

account ability

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2005.

Principal Activities and Business Review

Alterian plc is the parent company of a group of companies engaged in the design and development of software tools for marketing and customer insight for sale under licence through third party business partner organisations.

Alterian has continued to focus on its strategy of winning long term contracts with structural recurring revenue flows that compound over a number of years. Significant progress is still being made as resource in all areas of the business is concentrated on this strategy rather than delivering one-off licence sales. This is reflected in the nature and value of contracts going forward.

Twelve new partners, and in conjunction with partners, sixty new end users were signed during the financial year.

Alterian still expects to substantially grow revenue through its existing partners.

The Board is confident that the investments made have placed the company in a strong position to deliver significant long term value to shareholders.

The outlook is positive, as the Company continues to progress the implementation of its strategy with the compounding of the recurring licence fee income expected to convert into substantial annual profitability going forward.

Dividends

The Company has not paid or accrued any dividends for the year (2004: £nil).

Research and Development Activities

Alterian benefited from the significant prior investment in Research and Development during the year.

Last year's investment saw a major new release of Alterian's core data engine providing for analysis of double byte characters, the completion of the range of applications for Marketers and new applications for internal use by MSPs, and supported the rapidly growing sales of these products. In addition, the following further enhancements were made during the year:

- Version 3.1 of Alterian's core data engine was released with significant new capability for list sales organisations, and features providing for further scalability of concurrent users and data volumes for our largest clients.
- A new product, List Manager, was released. This product accelerates and improves the accuracy of the processes carried out by organisations selling lists of data, and significantly reduces their associated costs. A further version was also released of this product at the end of the year, providing additional functionality.
- New versions of Data Discovery and Visualisation, Analytic Reporting and Campaign Manager entered testing during the fourth quarter, and have subsequently been put on full release. Each of these incorporate new enhanced functionality for our MSP partners and their end users, which is focused on the key additional requirements noted from a significant customer and market research exercise carried out by Alterian.

Following successful evaluation by Microsoft of the Alterian Marketing Suite, Alterian was also appointed a Microsoft Certified Partner during the year. This work has enabled Alterian to participate in several Microsoft programmes relating to their forthcoming technology releases.

Alterian continues to demonstrate a policy of researching new products and developments which will deliver substantial benefits in the future.

The charge for core research and development in the year was £2,407,000 (2004: £2,439,000).

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Directors

The names of the present Directors and their biographical details are set out on pages 18 and 19. All Directors, with the exception of Paul Chapman, served throughout the financial year. Paul Chapman resigned on 21 January 2005. Details of interests of the Directors in the Company's shares are set out in the Remuneration Report on pages 28 to 35.

Michael Talbot and Timothy McCarthy retire by rotation in accordance with the Company's Articles of Association and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Employees

The Board believes that there is a strong link between the commitment of staff and customer satisfaction. Therefore it is the policy of the Group to develop employee involvement throughout the organisation. The Group is committed to providing equality of opportunity to all existing and prospective employees without unlawful or unfair discrimination. All employees are appraised to ensure that their career development, through training, enables them to be well qualified to deliver the Group's business objectives. In accordance with the Group's equal opportunities policy, disabled people are given the same consideration as others when they apply for jobs. Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Regular communication meetings are held with all employees to discuss issues and give feedback on the Group's performance and plans. Opportunity is given at these meetings for Senior Management to be questioned about matters concerning employees.

The Company operates a Share Incentive Plan (SIP) that is available to all qualifying UK employees and operates a Non-statutory Stock Option Plan that is available to all qualifying US employees. In addition, the Company operates share option schemes to incentivise employees. Details of the schemes are shown in the Remuneration Report.

Health and Safety

It is Group policy to ensure that operations are at all times executed in a manner that, as far as reasonably practicable, protects the health, safety and welfare of its employees, and all other persons who may be affected by its activities. The Chief Executive is the Director with overall responsibility for safety. Full details of the Group's policy have been disseminated to employees. An ongoing training programme is in place to ensure that the necessary training in health and safety is provided to employees and kept up to date.

Environmental Responsibility

Alterian plc recognises its responsibilities to the environment and believes that environmental issues are integral and important components of best practice in business management.

