Section **03**

Financial Report

Altium Limited and controlled entities
ACN 009 568 772

Financial Report 30 June 2002

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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 is included in the review of operations and activities on pages 20-22 and in the Directors' Report on pages 23-30.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on the Investors' section on our website: **www.altium.com**. For queries in relation to our reporting please email **investor.relations@altium.com.au**.

Statements of financial performance

For the year ended 30 June 2002	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Revenue from ordinary activities	2	52,388	57,876	33,929	32,977
Changes in inventories of finished goods		(134)	249	(16)	206
Raw materials and consumables used		(326)	(1,792)	(477)	(667)
Employee benefits expense		(24,389)	(18,033)	(8,811)	(7,088)
Depreciation and amortisation expense	3	(7,625)	(4,636)	(1,439)	(1,498)
Borrowing costs expense	3	(99)	(10)	(45)	(21)
Rental expense		(2,518)	(1,612)	(577)	(576)
Advertising and direct mail expense		(5,158)	(4,362)	(5,161)	(3,301)
Restructuring and redundancy expense		(1,617)	-	(584)	-
Professional advice expense		(1,304)	(1,894)	(1,011)	(1,185)
Communication expense		(993)	(923)	(349)	(315)
Intercompany royalties		-	-	(3,493)	(779)
Intercompany contract research and development expense		-	-	(3,299)	(90)
Net loss on foreign currency transactions	3	(601)	-	(672)	-
Other expenses from ordinary activities		(3,970)	(4,778)	(1,635)	(1,774)
Profit from ordinary activities before income tax expense		3,654	20,085	6,360	15,889
Income tax attributable to operating profit	4	(1,401)	(7,487)	(749)	(4,605)
Profit from ordinary activities after income tax expense		2,253	12,598	5,611	11,284
Net profit attributable to members of Altium Limited	20	2,253	12,598	5,611	11,284
Basic earnings per share	33	2.6	16.4		
Diluted earnings per share	33	2.6	16.2		

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

Statements of financial position

For the year ended 30 June 2002	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Current assets					
Cash assets	6	6,542	8,036	1,979	1,413
Receivables	7	12,092	15,908	11,696	18,534
Inventories	8	401	535	339	355
Current tax assets	9	1,612	-	300	-
Other	13	918	678	204	48
Total current assets		21,565	25,157	14,518	20,350
Non-current assets					
Receivables	7	-	-	67,182	87,995
Property, plant and equipment	10	2,168	2,594	1,001	909
Intangible assets	12	121,295	123,378	16,497	13,145
Investment in controlled entities	30	-	-	43,420	19,630
Deferred tax assets	11	6,183	5,119	1,128	443
Other	13	333	379	-	-
Total non-current assets		129,979	131,470	129,228	122,122
Total assets		151,544	156,627	143,746	142,472
Current liabilities					
Payables	14	4,921	6,439	4,745	3,222
Interest bearing liabilities	15	385	718	36	457
Current tax liabilities	16	-	992	-	1,402
Provisions	16	1,293	1,409	640	429
Other	18	6,660	9,051	282	2,788
Total current liabilities		13,259	18,609	5,703	8,298
Non-current liabilities					
Interest bearing liabilities	15	69	-	69	-
Provisions	16	186	213	186	213
Deferred tax liabilities	17	3,475	2,223	4,655	3,159
Total non-current liabilities		3,730	2,436	4,910	3,372
Total liabilities		16,989	21,045	10,613	11,670
Net assets		134,555	135,582	133,133	130,802
Equity					
Contributed equity	19	117,854	117,190	117,854	117,190
Retained profits	20	16,701	18,392	15,279	13,612
Total equity	21	134,555	135,582	133,133	130,802

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

For the year ended 30 June 2002		CONSOLIDATED		PARENT ENTITY	
	Note	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Cash flows from operating activities					
Receipts from customers		53,229	49,163	33,019	18,356
Payments to trade creditors, other suppliers and employees		(42,245)	(29,363)	(24,638)	(11,714)
Interest received		68	1,124	3,269	2,258
Interest paid		(93)	(10)	(39)	(21)
Income taxes paid		(3,818)	(6,433)	(1,640)	(1,748)
Net cash inflows from operating activities	31	7,141	14,481	9,971	7,131
Cash flows from investing activities					
Payments for property, plant and equipment		(802)	(1,084)	(572)	(589)
Proceeds from sale of property, plant and equipment		28	33	17	31
Payments for additional shares in controlled entity		-	-	(1,075)	(33)
Payments for purchase of controlled entities, net of cash acquired		-	(50,763)	-	-
Payments for transaction costs of purchase of controlled entities		-	(1,511)	-	-
Payments for restructuring of acquired controlled entities		-	(766)	-	-
Loans to related parties		-	-	(49,546)	(54,933)
Repayment of loans by related parties		-	-	49,729	5,032
Payments for technology acquisitions and licenses		-	(4,154)	-	(4,009)
Payments for research and development		(3,405)	(1,178)	(3,405)	(768)
Payment for AltiumOne		(542)	-	(542)	-
Payments for trademark		(252)	(614)	(252)	(614)
Net cash outflows from investing activities		(4,973)	(60,037)	(5,646)	(55,883)
Cash flows from financing activities					
Proceeds from issues of shares	19	664	30,384	664	30,384
Proceeds from borrowings		-	308	-	-
Repayment of borrowings		(211)	(992)	(35)	(231)
Dividends paid		(3,944)	(7,067)	(3,944)	(7,067)
Net cash (outflows)/ inflows from financing activities		(3,491)	22,633	(3,315)	23,086
Net (decrease)/ increase in cash held		(1,323)	(22,923)	1,010	(25,666)
Cash at the beginning of the financial period		7,516	30,439	969	26,635
Cash at the end of the financial year	6	6,193	7,516	1,979	969
Non-cash financing and investing activities	31				

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

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 2002 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 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 the foreign operation 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.

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 over which 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.

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 are 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.
iii) Trademarks - Costs incurred in relation to the establishment of the Altium trademark and associated brands have been deferred. The carrying amount of the Altium trademark cost is not amortised on the directors belief it will exist in perpetuity and its value will not diminish over time. Notwithstanding this, the depreciable amount of the Altium trademark costs has been determined based on the director's assessments of the residual value of the Altium trademark at the end of years ten, twenty, thirty, forty and fifty in current dollar terms. At the end of these periods, the residual value approximates to the current carrying amount of the Altium trademark cost giving rise to an immaterial depreciable amount. As a result there is no amortisation charge to be recognised. An assessment of the recoverable amount of the Altium trademark is made each reporting period to ensure this is not less that its carrying amount.

iv) Software developed for internal use - Costs relating to software developed for internal use have been capitalised and are being amortised over its estimated useful life using the straight line method. Software developed for internal use is presently being amortised over 3 years. Costs capitalised include labour and other directly attributable costs.

