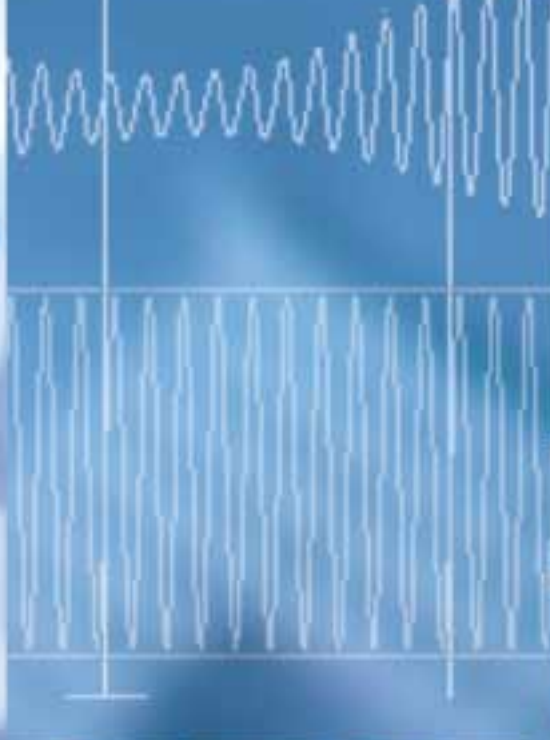
annual report 2001



**ALTUM LIMITED**  
formerly Protel International Limited

"Historically, the most advanced, state-of-the-art design tools have been prohibitively priced, with access being limited to engineers based within the few companies that could afford them. The Altium vision - unchanged since the Company's inception - is to break down these barriers to innovation and technological advancement and provide every engineer and system designer with easy access to the best possible design tools. Our ultimate goal is to develop the complete electronics design system and ensure it is available to every professional engineer and designer. This is the driving force behind why our Company was founded and is still the vision that guides our strategies today and into the future."

**Nick Martin** Founder, Joint CEO, Altium Limited







#### 1985

- Altium Limited (previously known as Protel International Limited) is founded
- Launches Protel PCB design tool

#### 1986

- Protel PCB exported to the US & Europe

#### 1987

- Launch of Protel Schematic

#### 1988

- Establishment of Altium's USA Sales & Support Office
- Launches AutoTrax (offering autorouting, autoplacement & photoplotting)

#### 1991

- Launches Protel for Windows - the world's first Microsoft Windows-based PCB design system

#### 1992

- Launches Advanced Schematic for Windows



#### 1994

- Altium proposes Client/Server platform architecture for integration of design tools. Previewed as EDAOS, the forerunner to EDA Client and what we now know today as 'Design Explorer'
- Launches Advanced Schematic 2
- Launches Advanced PCB 2

#### 1995

- Acquires NeuroCad
- Acquires PLD technology from Logical Devices
- Launches Advanced Schematic 3 built on EDA/Client

#### 1996

- Launches Advanced Route 3
- Launches PLD 3

#### 1997

- Launches Advanced Sim 3
- Launches Advanced PCB 3
- Launches Protel Designer 5 Pack



#### 2000

- Acquires ACCEL Technologies Inc.
- Launches P-CAD 2000
- Launches CircuitMaker 2000
- Altium Library Development Center achieves ISO 9001 Certification
- Acquires Metamor Inc.
- Launches PeakFPGA Design Suite
- Acquires Innovative CAD Software Inc.
- Launches CAMtastic! 2000 Designers' Edition

#### 2001

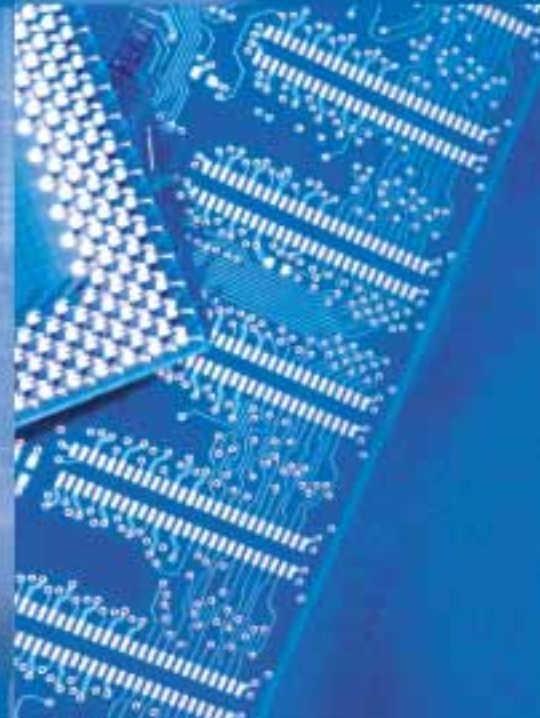
- Launches P-CAD 2001
- Altium enters into strategic partnership with Atmel Corporation
- Acquires TASKING Group
- Altium enters into partnership with WebQuote Software
- Release of P-CAD Analyzer Suite
- Global launch of Altium corporate identity
- All subsidiaries unite as Altium



#### 1998

- Launches Protel 98 - the complete 32-bit design suite for Windows NT/95/98
- Acquires IDK business
- Acquires Techspert business
- Acquires signal integrity technology from INCASES
- Acquires MicroCode Engineering Inc.
- Establishment of Altium's Europe Sales & Support Office
- Establishment of Altium's Japan Sales & Support Office

#### 1999

- Acquires Accolade Design Automation Inc.
  - Acquires VHDL simulation technology from Green Mountain Inc.
  - Launches Protel 99 - the first end-to-end, integrated desktop board-level design tool
  - Launches 'Design Explorer' technology platform
  - Successful initial public offering on the Australian share market
  - Launches Protel 99 SE
- 



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## YEAR 2001 AT A GLANCE

### Acquisitions

- ➔ Acquisition of Netherlands-based TASKING Group - a global leader in the provision of specialist tools for embedded software development.
- ➔ Acquisition of Innovative CAD Software, Inc. - an established producer of computer-aided manufacturing (CAM) software.
- ➔ The company has made a succession of smaller targeted technology acquisitions including intellectual property (IP) acquired from Evatronics, Silicore, CAST and CUPL which will form components of planned new products in the area of programmable chip design.

### Strategic partnerships

- ➔ Altium significantly strengthened its position within the FPGA market with a 5 year OEM licensing agreement with US-based Atmel Corporation (NASDAQ: ATML).
- ➔ The acquisition of TASKING brought to Altium strong OEM partnerships with major chip manufacturers - including Infineon, Intel, Mitsubishi Semiconductors, Motorola, NEC Electronics Inc, Parthus Technologies plc, Philips Semiconductors, Sanyo, Seiko EPSON and STMicroelectronics - and provides significant opportunities for further development of its embedded software development and board-level FPGA design products.