Corporate Responsibility

The Group conducts its business with appropriate regard to the rights and interests of shareholders, employees and other stakeholders.

Substantial Interests

At 30 April 2005, the following shareholders other than Directors had notified the Company that they hold more than 3% of the Company's shares:

Name	Number of shares	%
P Chapman	4,637,000	11.82
JO Hambro	3,587,245	9.12
JP Morgan Fleming	3,459,779	8.82
Herald Investment Management Limited	3,200,000	8.14
R Davies	2,526,000	6.44
Victory Capital LP Limited	2,321,437	5.92
Schroder Investment Management	1,725,000	4.40
GAM Fund Management	1,701,000	4.34

Charitable and Political Donations

Charitable donations of £1,000 (2004: £nil) were made during the year. There were no political contributions (2004: £nil).

Policy on Payment to Suppliers

It is the Group's policy to agree terms and conditions for its business transactions with suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The trade creditors of the Group at 31 March 2005 represent 22 days (2004: 36 days) as a proportion of the total amount invoiced by suppliers during the year.

International Financial Reporting Standards

Alterian plc will adopt International Reporting Standards (IFRS) for accounting periods beginning on 1 April 2005. The Group's interim financial statements for the three months ending 30 June 2005 will be the first under IFRS. The Group is well positioned to ensure compliance within the required timescale.

A number of differences exist between IFRS and UK GAAP which may impact the Group's reported results and financial position. These include recognition of intangible assets for development costs under IAS 38 and share based payment charges under IFRS2. Areas that may require additional disclosure include segment reporting.

The Group's analysis of the effect of IFRS is ongoing. In addition, the interpretation of standards is evolving so further changes may arise.

Post Balance Sheet Events

On 6 April 2005 the Company acquired 100% of the share capital of MarkIT Information Services Limited. The total cost of acquisition is estimated at approximately £1m, of which approximately £0.3m was satisfied by the issue of new shares.

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal financial controls, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Annual General Meeting

The Company's Annual General Meeting will be held at Century Place, Newfoundland Street, Bristol, BS2 9AG on Monday 11 July 2005, at 2.30pm. The Notice convening the AGM, and an explanation of the business to be put to the meeting will be issued at least 21 days before the meeting.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

David Cutler
Director

20 May 2005

Application of the Combined Code

The July 2003 FRC Code, as appended to the Listing Rules sets out principles of good corporate governance and code provisions which are applicable to listed companies incorporated in the UK and was introduced for accounting periods starting after 1 November 2003.

Alterian is committed to high standards of corporate governance. Throughout the year ended 31 March 2005 the Company has been in compliance with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003.

Board of Directors

The Board has been constituted to optimise the balance of skills, knowledge and experience required to address the key issues facing the Group. The Company is controlled through the Board of Directors which comprises four executive Directors, including the Chief Executive David Eldridge and an experienced Group Finance Director to ensure compliance and control. There are three non-executive Directors namely Keith Hamill (Chairman), Hugh McCartney (senior independent non-executive), and Iain Johnston. The Board has reviewed the independence of its members and has concluded that all non-executive Directors are considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board believes that Keith Hamill is independent but will be reviewing his independence and the current Board Committee composition during 2005 and 2006.

The independent non-executive Directors contribute objectivity and strong independent judgement in addition to their own knowledge and experience. The balance of four executive and three non-executive Directors and the separation of the roles of Chairman and Chief Executive provide a desirable balance countering any tendency to dominate the decision making by an individual or small group. All Directors have access to the advice of the Company Secretary and, where required in furtherance of duties, may take independent professional advice at the Company's expense. The Board recognises the need for Directors to receive appropriate training to fulfil their role on the Board. The Chairman ensures that the Directors receive accurate, timely and clear information and the Board is regularly updated on governance and regulatory matters. Under the Company's Articles of Association all Directors will submit themselves for re-election at least once every three years.