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.

n) Lease liability - 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) 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.

p) 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.

q) 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.

r) 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 in to 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.

s) 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.

2 Revenue

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Revenue from operating activities:				
Sale of goods	47,086	49,284	30,191	24,985
Services	4,959	3,836	143	816
	52,045	53,120	30,334	25,801
Revenue from outside the operating activities:				
Interest	68	1,124	3,269	2,258
Sale of non-current assets	12	9	2	-
Foreign exchange gain	-	3,524	-	4,885
Other income	263	99	324	33
	343	4,756	3,595	7,176
Total Revenue	52,388	57,876	33,929	32,977

3 Profit from operating activities

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains:				
Net gain (loss) on disposal of plant and equipment	2	(9)	2	2
Net gain on foreign currency transactions	-	3,524	-	4,885
Net gain on disposal of investments	-	-	325	-
Expenses:				
Cost of revenue				
Goods	1,088	2,079	4,412	1,616
Services	2,018	855	72	79
Total costs of revenue	3,106	2,934	4,484	1,695
Net loss on foreign currency transactions	601	-	672	-
Depreciation				
Plant and equipment (note 10)	1,272	857	530	492
Total Depreciation	1,272	857	530	492
Amortisation				
Leasehold improvements (note 10)	44	150	35	144
Plant and equipment under finance leases (note 10)	27	30	27	30
Goodwill	5,079	2,294	-	-
Technology acquisitions & licenses	1,203	1,305	847	832
Total Amortisation	6,353	3,779	909	1,006
Other charges against assets				
Write down of inventories to net realisable value	66	14	44	-
Bad and doubtful debts	127	284	(57)	20
Borrowing costs				
Interest paid/payable	93	4	39	15
Finance charges relating to finance leases	6	6	6	6
Total borrowing costs	99	10	45	21
Other Provisions				
Employee entitlements	194	146	184	195
Rental expense relating to operating leases	2,518	1,612	577	576
Research and development costs incurred	9,886	4,990	9,966	3,357
Less: Amounts capitalised	(3,405)	(1,178)	(3,405)	(768)
Research and development costs expensed	6,481	3,812	6,561	2,589

4 Income tax

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
(a) Income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	3,654	20,085	6,360	15,889
Income tax calculated at 30% (2001 at 34%)	1,096	6,829	1,908	5,402
Tax effect of permanent differences:				
Research and development claim	(1,004)	(410)	(1,004)	(410)
US stock option deductions	-	(506)	-	-
Goodwill amortisation	1,524	780	-	-
Exempt dividend	-	-	(98)	-
Sundry items	-	(143)	(1)	(235)
Income tax adjusted for permanent differences	1,616	6,550	805	4,757
Under/(over) provision in prior year	(245)	577	(56)	(2)
Recognition of unbooked timing differences	-	212	-	212
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 30% (2001: 34%)	-	(365)	-	(362)
Effect of different rates of tax on overseas income	30	513	-	-
Aggregate income tax expense	1,401	7,487	749	4,605
Aggregate income tax comprises:				
Current taxation provision	1,051	4,386	-	3,009
Deferred income tax provision	1,245	910	1,489	1,650
Future income tax benefit	(650)	1,614	(684)	(52)
(Over)/under provision in prior year	(245)	577	(56)	(2)
	1,401	7,487	749	4,605
(b) Future income tax benefit attributed to losses included in future income tax benefit in note 11.	5,418	3,014	643	-
The directors estimate that the potential future income tax benefit at 30 June 2002 in respect of tax losses not brought to account is	3,930	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.

5 Segment information

Primary reporting - geographic segments

Although the consolidated entity's divisions are managed on a global basis they operate in four main geographical areas:

Australia

The home country of the parent entity which is also the main operating entity. The areas of operation are design, development and sale of computer software for the design of electronic products.

North America

Comprises the sale of computer software for the design of electronic products throughout USA and Canada.

Europe

Comprises the sale of computer software for the design of electronic products throughout Europe.

Asia

Comprises the sale of computer software for the design of electronic products throughout Asia.

	Australia	North America	Europe	Asia	Other	Inter-segment eliminations /unallocated	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2002 (12 months to 30 June)							
Sales to customers outside the economic entity	891	24,056	18,287	7,899	912		52,045
Inter-segment sales	23,056	2,026	6,854	265	-	(32,201)	-
Other revenue	3,595	7,888	4,164	(351)	-	(13,905)	1,391
Total segment revenue	27,542	33,970	29,305	7,813	912	(46,106)	53,436
Segment result	8,469	4,970	3,910	3,213	912	(9,698)	11,776
Unallocated expenses							(8,122)
Profit from ordinary activities before income tax expense							3,654
Income tax expense							(1,401)
Net Profit							2,253
Segment assets	142,319	47,913	80,308	2,030	-	(121,026)	151,544
Segment liabilities	5,958	30,030	59,359	2,115	-	(80,473)	16,989
Acquisitions of property, plant and equipment	698	88	123	18	-	-	927
Depreciation and amortisation expense	5,130	1,916	551	28	-	-	7,625

	Australia	North America	Europe	Asia	Other	Inter-segment eliminations /unallocated	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'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
Inter-segment sales	876	14,285	5,008	2,236	-	(22,405)	-
Other revenue	7,177	(865)	(157)	(41)	-	(1,358)	4,756
Total segment 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)
Profit from ordinary activities before income tax expense							20,085
Income tax expense							(7,487)
Net Profit							12,598
Segment assets	142,029	55,081	88,278	4,169	-	(132,930)	156,627
Segment liabilities	7,108	43,115	87,836	3,694	-	(120,708)	21,045
Acquisitions of property, plant and equipment	589	117	251	127	-	-	1,084
Depreciation and amortisation expense	1,498	1,965	1,156	17	-	-	4,636

Notes to and forming part of the segment information

(a) Accounting policies - Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting. Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers - Inter-segment transfers consist of the following types of transactions:
i) Research and development costs based on a notional mark-up on cost.
ii) Royalty costs for the use of Intellectual property.
iii) Subsidiaries earn a return for a limited risk distribution function.

(c) Secondary reporting - business segments - The directors have determined the company does not operate in more than one business segment; as such no secondary reporting segment information had been presented.