### Product releases

- ➔ Altium successfully released a number of new products including the PeakFPGA Design Suite, CAMtastic! 2000 Designers' Edition.
- ➔ The most notable product launch was the next generation release for the P-CAD PCB Design System, P-CAD 2001. This was also followed in quick succession with the launch of a Network version and Analyzer Suite configuration for the P-CAD product line providing companies greater flexibility to purchase additional licenses specifically for engineering groups and front-end design needs.

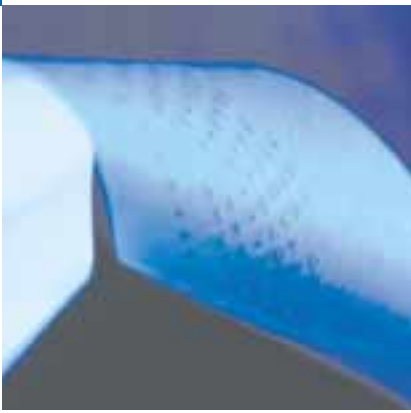




## Company expansion and growth

- ➔ Increased growth and diversification of Altium's global customer base with the Company's substantial acquisitions and the active marketing of six product lines, Protel, P-CAD, TASKING, Accolade, CircuitMaker and CAMtastic!. The most significant growth came from the TASKING acquisition, which provided Altium with a considerably increased presence in the European electronic design market.
- ➔ Continued investment in technology and intensive development in transforming the recent investments and in-house technology into new products.
- ➔ Successful integration of acquired business and technologies - TASKING's products, staff and worldwide offices has proceeded smoothly with marketing, sales, financial and corporate functions fully-merged with Altium's existing structures and R&D groups working in close cooperation on product integration and future product development efforts.
- ➔ 2001 also saw the completion of the stage 1 targeted acquisition strategy outlined in our IPO prospectus. Altium now has all the building blocks in place necessary to fulfil our vision of providing all the tools necessary to form a complete electronic design system that integrates all aspects of the design process, is easy to use, and is accessible to all engineers.





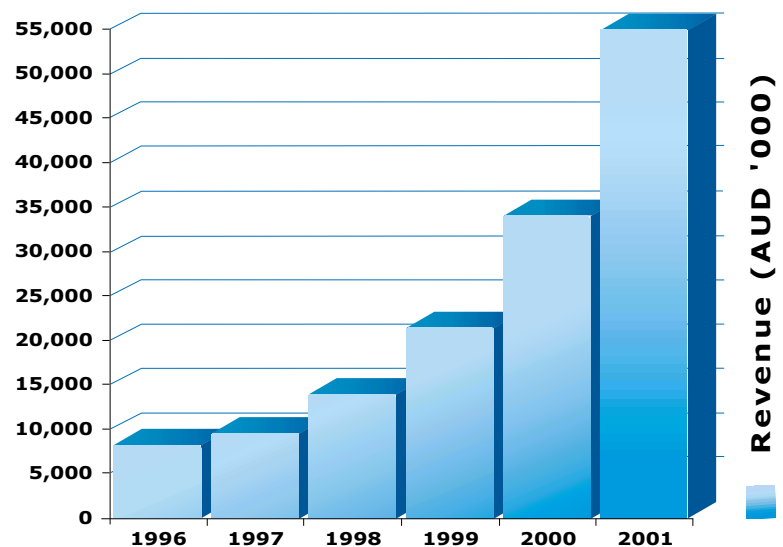
## YEAR 2001 FINANCIAL HIGHLIGHTS

### Operating performance

- Sales revenue totaled A\$53.1m, representing an increase of more than 60% over the previous year.
- Earnings before interest, tax, depreciation and amortisation totalled A\$23.6m representing an 89% increase over the previous year.
- Profit after tax of A\$12.6m, represents an increase of 57% over the previous year's result.

### Earnings

- Earnings per share is 12.8c - up 28%.
- Earnings per share - excluding the effects of amortisation of goodwill is 19.3c - up 40%.
- Fully-franked final dividend of 4.5c per share taking total dividend for the year to 8c per share, an increase of 33% on previous year.



### Share price overview

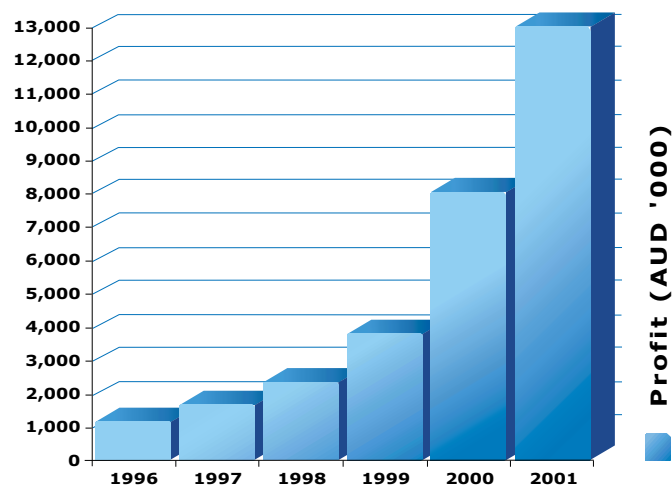






## Growth and diversification

- ➔ Delivered compound annual revenue growth above 45% for five consecutive years.
- ➔ Delivered strong profit growth at a compound rate of over 50% for four consecutive years.
- ➔ Strong operating performance is also reflected in the growth of operating cashflows - up 65% to A\$14.5m.
- ➔ Altium's strong operating cash flows have fuelled the continued and active investment in the acquisition of new complimentary technology and continued investment in expansion of R&D resources to develop in-house and acquired technology.
- ➔ Broadening of technology base with the successful acquisition and integration of TASKING group. This acquisition contributed to an immediate expansion of Altium's product offerings with the addition of embedded software design technology to existing hardware design products - a first true single source for all engineering design needs in desktop market.
- ➔ The Company acquired TASKING Group at a total cost of approximately \$73.5m. The acquisition was funded by a combination of cash and script. The cash component was US\$25m (funded through cash reserves and a private placement to institutional shareholders of A\$25m). The script component required the issue of 5,652,174 shares to TASKING shareholders.





**Carl J Rooke**  
Chairman

## CHAIRMAN'S REVIEW

As chairman of the board of directors for Altium Limited I have a great deal of pleasure in presenting the Annual Report for the year 2001.

I am particularly pleased to be able to report to shareholders another outstanding result that has seen our annual sales revenue rise by more than 60% to over A\$53 million and profit after tax reaching A\$12.6 million, an increase of 58% over the previous year. These results continue to demonstrate our proven trend of delivering strong profit growth, represented by a compound growth rate of over 50% for the last four consecutive years. The fact that these results have been achieved in the face of challenging economic conditions points to the underlying strength of the company, the vision of its stable management

team, and the talent and dedication of its staff worldwide.

As a result of our successes in 2001, the board declared a fully-franked final dividend of 4.5 cents per share taking total dividend for the year to 8 cents per share, an increase of 33% on the previous year.

As I look back over the 2000-2001 financial year I must pay particular tribute to the adaptability and resourcefulness of the Company as a whole. The increasing demands of high growth have been met by a staff and management team that globally has embraced the changes necessary to accommodate new product lines and increasingly diverse geographical markets. The Company's flexibility, combined with a consistent and strong vision, has laid the foundation on

which our current excellent results are built.