The duties of the Board and its Committees are set out clearly in formal terms of reference which includes a schedule of matters specifically reserved for decision by the Board. It meets regularly to exercise full and effective control over the Group. Its main responsibilities are to agree the overall strategy, to review significant risks, to approve major capital expenditure, development plans, acquisitions and divestments, to monitor performance and ensure that proper internal controls are in place. The Board also considers environmental and employee issues and key appointments.

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Board Committees

The Board has established a number of committees and these operate within defined terms of reference. The principal committees are:

Audit Committee

The Audit Committee comprises Keith Hamill, Hugh McCartney and Iain Johnston, all of whom are independent non-executive Directors. In view of the Company's size and Keith Hamill's previous finance experience, the Board has decided that it is in the Company's best interests for Keith Hamill to continue to chair the Audit Committee. It meets with the auditors twice a year to review matters pertaining to accounting and financial reporting as well as internal control and the scope and effectiveness of the audit. Its primary function is to review the reporting of financial and other information to shareholders, the systems of internal control and risk management; and to maintain an appropriate relationship with the Company's auditors and to review the effectiveness and objectivity of the audit process.

On behalf of the Board, The Audit Committee examines the effectiveness of the Group's:

- assessment of risk by reviewing the controls and procedures in place
- systems of financial control by reviewing the annual and interim financial statements and a review of the value and scope of the external audit.

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal control and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee keeps under review the independence and objectivity of the external auditors Deloitte & Touche LLP. The audit fee is negotiated by the Group Finance Director and is subject to the approval of the Committee. An engagement and fee approvals process is in place which requires prior committee approval for some engagements and excludes others. In some cases, the nature of the advice may make it more timely and cost-effective to select Deloitte & Touche LLP who already have a good understanding of the Group. Deloitte & Touche LLP may also be appointed for consultancy work, but only after rigorous checks, including competitive tender, to confirm that they are the best provider. Deloitte & Touche LLP is also subject to professional standards which safeguard the integrity of the auditing role performed on behalf of the shareholders. Details of this year's fees are given in note 4 on page 45 of the Financial Statements.

The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective audit committee. The committee has access to the auditors and can seek further professional advice at the Company's expense if required.

The Audit Committee has reviewed and is fully aware of the arrangements in which staff may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters. If matters are identified they would be independently investigated and appropriate follow up action taken.

Terms of reference of the Audit Committee are available for inspection by any person at the Company's registered office during normal business hours.

Remuneration Committee

The Remuneration Committee comprises Keith Hamill, Hugh McCartney and Iain Johnston, all of whom are independent non-executive Directors. It is chaired by Iain Johnston and meets as necessary to recommend to the Board the level of remuneration in all its forms, payable to the executive Directors.

Nomination Committee

The Nomination Committee comprises Keith Hamill, Hugh McCartney and Iain Johnston, all of whom are independent non-executive Directors. It is chaired by Keith Hamill and meets as necessary to review Board nominations.

Operations

In addition, the Chief Executive chairs a number of operational meetings including a weekly review of operations and quarterly meetings with all line managers to review the business performance and discuss major initiatives.

Board Committees (continued)

The following table sets out the number of meetings of the Board and its committees during the year and individual attendance by Board members at these meetings:

	Group Board	Audit Committee	Remuneration Committee
Number of meetings during the year	8	2	2
Executive Directors			
David Eldridge, CEO	8	2 (in attendance)	-
David Cutler	8	2 (in attendance)	-
Michael Talbot	4	-	-
Tim McCarthy	5	-	-
Non-Executive Directors			
Keith Hamill, Chairman	8	2	2
Hugh McCartney	8	2	2
Iain Johnston	8	2	2
Paul Chapman*	6	2 (in attendance)	2 (in attendance)

* Paul Chapman resigned on 21 January 2005, so attended 6 out of the 7 possible Group Board Meetings.

Arrangements were made for any Directors who were unable to attend meetings to discuss the agenda items with the Chairman of the meeting in advance.

The Nomination Committee did not meet during the year.

Performance Evaluation

During the year, the Board evaluated its effectiveness. The results of the evaluation were determined at the final Board meeting of the year. The Directors concluded that the Board, collectively and individually, operates effectively in matters of setting strategy based on both quality and timely information provided on the business and its markets, the composition of the Board, the Board meeting processes, and the communication of Board decisions. In addition each individual contributes to the overall effectiveness of the Board.