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
6 Cash assets				
Current				
Cash at bank and on hand	6,542	8,036	1,979	1,413
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	6,542	8,036	1,979	1,413
Less: bank overdrafts (note 15)	(349)	(520)	-	(444)
Balances per statement of cash flows	6,193	7,516	1,979	969
7 Receivables				
Current				
Trade debtors	12,274	14,962	11,424	16,863
Less: provision for doubtful debts	(869)	(1,112)	(54)	(114)
	11,405	13,850	11,370	16,749
Loan to subsidiaries	-	-	-	1,761
Other debtors	687	2,058	326	24
	12,092	15,908	11,696	18,534
Non-current				
Loan to subsidiaries	-	-	67,182	87,995
8 Inventories				
Current				
Raw materials at cost	401	535	339	355
9 Current tax assets				
Current				
Income tax receivable	1,612	-	300	-

10 Property, plant and equipment

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Non-current				
Plant and equipment at cost	5,889	5,119	2,644	2,076
Less: accumulated depreciation	(4,067)	(2,812)	(1,841)	(1,312)
	1,822	2,307	803	764
Leasehold improvements at cost	479	463	268	265
Less: accumulated depreciation	(257)	(214)	(193)	(158)
	222	249	75	107
Plant and equipment on lease	211	136	210	136
Less: accumulated amortisation	(87)	(98)	(87)	(98)
	124	38	123	38
Total property, plant and equipment	2,168	2,594	1,001	909

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	Leasehold improvements	Leased plant & equipment	Total
	$'000	$'000	$'000	$'000
Consolidated - 2002				
Carrying amount at 1 July 2001	2,307	249	38	2,594
Additions	785	15	127	927
Disposals	(12)	-	(14)	(26)
Depreciation/amortisation expense (note 3)	(1,272)	(44)	(27)	(1,343)
Foreign currency exchange differences	14	2	-	16
Carrying amount at 30 June 2002	1,822	222	124	2,168
Parent entity - 2002				
Carrying amount at 1 July 2001	764	107	38	909
Additions	570	3	126	699
Disposals	(1)	-	(14)	(15)
Depreciation/amortisation expense (note 3)	(530)	(35)	(27)	(592)
Carrying amount at 30 June 2002	803	75	123	1,001

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
11 Deferred tax assets				
Future income tax benefit	6,183	5,119	1,128	443
Future income tax benefit attributed to tax losses	5,418	3,014	643	-
12 Intangible assets				
Non-current				
Goodwill	101,437	101,437	-	-
Less: accumulated amortisation	(7,970)	(2,891)	-	-
	93,467	98,546	-	-
Trademark Altium	866	614	866	614
AltiumOne technology	542	-	542	-
Less: accumulated amortisation	(15)	-	(15)	-
	527	-	527	-
Acquired technology	23,886	24,022	12,480	12,480
Capitalised integration costs	6,419	3,014	5,770	2,365
Less: accumulated amortisation	(3,870)	(2,818)	(3,146)	(2,314)
	26,435	24,218	15,104	12,531
	121,295	123,378	16,497	13,145
13 Other assets				
Current				
Prepayments	918	678	204	48
Non-current				
Long term notes & deposits	333	315	-	-
Security deposits	-	64	-	-
	333	379	-	-

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
14 Payables				
Current (unsecured)				
Trade creditors	4,354	5,614	4,528	2,252
Accrual for auditing	197	200	197	190
Other payables	370	625	20	780
	4,921	6,439	4,745	3,222
15 Interest bearing liabilities				
Current				
Bank overdrafts	349	520	-	444
Lease liabilities (note 27)	36	13	36	13
Other loans	-	185	-	-
	385	718	36	457
Non-current				
Lease liabilities (note 27)	69	-	69	-
The lease liability consists of finance leases for plant and equipment. Leases due within one year have a weighted average interest rate of 17.94% (2001: 8.49%).				
Financing arrangements				
Credit standby arrangements				
Total facilities				
Bank overdrafts	4,395	4,451	2,000	2,000
Used at balance date				
Bank overdrafts	349	520	-	444
Unused at balance date				
Bank overdrafts	4,046	3,931	2,000	1,556

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
16 Provisions				
Current				
Employee entitlements	1,293	1,213	640	429
Provision for restructuring	-	196	-	-
	1,293	1,409	640	429
Provision for income tax	-	992	-	1,402
	1,293	2,401	640	1,831
Non-current				
Employee entitlements	186	213	186	213
17 Deferred tax liabilities				
Non-current				
Deferred income tax	3,475	2,223	4,655	3,159
18 Other liabilities				
Current				
Unearned income	120	593	4	15
Deferred maintenance revenue	6,540	8,458	278	2,773
	6,660	9,051	282	2,788

19 Contributed equity

	Number of shares 2002	Number of shares 2001	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
(a) Shared capital (notes b, c)				
Ordinary shares fully paid	87,631,224	87,436,974	117,854	117,190

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price $	$'000
1 July 2001	Opening balance	87,436,974		117,190
4 July 2001	Exercise of options - Protel International Employee Share Option Scheme	194,250	3.42	664
30 June 2002	Balance	87,631,224		117,854

(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 2002, there were 87,631,224 ordinary shares paid in full.

(d) Options

Information relating to the Protel International Share Option Scheme, Altium Option Plan, and Directors' Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 28.

20 Retained profits

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Retained profits at the beginning of the financial year		18,392	12,861	13,612	9,395
Net profit attributable to members of Altium Limited		2,253	12,598	5,611	11,284
Dividends paid or provided for	22	(3,944)	(7,067)	(3,944)	(7,067)
Retained profits at the end of the financial year		16,701	18,392	15,279	13,612

21 Equity

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Total equity at the beginning of the year		135,582	78,019	130,802	74,553
Total changes in equity recognised in the statement of financial performance		2,297	12,598	5,956	11,284
Transactions with owners as owners:					
Contributions of equity, net of transaction costs	19	664	52,032	664	52,032
Dividends provided for or paid	21	(3,944)	(7,067)	(3,944)	(7,067)
Total equity at the end of the financial year		134,599	135,582	133,478	130,802

22 Dividends

	PARENT ENTITY 2002 $'000	PARENT ENTITY 2001 $'000
Ordinary shares		
Interim unfranked dividend of 3.5c per share paid 16 March 2001 (in relation to 2001 financial year)	-	2,622
Final dividend of 4.5c per share paid 19 October 2001 fully franked (in relation to 2001 financial year)	-	3,944
Final dividend of 2c per share to be paid 4 October 2002 fully franked (in relation to 2002 financial year)	1,753	-
Dividends provided for or paid	1,753	6,566
Franking credits (debits) available for the subsequent financial years	(442)	4,527

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 30% (2001: 34%). The Government introduced legislation into Parliament on 28 June 2001 to require 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. Although this legislation lapsed when Parliament rose on 8 October 2001, it is expected to be re-introduced and apply retrospectively to ensure that the balances of the franking accounts as at 1 July 2001 and all franking debits and credits arising on or after that date (including those relating to dividends) will be entered into the converted franking account using the new rate of 30%.