This adaptability is particularly important as the last financial year saw the Company embark on its most significant acquisition to date - that of the Netherlands-based TASKING group, which was acquired in March 2001. The addition of TASKING to the Altium family, along with a series of smaller intellectual property and technology acquisitions throughout the period, represents the completion of the targeted acquisition strategy outlined in our IPO prospectus.

Altium now has the building blocks necessary to fulfil our vision of providing all the tools necessary to form a complete electronic design system that integrates all aspects of the design process, is easy to use, and is

# Think it, Design it, Build it™

accessible to all engineers. This vision has been a constant throughout the life of the company. It was there when Nick Martin founded the Company in 1985, it was there when the Company released the world's first PCB design package for the Windows platform, and it was there when the Company sought public support through its successful IPO. Indeed this vision has shaped the company throughout its life and continues to drive the company forward.

The organisation's change of corporate identity this year is an extension of the strategy formed from this vision. During the 2000-2001 financial year, our marketing and corporate groups created a comprehensive and exciting new look and feel for the organisation,

developing a complete new company image, as well as all the necessary corporate and marketing collateral to go with it. The Company's R&D and marketing resources were also restructured to focus on product lines, both to more efficiently accommodate the development of current product lines and to provide a scalable structure for future growth.

As I review the achievements of this past financial year I am filled with excitement for the future. The depth of talent, skills, commitment and leadership present within our fast-expanding organisation, combined with the world-leading technologies that we now have at our disposal, provide us with a solid foundation for continued strong growth. We are in a commanding position to capitalise on

the opportunities presented by the ongoing global expansion of the electronics industry.

Finally, I wish to acknowledge the extraordinary efforts by every single member of the Altium team. Our successes in 2001 are a direct result of their commitment, professionalism, dedication and hard work. I eagerly look forward to another year of working together with the Altium team to ensure we continue to "grow great", under the Altium banner.



**Carl J Rooke** Chairman



## A MESSAGE FROM OUR JOINT CEOS - LOOKING AHEAD

Consider for a moment the impact that electronics has on our everyday lives. The car you drive today probably has more computer power and electronic circuitry in its engine management, braking and instrumentation systems than the Apollo 11 spacecraft that took man to the moon and back. Advanced automotive electronics makes cars safer, more reliable, fuel-efficient and environmentally safe. Electronics give us life-saving medical imaging and monitoring equipment. Electronics make real-time global communications economical and reliable. Indeed electronics has revolutionised the world we live in.

The heroes of this revolution are the many thousands of engineers, developers and designers working at the front line of electronic product and systems design. Their skills and innovation push the boundaries of what is possible. But to truly make a difference they must have the tools necessary to do the job.

When our company was founded in 1985 the vast majority of electronic design was done with pen on paper and adhesive tape on acetate. While computer-based tools existed, they were extremely expensive to buy and maintain and required a large investment in computer hardware. They were effectively inaccessible to engineers in all but the largest of organisations. This lack of access to tools represented a constraint on engineers and designers and created a barrier to innovation.

Removing these constraints imposed upon engineers and designers provided the major impetus for the formation of our Company, and today it is still the vision that guides us. We want every

engineer to have access to state-of-the-art design tools. We want these tools to form a complete design system that is easy to use, easy to afford and easy to maintain.

Since our successful IPO in 1999 we have been aggressively pursuing a strategic R&D and technology acquisition plan and this past year has seen us add the final pieces to our technology base. We now have the necessary foundation of the broad range of technologies needed to create and offer our customers tools that cover the entire design process. But this is just the beginning.

Although our products now cover both the hardware design and software development, we are about to embark on the integration of these two phases of the design process. Traditionally hardware design and software development has been treated as two separate issues. However, in reality they are two sides of the same coin and, as electronics technology progresses, the ability to tie these activities together becomes critical. Some software tools

**Nick Martin**  
Founder, Joint CEO



currently exist that attempt to provide engineers with solutions to these problems. But, as was the case with PCB design tools 15 years ago, the tools are expensive, require expensive infrastructure, are difficult to learn and use and are accessible only to a limited number of engineers and designers. We are now ready to change this situation.

Our development resources are now focused on taking these building blocks and integrating them to upgrade the capabilities of our current products, and to create new products that will help make it easier for engineers to work with new design methodologies. Using our unique "Design Explorer" integration platform we will provide designers with a comprehensive range of integrated design products that sets new standards in functionality and value for money.

Our recently-launched new corporate identity is also an important part of the strategy to build a platform to deliver these products into the hands of engineers. Under Altium, support

mechanisms, product licensing and sales channels will be streamlined across all products. Altium will provide a single integrated source that engineers can look to for all their design tool needs.

The outstanding growth we have consistently achieved over the past years has been a pleasing confirmation of the confidence our customers and shareholders have shown in us. We will repay this confidence to customers by continuing to break down the barriers to innovation faced by engineers and designers. And for shareholders, we will continue to focus on the critical role that profits and returns on shareholders investments play in the future of the company.

We would also like to take the opportunity to thank our staff to whom we owe our success. They continue to demonstrate a willingness to go above and beyond the call of duty and take responsibility and ownership for the future of the company.

**We look forward to another year of working together towards our common goal of helping every engineer to think, design and build!**

A handwritten signature in blue ink, appearing to read 'K. Oboudiyat'.

**Kayvan Oboudiyat**  
Joint CEO

A handwritten signature in blue ink, appearing to read 'N. Martin'.

**Nick Martin**  
Founder, Joint CEO

## ***Altium* - OUR NEW CORPORATE IDENTITY**

### *More than just a name change*

On August 6th, 2001, Protel International Limited was renamed Altium Limited. More than just a name change, the launch of Altium as a distinct corporate brand represents the next stage in the realisation of the Company's long-established vision to help engineers turn their ideas into products in the easiest and most productive way possible. This is being achieved by reframing and unifying the organisation's product development, sales and support processes across all product brands and by enhancing the Company's focus on the most important element in the design process - the engineer.

### *Why change?*

The Company has a long history of innovation in the EDA industry and has always looked beyond its traditional boundaries to ensure it can sustain high growth rates and achieve its strategic aims. The continuing rapid expansion of the Company has seen it grow from one that developed and marketed a single product brand - the Protel desktop PCB design tool - to one that now serves a growing customer base with multiple brands, covering a broad range of design disciplines in the EDA and embedded systems markets.

In line with this aggressive product development and technology acquisition strategy, the Company has been pursuing the development of a single corporate brand identity that will independently and equally represent all product brands and provide a unified platform for continued growth. Altium is the culmination of this strategy.

### *Altium's vision*

Altium's vision is clear - to break down the barriers to innovation by giving every engineer and designer access to the best possible design tools at an affordable price.

We recognise that engineers are the quiet achievers, responsible for driving significant change and fostering the technological advancement of our society. We also recognise that historically, the most advanced, state of the art design tools have been prohibitively priced - with access being limited to engineers based within the few companies that could afford them.