Shareholder Relations

We are committed to ongoing communication with all shareholders and have a well established cycle of communication. The Company holds briefing meetings with analysts and institutional shareholders, usually following the interim and final results announcements, to ensure that the investing community receives a balanced and complete view of the Group's performance and the issues faced by the business. The principal communication with private investors is through the provision of the Annual Report and Financial Statements, the Quarterly Reports and the Annual General Meeting, an occasion which is normally attended by all the Company Directors and at which shareholders are given the opportunity to question the Chairman and the Board.

Regular two-way communication with fund managers, institutional investors and analysts is actively pursued outside close periods and this encompasses issues such as performance, policy and strategy. This gives the Board an understanding of investor priorities and improves investors' knowledge of the Group's business and performance. The Chairman, Finance Director and Chief Executive ensure that the views of the shareholders are regularly communicated to the Board, and in particular the non-executive Directors.

Financial and other information is made available on the Company's internet website which is updated when required. As recommended by the 2003 FRC Code, the Notice of the Annual General Meeting is being issued at least 21 days before the meeting on 11 July 2005.

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Maintenance of a Sound System of Internal Control

The July 2003 FRC Code requires that the effectiveness of the system of internal control including financial, operational, compliance and risk management is reviewed by the Board at least annually. The Board fully support these requirements.

Appropriate action plans are established for each area of the business which embed the control culture of the Group throughout its operations. The Group Chief Executive and the executive Directors review these action plans on a regular basis to ensure that the plans are being implemented and that the outputs of the strategic risk assessments remain relevant to the Group. The action plans and their ongoing review form a process for identifying, evaluating and managing risks faced by the Group. The process is ongoing, is regularly reviewed by the Board, has been in place throughout the period from the start of the year to the date of approval of the Annual Report and is in accordance with Turnbull guidance.

In addition to the above, the process used by the Board to review the effectiveness of the system of internal controls includes the following:

Control Environment

The executive Directors have established an organisation structure with clear operating procedures, lines of responsibility and delegated authority. The executive Directors have delegated to the Senior Management Teams the establishment and implementation of control systems appropriate to the various areas of the business.

Risk Control

A review of the significant risks and their potential is made and is regularly updated together with control strategies for mitigating the damage to the Group. This includes a review of controls and procedures to be put in place in respect of a disaster recovery programme including the security of data held on IT systems.

Financial Reporting

The Group has established a system for reporting financial information to the Directors. The principal elements of this include a formal review by the Directors of:

- Detailed budgets prepared by operations and reviewed by the executive Directors before formal adoption by the Board;
- Monthly management accounts with a comparison against budget; and
- Financial forecasts which are reviewed on a quarterly basis compared against budget.

Monitoring

The Board, as assisted by the Audit Committee, continues to review regularly the effectiveness of internal controls across the Group. The Audit Committee receives reports from the external auditors identifying any material issues and concerns and monitors the progress of action plans.

Review of Effectiveness of Internal Control

The Directors recognise that they have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with applicable laws and regulations. However, there are inherent limitations in any system of internal control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance, against material misstatement or loss. Steps are continually being taken to embed internal controls and risk management further into the operations of the business and to deal with areas of improvement which come to the attention of management or the Board.

Internal Audit

The Board believes that a separate Internal Audit function is inappropriate at this stage in the Group's development.

Going Concern

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which has introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for un-audited and audited information.

Un-audited Information

Remuneration Committee

('the Committee')

The Board of Directors has delegated responsibility for remuneration policy to the Remuneration Committee.

The role of the Committee is to establish and review the remuneration and terms of employment of the executive Directors including the approval of grants of Executive Share Options. The Committee is comprised of the non-executive Directors; Iain Johnston (Chairman of the Committee), Keith Hamill, and Hugh McCartney. The Committee is authorised by the Board to investigate any matters within its terms of reference. None of the Committee has conflicts of interest arising from cross-Directorships or day-to-day involvement in the running of the business. The Group Chief Executive attends meetings of the Committee by invitation and is consulted by it on proposals to the remuneration of the other executive Directors. The Committee has access to professional advice from inside and outside the Company and makes recommendations to the Board. During the year there have been no external consultancies that have materially assisted the committee. No Director plays any part in any discussions about their own remuneration.