Notes to the financial statements

23 Financial instrument

(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.

		Floating interest rate	Fixed interest rate maturities			Non interest bearing	Total
			1 year or less	1 to 5 years	Over 5 years		
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated 2002							
Financial assets							
Cash	6	4,145	-	-	-	2,398	6,542
Receivables	7	-	-	-	-	12,092	12,092
		4,145	-	-	-	14,490	18,634
Weighted average interest rate		1.3%					
Financial liabilities							
Bank overdraft	6,15	(334)	-	-	-	(15)	(349)
Accounts payable	14	-	-	-	-	(4,724)	(4,724)
Financial lease liabilities	15,27	-	(36)	(69)	-	-	(105)
		(334)	(36)	(69)	-	(4,739)	(5,178)
Weighted average interest rate		5.3%	17.9%	17.9%			
Net financial assets (liabilities)		3,811	(36)	(69)	-	9,751	13,456
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	6,15	(520)	-	-	-	-	(520)
Accounts payable	14	-	-	-	-	(6,239)	(6,239)
Other loans	15	-	-	-	-	(185)	(185)
Financial lease liabilities	15	-	(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	
	Note	2001 $'000	2002 $'000
Reconciliation of net financial assets to net assets			
Net financial assets as above		13,456	16,987
Non-financial assets and liabilities:			
Inventories	8	401	535
Property, plant and equipment	10	2,168	2,594
Intangibles	12	121,295	123,378
Other assets	13	1,251	1,057
Future income tax benefit	11	6,183	5,119
Income tax provision	9,16	1,612	(992)
Provisions	16	(1,676)	(1,822)
Deferred income tax liability	17	(3,475)	(2,223)
Other liabilities	18	(6,660)	(9,051)
Net assets per balance sheet		134,555	135,582

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.

24 Directors' remuneration

	Directors of entities in the Consolidated Entity		Directors of the Parent Entity	
	2002 $	2001 $	2002 $	2001 $
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.	2,222,654	2,569,628	1,413,213	1,593,169

Options are granted to directors under the Protel International Employee Share Option Scheme, the Altium Option Plan, and the Directors' Option Plan, details of which are set out in notes 28 & 29. Details of options granted to and exercised by directors during the year ended 30 June 2002 is set out in note 29. No directors' retirement benefits were paid during the year ended 30 June 2002.

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

	2002	2001
Income of $0 to $9,999	1	1
Income of $30,000 to $39,999	-	1
Income of $80,000 to $89,999	1	-
Income of $90,000 to $99,999	-	1
Income of $140,000 to $149,999	1	-
Income of $160,000 to $169,999	1	-
Income of $190,000 to $199,999	-	1
Income of $240,000 to $249,999	-	1
Income of $250,000 to $259,999	1	-
Income of $260,000 to $269,999	1	-
Income of $490,000 to $499,999	1	-
Income of $1,000,000 to 1,009,999	-	1

25 Executives' remuneration

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 Consolidated Entity		Executive Officers of the Parent Entity	
	2002 $	2001 $	2002 $	2001 $
Executive officers of the company	2,680,095	2,323,472	2,680,095	2,323,472

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 2002. 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.

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:

	Executive Officers of the Consolidated Entity		Executive Officers of the Parent Entity	
	2002	2001	2002	2001
Income of $100,000 to $109,999	5	2	5	2
Income of $110,000 to $119,999	4	1	4	1
Income of $120,000 to $129,999	2	1	2	1
Income of $130,000 to $139,999	2	1	2	1
Income of $140,000 to $149,999	-	1	-	1
Income of $150,000 to $159,999	-	-	-	-
Income of $160,000 to $169,999	1	-	1	-
Income of $170,000 to $179,999	-	2	-	2
Income of $240,000 to $249,999	-	1	-	1
Income of $250,000 to $259,999	1	-	1	-
Income of $260,000 to $269,999	1	-	1	-
Income of $490,000 to $499,999	1	-	1	-
Income of $1,000,000 to $1,009,999	-	1	-	1

Options are granted to executives under the Protel International Limited Employee Option Plan and the Altium Option Plan, details of which are set out in note 28 and 29. 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 2002 is set out below:

	Opening Balance	Granted	Exercised	Outstanding at Year End
Australian based executives officers of the company	3,004,000	180,000	(67,750)	3,116,250

26 Remuneration of auditors

During the year the auditor of the parent entity and its related practices earned the following remuneration:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2002 $	2001 $	2002 $	2001 $
PricewaterhouseCoopers - Australian firm				
Audit or review of financial reports of the entity or any entity in the consolidated entity	248,480	222,000	105,400	102,500
Other services				
Other assurance services	95,042	487,767	95,012	3,250
Taxation compliance, consulting and advisory services	489,820	36,735	489,820	5,250
	584,862	524,502	584,832	8,500
Total remuneration	833,342	746,502	690,232	111,000
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	22,584	13,566	-	-
Other services				
Other assurance services	50,580	-	-	-
Legal services	61,189	45,188	61,189	45,188
Taxation compliance, consulting and advisory services	576,200	505,401	-	-
	687,969	550,589	61,189	45,188
Total remuneration	710,553	564,155	61,189	45,188
Total PricewaterhouseCoopers Remuneration	1,543,895	1,310,657	751,421	156,188

Of the total remuneration to PricewaterhouseCoopers approximately $450,000 represents non-recurring fees in relation to the consolidation and restructure of the Altium group entities and activities.

From time to time the company will employ accountants to provide consulting services. The company and its combined controlled entities has a policy of seeking competitive tender for all major projects. Amounts in excess of $20,000 must be approved by the audit committee. When appointing auditors or appointing accountants for non-audit services, the executive director and CFO, D Charles, is not permitted to vote.