Altium believes that the key to bringing engineers' ideas to life is to put every necessary design tool resource at their disposal, and this belief is the simple reason why providing engineers with the complete electronic design system is the driving force behind Altium.

Altium realises that its success as an organisation is dependent upon the success of its customer, the engineer. By knowing and understanding the engineer, Altium will help them to



succeed, and in striving to create products that make the engineer as powerful, productive and effective as possible, Altium will ensure its place at the forefront of the electronic design software industry.

### *The Altium mission*

Altium recognises that in order to drive the design and development process, the engineer should have access to a vast resource base, offering systems that enable them to best utilise their skills and talents to foster innovation and engineering advancement. Altium is committed to providing this to engineers by:

- Developing and selling state-of-the-art and easy-to-use design tools that cover the entire electronic design process.
- Continuing to bring new technologies to engineers to enable them to design using the latest methodologies.
- Continuing to develop Altium's unique platform (Design Explorer) in order to provide high levels of integration between design tools, and allow engineers to design at a higher level of abstraction.
- Focusing on the PC desktop to continue to develop and provide affordable tools, thereby making them accessible to every engineer.

- Building a strong corporate brand that is renown as an endorsement of origin and quality.
- Building strong independent product brands renown for their unique technology, features, values, and identity, and which are positioned precisely for specific market segments.
- Ensuring that our products perform to the promises our brands make.

Above all, Altium is committed to developing a lasting professional relationship with the engineer, to ensure that they achieve their goals as easily and efficiently as possible.

### *The meaning of Altium*

Altium is a Latin word meaning "high" or "to grow great" - a definition which embodies not only the organisation's rapid progress but also its vision to provide engineers with all the tools they need to succeed. Altium represents all the values that are

central to the company's historic and continuing success.

Altium's motto - Think it, Design it, Build it - embraces the engineering process and communicates the organisation's commitment to engineers. Just as the individual engineer is passionate about developing ideas and bringing them to life, Altium is committed to providing every engineer with the best design tools to enable them to achieve their goals.

**Think it,  
Design it,  
Build it™**





## ***Altium* - BUILDING THE FRAMEWORK FOR THE FUTURE**

With over 300 employees worldwide, Altium's success and future growth will draw on the significant diversity and expertise of its staff. Altium employees bring a variety of skills, talents and ideas from different cultures and backgrounds, and all play a pivotal role in communicating Altium's values at every point of contact with our global customer base.

Moving forward as Altium, the company is well positioned for future growth and expansion. Our strong commitment to empowering engineers with design tools that are highly advanced, easy to use, and offer true value for money and continuing investment in emerging technologies has already seen Altium adopt a position at the forefront of desktop design software. We will continue to apply our forward-looking philosophy to the development of our products, our business and our markets, and build the framework that will take us into the future.

### ***The future for product development***

Altium is constantly working to help its customers improve the overall electronic design flow process, to integrate the many tools and processes that are necessary to develop complex designs, and to push for even greater design capabilities. The immediate future will see us offer new versions of our current products that significantly expand features and improve design tool integration. As well, we are

constantly exploring new avenues of technology that will lead to the development of new tools and product lines that target new areas of the design market.

Our continued focus on developing tools for the PC desktop means that Altium can deliver powerful, full-featured products that offer true value for money and run on a low-cost infrastructure. By doing so, Altium products offer a real alternative to the high-priced, complex Unix-based systems offered by many electronic design software producers - an alternative that many companies are seeking in order to stay alive in today's tough economic climate.

Under Altium we also have plans for new customer service programs that will make buying and maintaining products easier. As these plans are rolled out, customers will benefit from initiatives such as streamlined support across multiple product lines and integrated purchase and maintenance contracts for all products.

### ***Integrating tools & technologies***

A key ingredient to the Altium vision is our unique "Design Explorer" technology which serves as the platform upon which all Altium products will be based. The Design Explorer platform provides a single design environment that seamlessly integrates all design tools and technologies. This revolutionary

technology not only allows our R&D teams to quickly and efficiently incorporate new technologies into current products as they are developed or acquired, it also provides our customers with practical benefits such as a consistent design environment across all tools, smooth transitions between the different phases of the design process and elimination of the need to learn a new environment for each tool in the design workflow. This saves engineers and engineering organisations valuable time and money and gives Altium products a distinct competitive advantage.

### ***Bridging the gap between the design of hardware and software***

With the recent acquisition of TASKING, Altium is now the first desktop electronic design company to be able to offer tools that cover both the design of electronic hardware and software, enabling engineers and designers to purchase all the tools they need for the complete design process from a single source. Also, the acquired TASKING technology base and expertise gives Altium the ability to move forward in its ongoing strategy of developing tools that will integrate the design of hardware and software, enabling engineers and designers to achieve greater efficiencies and pursue new design methodologies.

In the coming year Altium also plans to broaden its source of revenues with new products for FPGA design and



embedded software development. There are significant opportunities for tools that combine FPGA logic with embedded processor cores - technologies that Altium now possesses.

Programmable devices in the form of high-capacity FPGAs now have the capability to allow engineers to cost-effectively integrate complete and complex systems on a single chip without the need to build expensive customised devices. To be able to effectively design circuits using this new paradigm, however, requires new tools. What were once real physical devices with metal pins connected by copper tracks are now virtual components defined by logical equations. No longer can a designer simply clip on a probe to determine a device's status and troubleshoot the circuit. Altium is now actively working on the development of design tools for engineers that work together to effectively simulate a complete system - both hardware and software - and that enable them to work efficiently with both real and virtual components.

### *Maximising operational efficiencies*

The company's demonstrated ability to grow profitably and deliver strong returns on shareholders' investments is due not only to the strength of its products. As Altium has applied progressive principles to its product development, so it has applied the same principles to its internal management.

The change of our corporate identity to Altium is no mere name change, it has also heralded a number of changes to the company's internal operations. In line with our goal to become a single source for all design tool needs, the change to Altium has allowed us to unify sales and support channels across all product brands, simplifying purchasing and support for our customers.