Terms of reference of the Remuneration Committee are available for inspection by any person at the Company's registered office during normal business hours.

Remuneration Policy

The Committee and the Board believe that in order to attract and maintain a senior management team of the right calibre who will make a significant contribution to maximising shareholder value, it is necessary to provide a competitive remuneration structure. The Board's policy for executive remuneration is designed to:

- ensure that Directors' rewards are competitive when compared with similar companies;
- recognise the growth plans for the Group and align the interests of Directors and shareholders;
- give executive Directors the opportunity to increase their earnings by achieving and exceeding key performance objectives;
- ensure that the executive Directors are fairly rewarded for their individual contribution to the overall performance of the Group.

There are four main elements of the remuneration package for executive Directors:

- Basic annual salary and benefits;
- Annual performance bonuses;
- Pension arrangements; and
- Share Option Incentives.

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Basic Salary

An executive Director's basic salary is reviewed by the Committee to take effect from 1 April of each year and on any change of responsibility. In deciding levels of salary the Committee considers the Group as a whole and relies on objective research from third party surveys. It then considers a salary that will reward, motivate and retain the individual as is appropriate for their experience and level of responsibility.

Other Benefits

Benefits for executives principally comprise a car (or car allowance), fuel, permanent health cover, private medical insurance and a death in service benefit of four times salary.

Annual Performance Bonuses

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate parameters the Committee refers to the objective research on a comparator group of companies. The Committee believes that any incentive compensation awarded should be tied into the interests of the company's shareholders and that the principal measure of those interests is progress in strategic developments for the business, and profitability. The bonuses for 2004/2005 were capped at 75% of basic salary. This cap remains the same for 2005/2006.

Directors' Pension Arrangements / Long Term Incentives

None of the Directors are members of an Alterian pension scheme or long term incentive plan. Each of the executive Directors are entitled to receive a pension contribution equal to 10% of basic salary in lieu of company contributions.

Employee Share Schemes

The Group operates two employee share option plans and two employee share purchase plans. These schemes are an important part of the performance related remuneration of executive Directors and employees, encouraging them to continue to contribute towards the continuing growth in performance of the Group by participating in the Group's success.

Share Option Plans

The Alterian Share Option Plan is divided into two parts. Part A of the plan has been approved by the Inland Revenue as an employee share scheme under the Income and Taxes Act 1988. As at 31 March 2005 294,000 options are under grant under Part A. Part B of the plan constitutes an unapproved share option scheme. As at 31 March 2005 2,500,552 options are under grant to UK employees under part B of the scheme.

The options granted under this plan for 2005/2006 are subject to the following performance condition which is now time limited for attainment:

- no option can be exercised until the cumulative undiluted earnings per share for the four quarters immediately preceding exercise is not less than 8p per ordinary share. This condition must be attained within three years following the year of grant.

For grants made before March 2003 the performance condition was set so that no option could be exercised until positive cumulative undiluted earnings per share for the four quarters immediately preceding exercise has been attained.

For grants made during 2003/2004 the performance condition was increased so that the cumulative undiluted earnings per share for the four quarters immediately preceding exercise should be not less than 2.5p per ordinary share.

For grants made during 2004/2005 the performance condition was again increased so that the cumulative undiluted earnings per share for the four quarters immediately preceding exercise should be not less than 5p per ordinary share.

These options are exercisable at any time between the third and tenth anniversaries of the date of grant subject to the performance measure above, provided that the employees remain employed by the Group.

Part B of the plan extends to the directors and employees of Alterian Inc. As such the plan incorporates a Non-statutory Stock Option Plan ('US NSO Schedule') and a second schedule which is an Incentive Stock Option Plan ('US ISO Schedule') which will normally confer tax relief on US participating employees. As at 31 March 2005 181,081 options are under grant under the US NSO Schedule and 755,619 under grant under the US ISO Schedule.