27 Commitments for expenditure

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Lease commitments				
Operating leases				
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	1,543	2,159	150	346
Later than 1 year but not later than 5 years	926	2,205	36	105
Later than 5 years	-	45	-	-
	2,469	4,409	186	451
Representing:				
Non-cancellable operating leases	2,469	4,409	186	451
Finance leases				
Commitments in relation to finance leases are payable as follows:				
Not later than one year	53	14	53	14
Later than 1 year but not later than 5 years	80	-	80	-
Minimum lease payments	133	14	133	14
Less: future finance charges	(28)	(1)	(28)	(1)
Provided for in accounts	105	13	105	13
Representing lease liabilities:				
Current (note 15)	36	13	36	13
Non-current (note 15)	69	-	69	-
	105	13	105	13

28 Employee entitlements

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 16)	1,293	1,213	640	429
Non-current (note 16)	186	213	186	213
Aggregate employee entitlement liability	1,479	1,426	826	642
	$	$	$	$
Estimated value of options issued to all employees including directors	208,850	4,447,270	118,523	1,578,180
Employee numbers	Number		Number	
Average number of employees during the financial year	302	210	129	102

These estimated 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. The company acknowledges that while these estimates are based on the Black-Scholes option-pricing model, the valuation will vary widely due to fluctuations in the companies share price.

Options

The company has the following share option plans:

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

2002

Date of Issue	4 Dec 2001 (ii)	7 Nov 2001 (ii)	12 Oct 2001 (ii)	20 Nov 2000 (iii)	29 Sep 2000 (ii)	9 Jun 2000 (ii)	4 Aug 1999 (i)
On issue at the beginning of the year	-	-	-	1,440,000	1,690,550	3,193,000	177,600
Issued during the year	123,000	1,141,950	1,776,960	-	-	-	-
Exercised during the year	-	-	-	-	-	(194,250)	-
Expired during the year	-	(80,500)	(120,800)	-	(294,900)	(524,750)	-
Outstanding at balance date	123,000	1,061,450	1,656,160	1,440,000	1,395,650	2,474,000	177,600
Number of recipients	2	60	71	3	66	136	83
Exercise price	$3.56	$4.20	$4.20	$5.50	$5.50	$3.42	$0.34
Exercise period	Dec 2002 to Dec 2006	Nov 2002 to Nov 2006	Oct 2002 to Oct 2006	Nov 2001 to Nov 2005	Sep 2001 to Sep 2005	Jun 2001 to Jun 2005	Aug 2000 to Jun 2004
Expiration date	4 Dec 2006	7 Nov 2006	12 Oct 2006	20 Nov 2005	29 Sep 2005	9 Jun 2005	18 Jun 2004

2001

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

The market price per ordinary share at balance date was $1.08

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 (2001: 6,227,100) options have been granted under the scheme to eligible employees as at 30 June 2002. 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.

Altium Option Plan

The board of directors approved the establishment of the Altium Option Plan in June 1999. All employees (excluding executive directors) of Altium Limited and its subsidiaries are eligible to participate in the plan. An executive director (Darren Charles) holds options in this plan; these options were issued to him prior to becoming an Executive Director on 9 July 2001. Invitations for employees to participate are determined at the discretion of the directors of the company.

A total of 8,406,960 options (2001: 5,365,050) have been granted under the plan to eligible employees as at 30 June 2002. Each option is convertible into one ordinary share. Conversion can occur no earlier than the first anniversary of the date on which the options were granted. The exercise price payable upon conversion is fixed.

Directors' Option Plan

For details see note 29.
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.

29 Related party information

Directors

The names of persons who were directors of Altium Limited at any time during the financial year ended 30 June 2002 are as follows: Nicholas M Martin; David M Warren; Kayvan Oboudiyat; Carl J Rooke; William A Bartee; Darren Charles; and Bruce W Edwards. Darren Charles and Bruce W Edwards were appointed as directors on 9 July 2001. Information on remuneration of directors is disclosed in Note 24 to the accounts.

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

	PARENT ENTITY	
	2002 Number	2001 Number
Aggregate number of shares and share options acquired or disposed of by directors of Altium Limited or their director-related entities:		
Acquisitions		
Ordinary shares	230,000	1,290,100
Disposals		
Ordinary shares	152,200	5,663,000
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:		
Ordinary shares	29,265,790	28,928,900
Options over ordinary shares	1,731,250	1,440,000

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 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 Altium 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.

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

A director, C J Rooke, is a partner in Horwath Tas Pty Limited. Horwath Tas has provided accounting services and sub leased office space to Altium Limited for several years on normal commercial terms and conditions. The total amounts paid during the year total $43,608 (2001: $62,535). The aggregate amounts payable at balance date to a director, C J Rooke was $- (2001: $7,000).

Wholly - Owned Group

The wholly-owned group consists of Altium Limited, the ultimate parent entity, and its wholly-owned controlled entities, Altium Inc, Altium Japan KK, Altium Europe AG, Altium Netherlands BV, Altium BV, Altium Germany GmbH, Tasking Srl, Altium Limited (UK). Ownership interests in these controlled entities are set out in note 30

Transactions between Altium Limited and other entities in the wholly owned group during the year ended 30 June 2002 and 2001 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.
(g) Payments for royalties in exchange for use of intellectual property.

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% (2001: 6.7%)

	PARENT ENTITY	
	2002 $'000	2001 $'000
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group:		
Interest Revenue	3,247	1,177
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date:		
Current receivables		
Trade debtors	8,517	13,165
Loans	-	1,761
Other	11	-
Non-current receivables		
Loans	67,182	87,995
Current payables		
Trade creditors	2,815	259
Loans	219	-

30 Investments in controlled entities

	2002 $'000	2001 $'000
Shares in subsidiaries	43,420	19,630

(a) Investments in controlled entities comprises:

Name of entity	Country of incorporation	Equity holding		Investment in subsidiary	
		2002 %	2001 %	2002 $'000	2001 $'000
Altium Netherlands BV	Netherlands	100	100	22,422	32
Altium Beheer BV	Netherlands	- *	100	-	49,547
Altium BV *	Netherlands	100	100	72,656	23,899
Altium Software BV	Netherlands	- *	100	-	32
Tasking Software Nederland BV	Netherlands	- *	100	-	286
Tasking Embedded Software Services BV	Netherlands	- *	100	-	32
Altium Limited UK	UK	100	100	-	-
Tasking Srl	Italy	100	100	91	91
Boston Systems Office Limited	UK	100	100	-	-
Nihon Tasking KK	Japan	- ***	100	-	325
Altium, Inc. **	USA	100	100	19,709	12,891
Altium Software, Inc.	USA	- **	100	-	26,396
Accel Tech Foreign Sales Corp	Barbados	-	100	-	-
BSO, Inc.	USA	- **	100	-	2,022
Tasking, Inc.	USA	- **	100	-	10
Altium Germany GmbH	Germany	100	100	1,075	91
Altium Europe AG	Switzerland	100	100	100	100
Altium Japan KK ***	Japan	100	100	114	114
Metamor, Inc.	USA	-	100	-	6,493

During the year the Altium Group was restructured which involved the merger of the following entities:

* Altium Beheer BV, Altium Software BV, Tasking Software Nederland BV and Tasking Embedded Software Services BV merged into Altium BV.