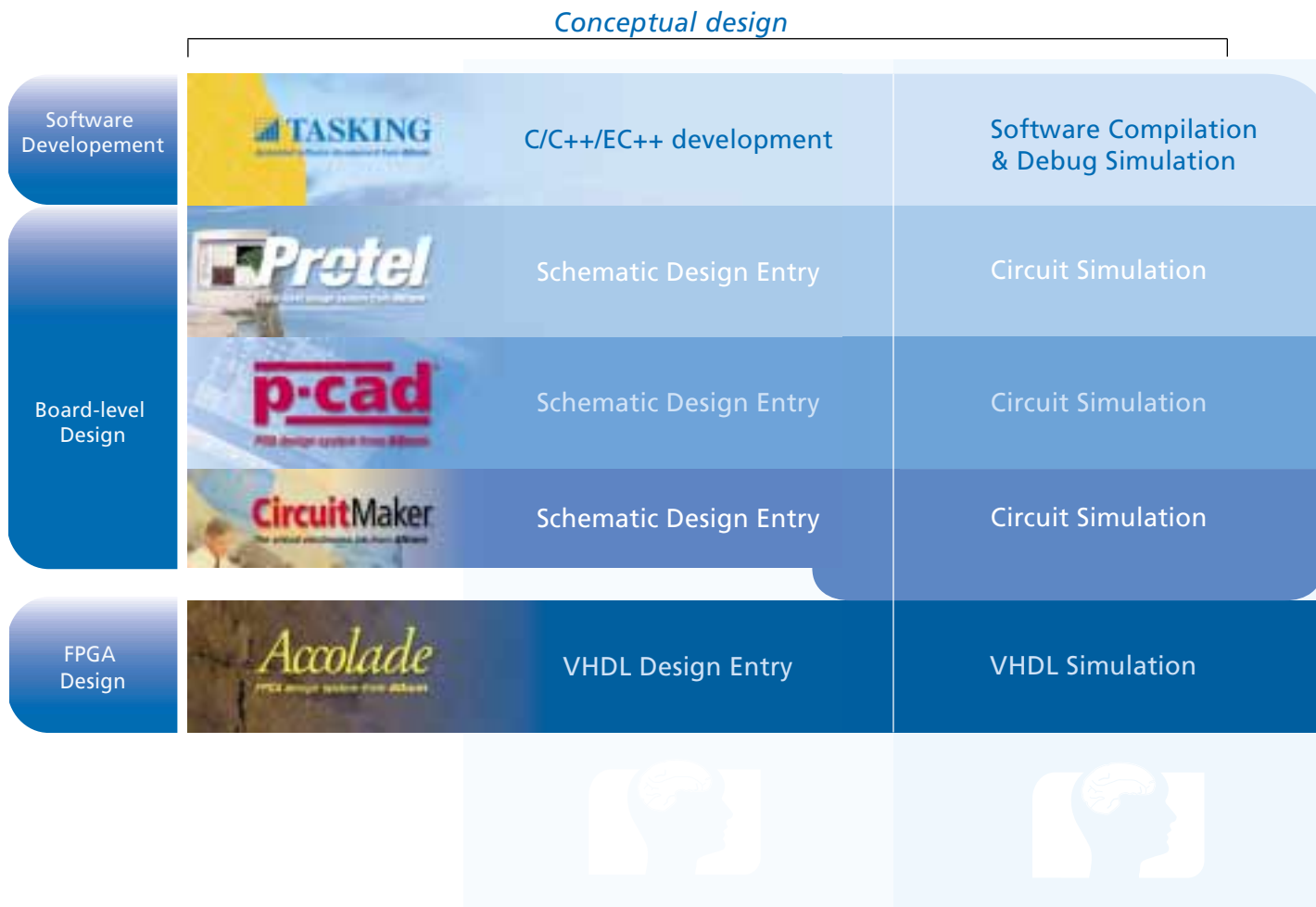
In order to facilitate continued expansion, the organisation is also implementing a centralised 'data warehouse' model for all customer and financial information, and integrating its internal systems to match this model. By creating a single enterprise solution, Altium will substantially improve the efficiency of its entire business operation. The new system will maximise information availability, lower administration overheads and streamline business processes in many areas including finance and accounting, marketing, customer service, purchasing, and human resources.





Altium is currently the only provider of electronic design tools focused exclusively on the PC desktop that offers software design tools that cover the complete range of design tasks. The diagram below shows an overview of the design process and the Altium product lines that cover each area.

## Altium - THE SINGLE SOURCE FOR ALL DESIGN TOOLS



**Conceptual design** involves capturing an idea or solution to a design problem in a form that can be read and understood by others. In electronic design this means creating a set of schematic diagrams that represent the circuit and the interconnection of devices that make up the circuit. In many cases some circuit functions will be incorporated into programmable devices, most

commonly Field Programmable Gate Arrays (FPGAs). The design of these devices is usually captured by way of a specialised text-based engineering language called a Hardware Description Language (HDL). For circuits that contain microprocessors, which includes a large majority of the circuits designed today, conceptual design also involves the development of the software necessary to run the system.

The software programs are usually written in high-level computer languages such as C or C++.

The conceptual design phase may also involve computer simulation of the circuit, programmable device, and/or software. Simulation is performed to verify the correct functioning of the design and to fine tune the working of the design.

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*The process of designing electronic products or systems involves a number of stages and combines several types of development work. In general, the process can be divided into three main phases - conceptual design, physical design, and manufacturing design. Within each phase, several processes are involved that combine to form a complete electronic design.*

## Physical design

## Manufacturing design

Board Layout, Edit  
and Autorouting

Signal Integrity  
Simulation

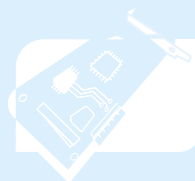
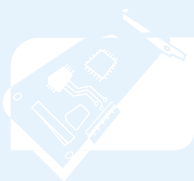
Board Layout, Edit  
and Autorouting

Signal Integrity  
Simulation

Board Layout, Edit  
and Autorouting

FPGA  
Synthesis

FPGA PLACE & ROUTE  
(uses tools from chip vendors)



**Physical design** is the process of taking the design and matching it to real physical devices. The physical properties of the components are used to position them on a circuit board, and the electrical connectivity of the schematic is used to design the layers of copper interconnections that will physically connect the pins of each component. For programmable devices the logic described by the HDL is

distilled into appropriate blocks that can be implemented within a specific family of FPGAs. This is known as 'synthesis'.

Physical design may also involve computer simulation called signal integrity analysis that involves examining the effect that the physical placement and interconnection of components has on circuit performance.

**Manufacturing design** is the creation and editing of the files necessary to control the various machines involved in the manufacture and fabrication of a circuit board. These machines are generally under computer control and the software tools used to create and manage the files that drive the machines is often referred to as Computer-Aided Manufacturing (CAM) software.



### The Altium Vision

*"Historically, the most advanced, state-of-the-art design tools have been prohibitively priced, with access being limited to engineers based within the few companies that could afford them. The Altium vision - unchanged since the Company's inception - is to break down these barriers to innovation and technological advancement and provide every engineer and system designer with easy access to the best possible design tools. Our ultimate goal is to develop the complete electronics design system and ensure it is available to every professional engineer and designer. This is the driving force behind why our Company was founded and is still the vision that guides our strategies today and into the future."*

**Nick Martin** Founder and Joint CEO Altium Limited

## REVIEW OF OPERATIONS AND ACTIVITIES

### GROUP OVERVIEW

#### Business objectives

Altium Limited is a leading developer and supplier of desktop electronic design automation (EDA) and embedded software design tools for the Microsoft Windows environment.

Altium's software is used by engineers for the design of electronic devices found in many of today's newest electronic and consumer products across a broad range of industries including telecommunications, automotive, aerospace, defence, medicine, science, and consumer electronics.