Employee Share Schemes (continued)

In accordance with local market practice in the US, performance conditions were not applied to the exercise of options under either of the US NSO or the US ISO up until March 2004. The options granted under this scheme after March 2004 are now subject to the same performance criteria as described before for Part A of the Alterian Share Option Plan. The Board will determine at its discretion the individual limits to be applied to individuals who are granted options under the US plans. In any event, the aggregate market value of the shares for which one or more options granted to any Participant under the US ISO, for the first time become exercisable during any one calendar year, shall not exceed \$100,000. Options will vest at a rate of one-third per annum, commencing on the first anniversary of the date of grant. Options may only be exercised by staff within ten years of the date of grant, provided they remain employed by the Group, otherwise they will lapse.

Enterprise Management Incentives Scheme (EMI Scheme)

The purpose of this scheme is to ensure the continuing success of the Group by aligning the interests of key employees and shareholders and allowing employees to share in the value they create through the grant of share options. There is currently an overriding limit that each Option Holder cannot receive more than £100,000 of any approved options in a three year period from the date of grant of the options that took the Option Holder to the limit. As at 31 March 2005 1,806,448 options are under grant under the Scheme.

The options granted under this scheme are subject to the same performance criteria as described above for Part A of the Alterian Share Option Plan.

These options are exercisable at any time between the second and tenth anniversaries of the date of grant of that option, subject to the performance criteria above.

Under Schedule 14 of the Finance Act 2000 there is currently an overriding limit to the value of unexercised options of £3 million.

Share Incentive Plan

The Board believes that extending and encouraging employee share ownership throughout the Group will encourage all employees to identify more closely with the interests of shareholders and will also give them the opportunity to share in the shareholder value they create in a tax-efficient manner. The Company Share Incentive Plan (SIP) was set up in August 2001 for all UK employees. As at 31 March 2005 the SIP had 54 members holding 508,933 shares through the Trust.

Employee Benefit Trust

The Group has established an off-shore employee benefit trust (EBT). The Group has the ability to use the EBT to acquire shares in the Group for the satisfaction of share rights granted to its beneficiaries.

US Restricted Share Plan

This plan will enable the Group to increase its capacity to reward and retain employees of Alterian Inc. Under this plan US employees will be awarded restricted shares. Awards are subject to continued employment with certain forfeiture provisions. The Board determines at its discretion the level of award to be made to an individual under this plan. In any event, the aggregate market value of the shares awarded will not exceed the Participant's annual salary at the date of award. As at 31 March 2005 63,850 shares are held under this plan.

Scheme Limits

The number of shares which have been issued or may become issuable pursuant to either options granted, shares allocated or shares awarded on any date when added to the number of shares issued and remaining issuable in respect of rights conferred in the previous 10 years in any of the share schemes for the Group's employees may not exceed 15% of the numbers of shares in issue immediately before that date. This limit was approved by shareholders at an Extraordinary General Meeting held on 18 July 2001.

Rights of Shares and Listing

All shares that the Group issues or allots through the plans will rank pari passu with the shares then in issue, except that they shall not rank for dividend or other rights declared by reference to a record date prior to the exercise or issue date. The Group will apply to the UK Listing Authority for any shares issued pursuant to the plans to be admitted to the Official List of the London Stock Exchange.

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Remuneration Report

Under the Group's Employee Share Option Schemes employees held options at 31 March 2005 as follows:

Date of grant	Total number of options under grant	Scheme under which shares were granted	Exercise price per share	Option period ending
13/06/00	1,200,000	Unapproved	50p	13/06/10
10/07/00	150,000	Unapproved	200p	10/07/10
18/07/01	31,000	ISO	147p	18/07/11
30/07/01	2,000	ISO	147.5p	30/07/11
06/12/01	48,000	ISO	73.5p	06/12/11
06/12/01	766,100	Approved/Unapproved	73.5p	06/12/11
25/02/02	86,200	ISO/NSO	70.5p	25/02/12
01/04/02	23,000	NSO	36p	01/04/12
05/05/02	10,000	Approved	44p	05/05/12
05/08/02	150,000	Approved/Unapproved	37.5p	05/08/12
30/10/02	100,000	ISO/NSO	26p	30/10/12
18/12/02	532,500	EMI	36p	18/12/12
20/12/02	776,000	EMI	36p	20/12/12
26/06/03	393,948	EMI	53.5p	26/06/13
26/06/03	222,452	Unapproved	53.5p	26/06/13
26/06/03	410,500	ISO	53.5p	26/06/13
01/09/03	2,000	ISO	59p	01/09/13
30/10/03	100,000	Unapproved	54.25p	30/10/13
01/06/04	196,000	Unapproved	71p	01/06/14
01/06/04	104,000	EMI	71p	01/06/14
29/11/04	200,000	ISO/NSO	94p	29/11/14
24/02/05	24,000	ISO	104p	24/02/15
30/03/05	10,000	ISO	102p	30/03/15

Total under option **5,537,700**

Service Contracts

The Company has entered into the following service agreements with the executive Directors:

Director	Date of Agreement	Annual Salary (£) 2004/5	Annual Salary (£) 2005/6
David Eldridge	27 June 2000	160,500	165,315
Michael Talbot	27 June 2000	136,425	140,518
Tim McCarthy	27 June 2000	136,425	140,518
David Cutler	1 January 2001	99,510	102,495

Service agreements for the executive Directors are subject to twelve months' written notice from either party. On serving notice to terminate the employment, the Company may elect to pay a sum equivalent to the executive Director's basic salary for the unexpired portion of the contractual notice entitlement.

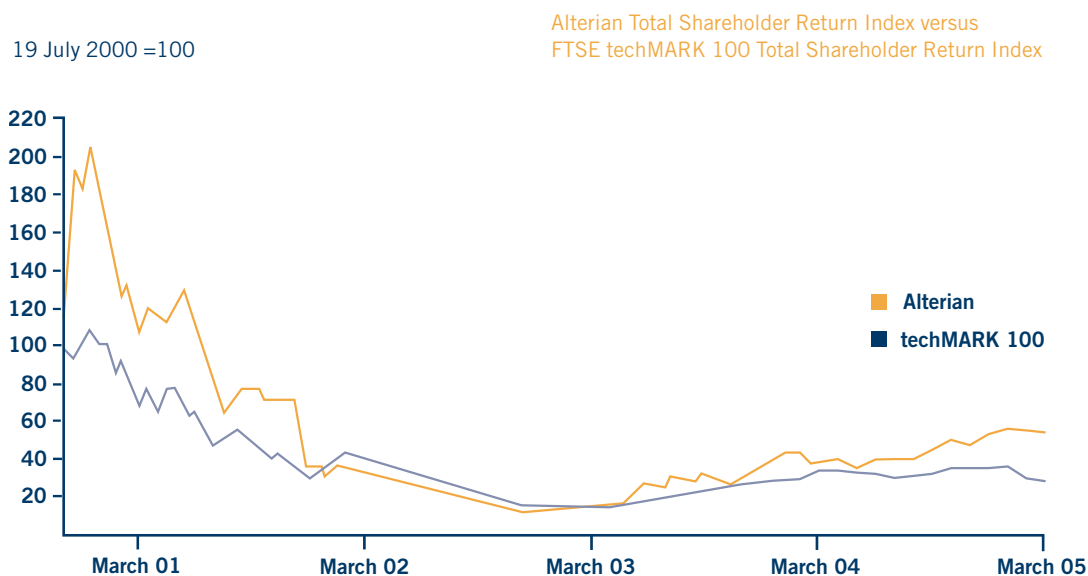
Under the terms of their service agreements each of the executive Directors is entitled to receive a car allowance equal to 7.5% of basic salary, a pension contribution equal to 10% of basic salary, permanent health cover, private medical insurance and a death in service benefit of four times salary. In addition where it is agreed that any Director is required to spend extended periods abroad an overseas allowance is made available to that Director.

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Performance Graph

The following graph shows the Company's performance since flotation in July 2000 measured by total shareholder return, compared with the performance of the FTSE techMARK 100 index also measured by total shareholder return. The FTSE techMARK 100 index represents the medium and small technology companies excluding the largest companies and has been selected for this comparison as the Directors consider it to be the most suitable comparator.