** Altium Software Inc, BSO Inc and Tasking Inc merged into Altium, Inc.

*** Nihon Tasking KK merged into Altium Japan KK.

As part of the above restructure Accel Tech Foreign Sales Corp was deregistered and Metamor Inc was liquidated.

(b) Details of acquisitions made in the current financial year are set out below:

None

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

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.

TASKING acquisition

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. Consideration for the acquisition was cash of $50,287,000 and shares in Altium Limited of $21,648,000.

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.

Summary of acquisition cash outflows

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Outflow of cash to acquire controlled entities, net of cash acquired				
Cash Consideration	-	(53,254)	-	-
Less: Balances acquired Cash	-	2,491	-	-
Outflow of cash	-	(50,763)	-	-

31 Cash flow information

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Reconciliation of operating profit after income tax to net cash inflows from operating activities				
Operating profit after income tax	2,253	12,598	5,611	11,284
Depreciation and amortisation	7,625	4,636	1,439	1,498
Net (gain)/loss on disposal of assets	(2)	9	(2)	(2)
Unrealised foreign exchange differences	20	62	-	(2,819)
Net (gain) on disposal of investments	-	-	(325)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
Decrease/(increase) in trade and other debtors	3,838	(1,764)	5,076	(10,205)
Decrease/(increase) in inventories	134	(249)	16	(206)
(Increase)/decrease in prepayments and other assets	(258)	(45)	(156)	62
(Increase)/decrease in future income tax benefit	(1,064)	1,252	(685)	(63)
(Decrease)/increase in trade and other creditors and employee entitlements	(4,053)	(1,820)	(797)	4,662
Increase in deferred income tax	1,252	751	1,496	1,510
(Decrease)/increase in income tax payable	(2,604)	(949)	(1,702)	1,410
Net cash inflows from operating activities	7,141	14,481	9,971	7,131
Non-cash financing and investing activities				
Acquisition of controlled entity by issue of ordinary shares (note 30)	-	21,648	-	-

32 Foreign currency

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.

	CONSOLIDATED		PARENT ENTITY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Receivables				
Current				
US Dollars	6,250	8,761	6,829	11,432
Japanese Yen	711	1,036	459	1,727
Netherlands Guilders	-	808	-	112
Euro Dollars	4,763	4,245	1,765	303
French Francs	-	27	-	-
German Marks	-	20	-	2
British Pounds	368	451	339	409
Swiss Francs	178	227	1,464	2,691
Italian Lira	-	866	-	-
Total Current	12,270	16,441	10,856	16,676
Non-current				
Swiss Francs	104	76	-	-
US Dollars	37	41	15,948	35,760
Japanese Yen	192	261	-	-
Euro Dollars	-	-	51,234	-
Total Non-current	333	378	67,182	35,760
Total Receivables	12,603	16,819	78,038	52,436
Payable				
Current				
US Dollars	902	2,172	14	858
Euro dollars	2,032	2,079	3,283	31
Japanese Yen	98	310	-	47
German Marks	-	(927)	-	59
French Francs	-	148	-	10
Italian Lira	-	37	-	-
British Pounds	46	41	45	16
Swiss Francs	24	85	8	20
Danish Kroner	-	(1)	-	-
Netherlands Guilders	-	417	-	77
Total Current	3,102	4,361	3,350	1,118
Total Payables	3,102	4,361	3,350	1,118

There were no non-current payables in foreign currencies

33 Earnings per share

	CONSOLIDATED	
	2002 Cents	2001 Cents
Basic earnings per share	2.6	16.4
Diluted earnings per share	2.6	16.2
Weighted average number of ordinary shares used in the calculation of basic earnings per share	87,611,472	76,973,147
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	87,769,530	80,343,747

Information concerning the classification of securities

Options

Options granted under the Protel International Employee Share Option Scheme, Altium Option Plan and Directors' Option Plan are considered to be potential ordinary shares and have been included in the determination of the 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 28 & 29.

34 Subsequent events

On 10 July 2002, Altium Germany GmbH acquired the EDA business of Hoschar AG for $3.2 million in cash and shares. Hoschar AG has operated for over 15 years as a distributor of EDA products in German speaking markets and has developed a strong customer base and brand position. The acquisition will strengthen Altium's market penetration in what is the second largest market for its products in the world. The acquisition is anticipated to be EPS accretive in 2003 financial year.

The directors declare that the financial statements and notes thereon set out on pages 36 to 68:

(a) comply with Accounting Standards, the Corporations Regulations 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 2002 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

K Oboudiyat
Director

N M Martin
Director

Sydney
11 September 2002

PRICEWATERHOUSECOOPERS

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Facsimile +61 2 8266 9999

Independent audit report to the members of Altium Limited

Audit opinion

In our opinion, the financial report, set out on pages 36 to 69:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Altium Limited and the Altium Group (defined below) as at 30 June 2002 and of their performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report -responsibility and content

The preparation of the financial report for the year ended 30 June 2002 is the responsibility of the directors of Altium Limited. It includes the financial statements for Altium Limited (the Company) and for the Altium Group (the Group), which incorporates Altium Limited and the entities it controlled during the year ended 30 June 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

Liability is limited by the Accountant's Sc]..me underthe Professional Standards Act 1994 (NSW)

PRICEWATERHOUSECOOPERS

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 200 I and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in note 26 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Sneddon

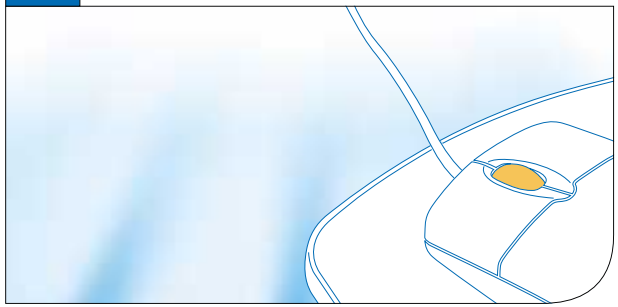
Andrew Sneddon
Partner

Sydney
11 September 2002

Independant audit report

Section **04** Information for Shareholders

Information for Shareholders



The shareholder information set out below was applicable as of 23 September 2002.

A Distribution of equity securities

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

Ordinary Shares Range	Number of Shareholders	Number of Option holders
1 – 1,000	891	0
1,001 – 5,000	1,434	6
5,001 – 10,000	248	38
10,001 – 100,000	217	152
100,001 +	57	17

There were 357 holders of a less than marketable parcel of ordinary shares.