Altium was founded in Hobart, Tasmania, in 1985 and established itself as a key player in the electronic design industry with achievements such as the release of the world's first Windows-based EDA tool, and the first fully-integrated desktop board-level design system.

Key to Altium's vision of providing all engineers with access to the complete electronic design system is its unique "Design Explorer" platform technology. The Design Explorer platform creates a single design environment that allows seamless integration of all aspects of electronic design. Every time a customer adds an Altium product to their tool set, the Design Explorer installation expands to include the new functionality and features of that product without requiring the customer to adopt a "new" system. Design

Explorer provides Altium with a distinct competitive advantage and is one of the many reasons why Altium tools are world class.

Altium's products offer tailored solutions covering a range of electronic hardware and software design processes. Current products include Protel, P-CAD, TASKING, and CircuitMaker.

#### Review of operations

Altium's core business activity is the provision of shrink-wrapped software for the design of electronic products.

During the period the company continued its history of strong growth with sales revenue up by over 64% to \$53.1m (2000: \$32.3m). The increase can be attributed to organic growth in sales of existing product lines, a full year's contribution from sales of P-CAD product acquired in January 2000, and contributions from sales of embedded software products since April 2001.

To support this growth in sales, the company incurred increased costs in Marketing and Sales. This increase reflects the expanded sales penetration into Europe and North America with new offices in Netherlands, Germany and Boston, USA. Altium continues to strengthen each individual product brand through highly focused direct mail campaigns and advertising, with tailored local language content for each country where the company has a direct sales presence.

Selling and marketing expenses were 50% of the overall operating costs during the period, consistent with the previous financial year.

As a software developer, spending on research and development continues to be integral to a successful future for the company. Research and development expensed during the period was 50% higher than that in the previous financial year. Including costs capitalised as part of the integration process, total spending on research and development was up 37% to almost \$5m.

Altium's commitment to providing engineers with state-of-the-art design tools is evidenced through the continued expansion of the research and development team and Altium's willingness to continually invest in developing in-house intellectual property. Early 2001 saw the release of the latest generation of our P-CAD PCB Design software systems, P-CAD 2001. The product delivers an array of new high-powered, specialised PCB design features.

The company currently employs more than 120 staff engaged in research and development activities. This represents over one third of all staff employed at Altium.

Upon the completion of the acquisition of the TASKING group, Altium has added to its range of products with the addition of shrink-

wrapped software offerings for the design of embedded electronic software systems. TASKING also offers custom services for the development of purpose-built embedded systems software tool sets and provides consultancy services, either on or off-site, for the development of customised embedded applications.

Consistent with Altium's strategy for global shared services, the marketing and finance functions of TASKING have been integrated into the existing Altium infrastructure in Sydney.

Despite the overall increase in operating expenses as described above, the company has been able to improve its operating performance with earnings before interest, tax, depreciation and amortisation to over 44% as a percentage of sales revenue, up from 39% in the previous period. Operating profit after tax increased by over 57% to \$12.6m, results that all in the company are truly proud of.

## INVESTMENTS FOR FUTURE PERFORMANCE

The past year saw the company continue its strategy of acquiring supplementary technology to compliment its base of in-house developed intellectual property assets. Total value of intellectual property acquired was approximately \$7.6m with an additional \$1.2m invested in the integration of this technology. Each acquisition was funded via the group's cash reserves. Included in the above technology investments was the acquisition (and subsequent merger) of Innovative CAD Software, a US based EDA technology company, by Altium Software, Inc. for \$2.9m.

In addition to the above technology

investment, the company entered the market for embedded software tools through the acquisition of the TASKING group. This investment will allow the company to bridge the gap between the design of hardware and software, making Altium a true single source for all electronic design tools. The purchase of the TASKING group cost over \$73m, details of which can be found in note 29 to the financial statements.

On 6 August 2001 the company launched the new corporate brand "Altium". The launch as a distinct corporate brand represents the next stage in the realisation of the Company's long-established vision to help engineers turn their ideas into products in the easiest and most productive way possible. This is being achieved by reframing and unifying the organisation's product development, sales and support processes across all product brands and by enhancing the Company's focus on the most important element in the design process - the engineer.

The new corporate brand will work hand-in-hand with all current and future individual product brands and serve as a highly recognisable corporate platform adding value to the organisation's current and future products.

## REVIEW OF FINANCIAL POSITION

### Capital structure

To assist with the TASKING acquisition, the company undertook a private placement to raise \$25m, through the issue of 5,434,783 shares. The capital raised helped fund the cash portion of the acquisition consideration. In addition to approximately \$50m in

cash, the company issued 5,652,174 shares directly to the vendors of the TASKING group.

During the year option holders have exercised 7,509,040 options raising approximately \$5.4m. With the addition of the new shares listed above, shares issued on exercise of options and other small share issues, the total number of shares on issue as at 30 June 2001 was 87,436,974. For further details on contributed equity refer to note 18 to the financial statements.

### Treasury policy

Consistent with the board policy with regards to hedging, the group has not used any hedging instruments to manage its foreign exchange exposure during the year.

### Cash flows from operations

Operating cash flows of the group continues to improve in line with increased profitability. Cash generated from operating activities increased by over 65% from the same period last year, to \$14.5m. As discussed above, surplus funds have been invested in technology acquisitions and further expansions of operations. Further details on operating cash flows can be found in the Statement of cash flows in the financial statements.

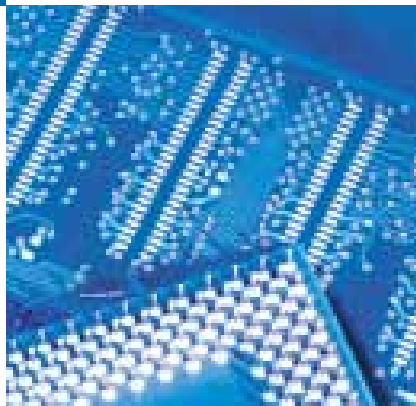
### Corporate governance

Corporate governance information is included on page 26 and 27 of the annual report.

### Statement of compliance

The above report is based on the guidelines in The Group of 100 Incorporated publication: Guide to Review of Operations and Financial Condition.





## DIRECTORS' REPORT

The directors of Altium Limited present their report on the consolidated entity consisting of Altium Limited and the entities it controlled at the end of, or during the year ended 30 June 2001.

### Directors

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

**Carl J Rooke**

**Kayvan Oboudiyat**

**Nicholas M Martin**

**David M Warren**

**William A Bartee**

Darren Charles and Bruce W Edwards were appointed as directors on 9 July 2001 and continue in office at the date of this report.

Colin G Yamey was a director from the beginning of the financial year until his resignation on 17 November 2000.

### Principal activities and review of operations

The consolidated entity's principal activities during the year continued to be that of the design, development and sale of computer software for the design of electronic products.

Refer to the review of operations on page 18 for further commentary.

		Consolidated	
Results		2001 \$'000	2000 \$'000
Operating profit before income tax		20,085	11,240
Income tax expense		(7,487)	(3,222)
<b>Operating profit after income tax</b>		<b>12,598</b>	<b>8,018</b>
Earnings per share		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		80,343,747	70,991,940

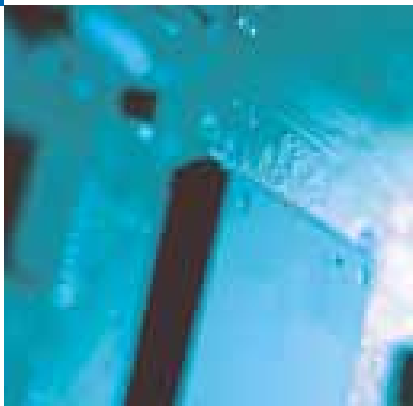
## Dividends

Dividends paid or declared by the company since the end of the previous financial year were:

Details	2001	2000
A final dividend of 6 cents per share (fully-franked) was declared by the directors on 29 August 2000 and paid on 29 September 2000 (in relation to the 2000 financial year)	-	\$4,445,828
An interim dividend of 3.5 cents per share (unfranked) was declared by the directors on 21 February 2001.	\$2,621,641	-
A final ordinary dividend of 4.5 cents per share fully franked was declared by the directors on 7 September 2001.	\$3,934,664	-
Total dividends in respect of the year	<b>\$6,556,305</b>	<b>\$4,445,828</b>

## Information on Directors

Director	Experience	Special Responsibilities	Directors' Interests in Altium Limited	
			Ordinary Shares	Options
Mr. Carl J Rooke FCA FAICD	Non-executive Director of 11 years. Chairman for 2 years.	Non-executive Chairman. Chairman of Audit and Remuneration Committees.	194,400	160,000
Mr. Kayvan Oboudiyat B E (Hons) GDA	Joint CEO for 2 years Managing Director for 3 years prior. Senior executive in the International Business Unit of Telstra.	Joint CEO. Member of Remuneration Committee.	1,187,500	1,200,000
Mr. Nicholas M Martin	Joint CEO & Founder. Executive Director for 14 years.	Joint CEO. Member of Audit Committee.	23,444,000	-
Mr. David M Warren B Sc (Hons)	Executive Director for 10 years.	-	4,103,000	-
Mr. William A Bartee BS MBA JD	Non-executive Director for 2 years. Former Investment Director of Macquarie Technology Funds Pty Limited.	Member of Audit and Remuneration Committees.	-	80,000
Mr. Darren Charles BCom	Appointed Executive Director & Chief Financial Officer July 2001.	CFO	254,250	170,250
Mr. Bruce W Edwards	Appointed Executive Director July 2001. President of Protel Technology, Inc prior.	-	-	-



## Directors' meetings

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2001 and up to the date of this report and attended by each director were:

	Full meeting of directors	Meetings of committees	
		Audit	Remuneration
Number of meetings held	7	3	2
Number of meetings attended by:			
Carl J Rooke	7	3	2
Kayvan Oboudiyat	7	*	2
Nicholas M Martin	6	3	*
David M Warren	7	*	*
William A Bartee	7	2	2
Colin G Yamey (resigned 17 November 2000 - 3 meetings held while a director)	3	*	*
Darren Charles (appointed 9 July 2001)	1	3**	*
Bruce W Edwards (appointed 9 July 2001)	1	*	*

\* Not a member of the relevant committee \*\* Attended by invitation

## Directors' and senior executives' emoluments

The remuneration committee is responsible for advising the board on remuneration policies and packages for board members and senior executives. Members of the remuneration committee are Carl J Rooke, Kayvan Oboudiyat and William A Bartee.

Remuneration of directors and senior executives is determined so as to ensure that the package properly reflects the

relevant person's duties and responsibilities and that the package is competitive to attract and retain services of high quality management. Remuneration packages include a base salary, superannuation, performance-related bonuses and other benefits. Executives are also eligible to participate in the company's option plans.

Remuneration and other terms of employment for each board member are formalised in service agreements.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emoluments of each director of Altium Limited and each of the five officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables:

## Non-executive directors of Altium Limited

Name	Directors' Base Fee \$	Motor Vehicle \$	Bonus \$	Super \$	Options \$	Other Benefits \$	Total \$
Carl J Rooke	90,000	-	38,571	-	70,400	-	198,971
William A Bartee	41,010	-	19,285	3,704	35,200	-	99,199
Colin G Yamey (From 1/7/2000 - 17/11/2000)	8,321	-	19,285	10,429	-	-	38,035

### Executive directors of Altium Limited

Name	Base Salary \$	Motor Vehicle \$	Bonus \$	Super \$	Options \$	Other Benefits \$	Total \$
Kayvan Oboudiyat	304,519	17,851	118,519	25,117	528,000	6,745	1,000,751
David M Warren	174,003	-	61,111	13,407	-	-	248,521
Nicholas M Martin	7,122	-	-	570	-	-	7,692

➡ Darren Charles was appointed Executive Director on 9 July 2001. Before this appointment he was the company's Director of Finance. Amounts received in his position as Director of Finance totalled \$172,284, are made up of: base salary \$108,450, motor vehicle \$12,858, bonus \$18,186, superannuation \$10,920 and options \$21,870.

➡ Bruce W Edwards was appointed Executive Director on 9 July 2001. Before this appointment he was a director of Protel Technology, Inc. Amounts received in his position as director of Protel Technology, Inc. totalled \$332,045, are made up of base salary \$318,314, superannuation \$2,952 and other benefits \$10,779.

### Other executives of Altium Limited

Name	Base Salary \$	Motor Vehicle \$	Bonus \$	Super \$	Options \$	Other Benefits \$	Total \$
Matthew Schwaiger Director, Product Management	103,644	9,063	-	9,462	23,220	-	145,389
Sharam Mirkazemi Director, Operations	105,385	-	-	8,431	22,815	-	136,631
Marc Depret Director, Platform Technologies	85,085	8,925	-	7,815	23,760	-	125,585
Phil Loughhead Product Manager, Protel	90,038	-	-	7,203	13,230	-	110,471
Steve Martin Manager, User Education	86,929	-	-	7,270	13,230	-	107,429

### Other executives of the consolidated entity

Name	Base Salary \$	Motor Vehicle \$	Bonus \$	Super \$	Options \$	Other Benefits \$	Total \$
Nancy Eastman Regional Director, USA	256,271	-	-	5,007	23,760	2,681	287,719
David Pellerin Director, Technology Partnerships	268,355	-	-	4,546	-	963	273,864
Rick Wilson Corporate Services Consultant	216,706	-	19,753	4,666	-	8,750	249,875
Brent Smith Manager, San Diego Sales & Support	220,528	-	6,494	4,202	12,420	-	243,644
Nicholas Boudot Regional Director, Europe	161,133	16,413	48,646	1,467	6,750	-	234,409





Other executives are officers who are involved in, concerned in, or who take part in, the management of the affairs of Altium Limited and/or the consolidated entity.

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.