B Substantial holders

Nicholas M Martin	23,444,000	26.10%
Deutsche Australia	9,267,143	10.32%
SAS Trustee	6,255,782	6.97%
AMP Limited	6,015,113	6.70%
Westpac Corporation	5,533,451	6.16%
Commonwealth Bank of Australia	4,904,269	5.46%

C Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:	Number held	Percentage of issued shares
N&M Martin Holdings Pty Ltd	14,189,000	15.80%
Protel Systems Pty Limited	12,340,000	13.74%
JP Morgan Nominees	10,161,833	11.31%
RBC Global Services Australia	3,508,851	3.91%
National Nominees Limited	3,470,539	3.86%
IOOF Investment Management	3,026,090	3.37%
Mirkazemi Holdings Pty Ltd	2,603,000	2.90%
Commonwealth Custodial Services Ltd	2,192,677	2.44%
Hoschar AG	2,000,000	2.23%
Fortis Clearing Nominees	1,825,613	2.03%
Citicorp Nominees Pty Ltd	1,558,258	1.74%
Cogent Nominees Pty Ltd	1,278,111	1.42%
RBC Global Services Australia	1,182,105	1.32%
Government Office Superannuation	1,118,523	1.25%
Citicorp Nominees Pty Ltd	1,085,875	1.21%
Zentel Pty Ltd	1,018,000	1.13%
AMP Life Limited	999,790	1.11%
Mr Kayvan Oboudiyat	957,846	1.07%
Invia Custodian Pty Ltd	856,290	0.95%
Cogent Nominees Pty Ltd	785,775	0.87%
Total	66,158,176	73.67%

Unquoted Equity Securities	Number of options on issue	Number of holders
Employees	6,475,210	209
Directors	1,610,250	4
Total Issued to employees/directors	8,085,460	213

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

E Securities subject to voluntary escrow

Two million securities are subject to escrow as part of the acquisition of Hoschar AG's EDA business in July 2002, one million of which will be released from escrow on 9 January 2003 and the balance on 9 July 2003. The class of securities subject to this condition are fully paid ordinary shares.

Altium major announcements to the ASX

Date	Headline	Date	Headline
12/10/2001	Notice of Annual General Meeting	11/02/2002	Shareholder Newsletter No.2-February 2002
13/11/2001	Proxy Results of Resolutions 2001 AGM	5/03/2002	Half Yearly Report
13/11/2001	Chairman's Address to Shareholders	11/04/2002	Revises Revenue Forecast
13/11/2001	Results of Annual General Meeting	24/05/2002	Altium Announces Pricing for Protel DXP
5/12/2001	Next-generation Protel Product Scheduled for Release Q1 2002	2/07/2002	Confirms Full Year Sales Results Meet Expectations
16/01/2002	Profit Forecast	16/07/2002	Acquires Hoschar EDA Business
11/02/2002	New Design Capture Product to be Included with Protel Release	22/07/2002	Announces Release of Protel DXP
		10/09/2002	Announces Full Year Results

Notice of Annual General Meeting

Date: 26 November 2002
Time: 3.30pm
Venue: The Bradfield Lounge, ANA Hotel,
176 Cumberland Street, The Rocks, Sydney NSW 2000

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
Access to forms: www-au.computershare.com/investor/formscatalogue.asp
Access to FAQs: www-au.computershare.com/investor/answerstoyourquestions.asp

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 registry website and download a change of address form. This form can be found at: www-au.computershare.com/Investor/formsCatalogue.asp?cc=AU&lang=en&section=investors

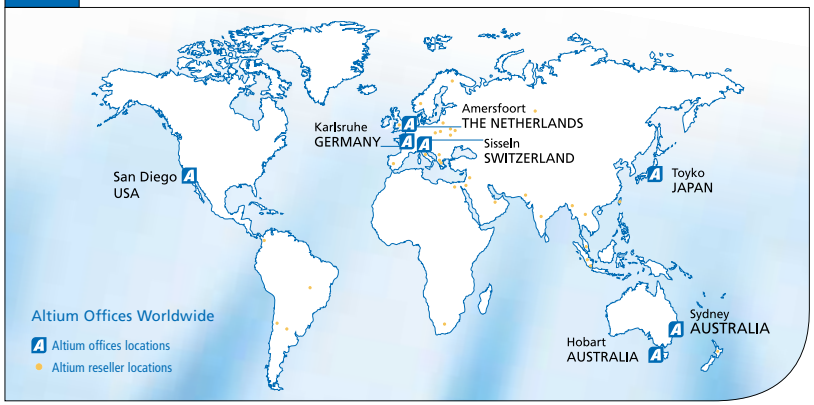
Inquiries about Altium Limited

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

Altium shareholder 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 section of our website: www.altium.com/investors/index.html

Directory



Directors

Carl J Rooke	Non-Executive Chairman
Nicholas M Martin	Founder & Joint Chief Executive Officer
Kayvan Oboudiyat	Joint Chief Executive Officer
David M Warren	Executive Director
Bruce W Edwards	Executive Director
Darren Charles	Executive Director & Chief Financial Officer
William A Bartee	Non-Executive Director

Secretary

Kayvan Oboudiyat

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

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Solicitors

PricewaterhouseCoopers Legal
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Investor/General Enquiries

Phone: +61 2 8234 5000
Fax: +61 2 8234 5050
Email: sydney.services@computershare.com.au
Website: www.computershare.com

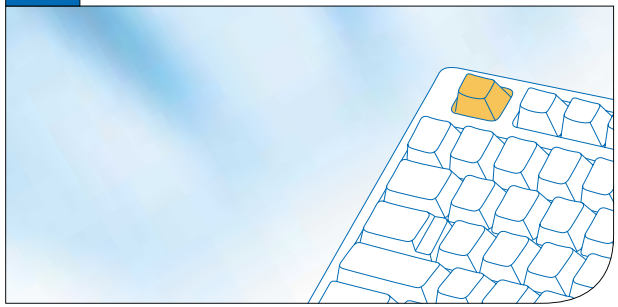
Share Registry

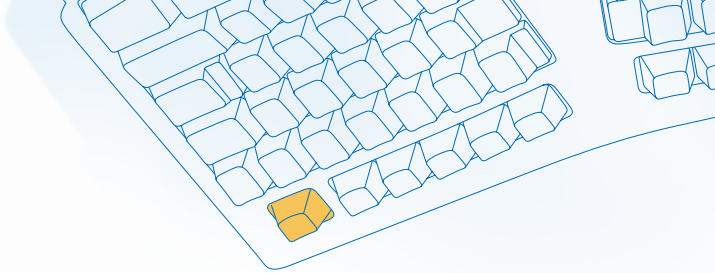
Computershare Investor Services Limited
Level Three – 60 Carrington Street, Sydney NSW 2000