### *Share options granted to directors and the most highly remunerated executives*

Options over unissued ordinary shares of Altium Limited granted during, or since the end of the financial year, to any of the directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration were as follows:

<b>Non-executive directors of Altium Limited</b>	<b>Options granted</b>
Carl J Rooke	160,000
William A Barteo	80,000
<b>Executive directors of Altium Limited</b>	<b>Options granted</b>
Kayvan Oboudiyat	1,200,000
<b>Other executives of Altium Limited</b>	<b>Options granted</b>
Marc Depret - Director, Platform Technologies	88,000
Matthew Schwaiger - Director, Product Management	86,000
Shahram Mirkazemi - Director, Operations	84,500
Phil Loughhead - Product Manager, Protel	49,000
Steve Martin - Manager, User Education	49,000
<b>Other executives of the consolidated entity</b>	<b>Options granted</b>
Nancy Eastman - Regional Director, USA	88,000
Brent Smith - Manager, San Diego Sales & Support	50,000
Nicholas Boudot - Regional Director, Europe	25,000

Darren Charles was appointed Executive Director on 9 July 2001. Before this appointment he was the company's Director of Finance. Number of options received in the period totalled 81,000.

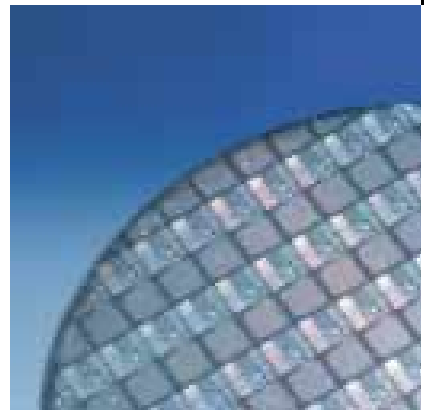
The director options were granted under the Director's Option Plan on 20 November 2000. The options granted to other executives were granted under the Protel Option Plan on 29 September 2000.

### *Shares under option*

Unissued ordinary shares of Altium Limited under option at the date of this report are as follows:

	Number	Issue Price Of Shares	Expiry Date
Protel International Employee Share Option Scheme	177,600	0.34	18 June 2004
Protel Option Plan	2,839,250	3.42	09 June 2005
Protel Option Plan	1,675,550	5.50	29 Sept 2005
Directors' Option Plan	1,440,000	5.50	20 Nov 2005

The options granted under the Protel International Employee Share Option Scheme can be exercised at any time until their expiry on 18 June 2004. The options granted under the Protel Option Plan and the Directors' Option Plan vest in equal amounts over a four-year period from the first anniversary date of issue. These options are exercisable at any time once vested through to expiry date. No option holder has any right under the options to participate in any other share issue of the company or of any other entity within the Group.



### **Significant changes in the state of affairs**

On 28 March 2001 the company completed a private placement of 5,434,783 shares at a price of \$4.60 raising \$25,000,002. The placement was made to existing institutional shareholders. The funds raised assisted in the acquisition of the TASKING group of companies.

On 30 March 2001 the company acquired the TASKING group of companies for US\$25m cash consideration and issued 5,652,174 shares with a fair value of \$3.83. Transaction costs of the acquisition amounted to \$1.5m. Costs associated with the restructuring of the business amounted to \$869,957. This was recognised as a liability as at the date of acquisition.

### **Events subsequent to balance date**

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). The Altium brand will work hand-in-hand with all current and future individual product brands and serve 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.

Altium Limited declared a dividend on 7 September 2001 as discussed previously.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2001 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

The consolidated entity intends to expand its product offerings through the acquisition of additional technologies. Further information on likely developments and the expected results of operations of the consolidated entity has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

### **Environment regulation**

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

### **Insurance of officers**

During the year the company paid a premium of \$70,920 to insure the directors and officers of Altium Limited and its subsidiaries. The liabilities insured are costs and 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 consolidated entity.

### **Rounding of amounts**

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

### **Auditor**

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

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

For and on behalf of the board

**Kayvan Oboudiyat**  
Director

**Nicholas M Martin**  
Director

Sydney 10 September 2001



**Bruce Edwards**  
Executive Director

**William A Bartee**  
Non-Executive Director

## CORPORATE GOVERNANCE STATEMENT

A description of the company's main corporate governance practices is set out below. The practices have been in place throughout the entire year, unless otherwise stated.

### *Board of directors*

The role and responsibility of the board is to increase shareholder value within a framework that protects the rights and enhances the interests of shareholders and ensures the company and its controlled entities are properly managed. The function of the board of directors includes responsibility for:

- Reviewing and approving strategic direction and policy,
- Monitoring financial performance including the approval of financial reports and liaison with the company's auditors,
- Appointing, monitoring and rewarding senior executives for their performance
- Ensuring that significant risks facing the company and its controlled entities have been identified and that appropriate control, monitoring and reporting mechanisms are in place.

### *Board composition*

The board is comprised of executive and non-executive directors, including a non-executive chairman.

At the date of this report, the Board consisted of five executive directors and two non-executive directors. Further details on directors are set out in the directors' report under the heading "Information on Directors".

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. These committees consist of one executive director and two independent directors.

The company's constitution specifies that one-third of all directors and any director who has held office for three years or more, must retire at each annual general meeting (with the exception of the Chief Executive Officers). Where eligible, a director may stand for re-election subject to conditions laid out in the company's constitution.

### *Independent professional advice*

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. All directors will be made aware of the professional advice sought and attained.



**David M Warren**  
Executive Director



**Darren Charles**  
Executive Director, CFO

## Remuneration committee

The remuneration committee consists of the following directors.

Carl J Rooke

William A Bartee

Kayvan Oboudiyat

The remuneration committee was established on 22 June 1999.

The remuneration committee was established to advise the board on remuneration policies and practices generally and will be responsible for making specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are to be reviewed by the committee having regard to performance, relative comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance related bonuses and fringe benefits. All directors (excluding N M Martin) are also eligible to participate in the Protel Director's Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's global operations.

Remuneration and other terms of employment for the CEO and other executive directors are formalised in service agreements.

Remuneration of non-executive directors is determined by the board and formalised in service agreements.

The remuneration committee's terms of reference will also include responsibility for reviewing any transaction between the consolidated entity and the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act (2001) and are appropriately disclosed.

Further information on directors' and executives' remuneration is set out in the directors' report and notes 23 and 24 to the financial statements.

The committee will also assume responsibility for management succession planning, including the implementation of appropriate executive development activities and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

## Audit committee

The audit committee consists of the following directors:

Carl J Rooke

William A Bartee

Nicholas M Martin

The audit committee was established on 22 June 1999.

The main responsibilities of the audit committee are to:

- Review and report to the board on the annual report, the annual and half-year financial reports and all other financial information published by the company or released to the market.
- Assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations,
  - reliability of financial reporting, and
  - compliance with applicable laws and regulations.
- Recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.
- Review of insurance matters for the consolidated entity.

In fulfilling its responsibilities, the audit committee will receive reports from management and external auditors. The external auditors have a clear line of direct communication at any time to all members of the audit committee and the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.





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