Stock Exchange Listing

Australia Stock Exchange Limited
ASX Code: ALU

Glossary





a

ASIC An ASIC (Application Specific Integrated Circuit) is a custom-designed IC (Integrated Circuit) targeted for a specific application. **Architecture** When applied to microprocessors the term architecture refers to the specific physical structure and design of a particular family of processors. When writing programs to run on a microprocessor-based system, the embedded software compilers used to develop the program must be designed to work with the specific architecture of the processor being used. **Autorouter** A tool that automatically routes (maps and places) the connections between components that make up the circuit on physical printed circuit boards. **Autorouting** The process of automatically placing tracks on the PCB to connect the various components that form the circuit.

c

Chip See Integrated Circuit (IC). **Circuit Simulation** Computer modelling of a circuit that enables the designer to verify the operation of the circuit prior to laying out the printed circuit board. This process is used to detect any errors in the circuit design, and "fine tune" the circuit's performance. **Compiler** A software application which converts higher level programming languages into a form that can be executed by a microprocessor. **Computer Aided Manufacturing (CAM) tools** Computer Aided Manufacturing tools are software tools that enable PCB designers to prepare their design data and produce the files necessary for the manufacture and assembly of the printed circuit boards.

d

Design Explorer/DXP DXP (Design Explorer) is Altium's proprietary software integration platform which enables the seamless integration of tools and technologies. It will be used as the platform for most Altium products in the future. **Design entry** The process of using a computer to create a new design of any type – chip, board, module, or system – using textual (such as hardware description languages) and/or graphical tools (such as schematic capture tools). Also referred to as design capture. **DSP** A DSP (Digital Signal Processor) is a specific type of microprocessor or electronic system designed to be very fast at processing continuous signals such as sound and video. DSPs are widely used in products such as sound cards, fax machines, modems, cellular phones, hard disks, and digital TVs.

e

Embedded software Software that is embedded into and controls an electronic system based on a microprocessor or microcontroller. **Embedded system** An embedded system is a self-contained microprocessor-based electronic system that is designed into a product. They form the electronic heart of 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. **Electronic Design Automation (EDA)** The use of computers to enhance and aid in the design and development of complex electronic systems. **Electronic Design Automation (EDA) industry** The industry which is involved in developing and supplying highly specialised software and hardware-based tools for the automated design of electronic products of all kinds. EDA products are essential for the design of electronic products that enable many other high-tech sections of the economy, such as computers, communications, consumer, industrial, military/aerospace, semiconductors, and transportation.

f

FPGA Field-Programmable Gate Array (FPGA) is an Integrated Circuit (IC) containing a large number of logic cells or gates that can be programmed or configured after the IC has been manufactured. Some can only be configured once (fuse-programmed FPGAs) while others can be erased and configured many times (EPROM-based FPGAs). They are often used for the initial design of specialised ICs (ASICs) that will later be produced in large quantities as hard-wired ICs.

h

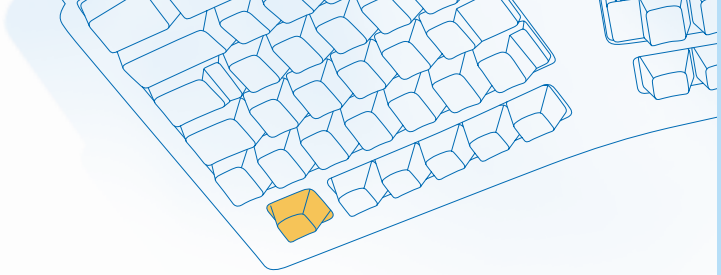
Hardware/software codesign The simultaneous development of the hardware and software for a product. This design approach is more difficult than a serial design that first develops the hardware and then the software that will run on the hardware, but the benefit is a reduced time to market. **HDL** A Hardware Description Language (HDL) is the generic term for a text-based programming language that can be used to describe digital electronic circuits. These are used commonly in the design of FPGAs. The most common HDLs used in the electronics industry are VHDL and Verilog

i

Integrated Circuit (IC) An electronic circuit that is constructed on a small, thin piece (chip) of semiconducting material such as silicon. Electronic components and the connections between them are made by a process that involves etching the silicon and/or depositing other materials onto the silicon. The completed semiconductor circuit is usually encased in a plastic or ceramic package with metal legs that allow the IC to be mounted on a printed circuit board. ICs are also known as chips or microchips.

m

Microcontroller A microcontroller or microcontroller unit (MCU) is essentially a computer on a chip. It is a single chip that incorporates a microprocessor, memory, and peripheral circuits. In many embedded systems, the microcontroller may well be the only chip in the design. Hundreds of millions of microcontrollers are used each year for myriad electronic devices and applications from automobiles to children's toys. **Microprocessor** A microprocessor is an integrated circuit that is designed to process digital numbers under the direction of a specifically written software program. 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 micro-processor chip has grown from a couple of thousand to tens of millions as the standard today.



Operating System An operating system (OS) is the program that, after being initially loaded into the computer by a boot program, manages all the other programs in a computer.

Printed Circuit Board (PCB) a flat board that holds chips and other electronic components. The board is made of alternating layers (typically 2 to 10) of copper and plastic (usually impregnated with glass fibres for strength). The copper layers are etched to provide pads and tracks that interconnect the electronic components mounted on the board. The main PCB in a system is called a "system board" or "motherboard", while smaller ones that plug into the slots in the main board are called "daughter boards" or "cards". **PCB design** Most electronic products are based on PCBs. The design involves "capturing" a circuit in a diagram, transferring component and connectivity information to a design program, laying out and routing the board, then providing the files necessary for manufacture and assembly. **PLD** Programmable Logic Device – the generic term for all programmable chips including FPGAs. PLDs enable designers to integrate onto a single programmed chip the functions that would usually require the interaction of many discrete components. **Point tool** Market-speak for an EDA tool that only performs one function.

Schematic capture The process of taking an idea or concept for an electronic circuit and then using computer-based diagrammatical tools to document the design. **Signal integrity analysis** Methods to check the integrity of the electrical signals on the board, highlighting for investigation potential problems prior to manufacture.

VHDL An industry standard hardware description language (HDL) used to design digital electronic systems at the component, board and system level. VHDL allows models to be developed at a very high level of abstraction.

Altium™
Think it, Design it, Build it™

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