Source: Data Stream

Non-executive Directors

As non-executive Directors, Iain Johnston and Hugh McCartney each receive a fee of £25,000 per annum. Keith Hamill receives a fee of £40,000. Each non-executive's appointment is for a fixed term of 12 months. The appointments are open to renewal by mutual agreement between the non-executives and the Company.

Terms and conditions of the appointment of the non-executive Directors are available for inspection by any person at the Company's registered office during normal business hours.

The Board continues to monitor remuneration issues for non-executive Directors in order to ensure continued good corporate governance.

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Audited Information

Directors' Emoluments

Emoluments comprise salaries, fees, bonuses and taxable benefits. The Directors' aggregate emoluments in respect of the year ended 31 March 2005 was £929,000 (2004: £930,000). Individual emoluments for the year were:

	Fees or salary 2005 £000	Bonus 2005 £000	Benefits in kind 2005 £000	Total 2005 £000	Total 2004 £000
Executive Directors:					
David Eldridge	189	54	5	248	245
Michael Talbot	160	46	2	208	206
Tim McCarthy	160	46	2	208	206
David Cutler	110	42	15	167	171
Non-executive Directors:					
Keith Hamill	36	-	-	36	36
Paul Chapman*	18	-	-	18	22
Iain Johnston	22	-	-	22	22
Hugh McCartney	22	-	-	22	22
	717	188	24	929	930

Salary includes basic salary, car allowance and pension allowance.

* Paul Chapman resigned from the Board on 21 January 2005. Following his resignation, he was paid a further £1,000, for consultancy services.

In the year pension allowance contributions to David Eldridge were £16,044 (2004: £16,044), Michael Talbot £13,642 (2004: £13,642), Tim McCarthy £13,642 (2004: £13,642) and David Cutler £9,951 (2004: £9,951).

Remuneration Report

Directors' Interests in Shares

The Directors' beneficial interests in the shares of the Company at 31 March 2005 and at 1 April 2004 were:

	Ordinary Shares	
	2005	2004
Keith Hamill	110,000	95,900
David Eldridge	1,547,959	1,543,811
Michael Talbot	1,535,575	1,534,225
Tim McCarthy	1,185,575	1,184,225
David Cutler	1,407,659	1,353,737
Iain Johnston	1,769,000	1,969,000
Paul Chapman (resigned 21 January 2005)	-	4,937,000
Hugh McCartney	100,000	100,000

The beneficial interests of Iain Johnston include 116,000 Ordinary shares held by his wife.

The beneficial interests of David Cutler include 525,000 Ordinary shares held by James Hay Pension Nominees, 20,659 Ordinary shares held by Computershare Trustees Limited and 11,000 Ordinary shares held by his wife.

The beneficial interests of David Eldridge include 18,959 Ordinary shares held by Computershare Trustees Limited.

The beneficial interests of Tim McCarthy include 8,575 Ordinary shares held by Computershare Trustees Limited.

The beneficial interests of Michael Talbot include 8,575 Ordinary shares held by Computershare Trustees Limited.

The Directors had no interests in the shares of the Company's subsidiaries.

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Remuneration Report

Options

The interests of the Directors in Company share option schemes are as follows:

Directors	Number of options			Exercise price	Date from which exercisable	Expiry date
	1 April 2004	Granted	Exercised			
D J Eldridge	400,000	-	-	400,000	50p	13/06/2003 13/06/2010
D J Eldridge	163,300	-	-	163,300	73.5p	06/12/2004 06/12/2011
D J Eldridge	194,000	-	-	194,000	36p	20/12/2004 20/12/2012
M J Talbot	400,000	-	-	400,000	50p	13/06/2003 13/06/2010
M J Talbot	163,300	-	-	163,300	73.5p	06/12/2004 06/12/2011
M J Talbot	194,000	-	-	194,000	36p	20/12/2004 20/12/2012
T E McCarthy	400,000	-	-	400,000	50p	13/06/2003 13/06/2010
T E McCarthy	163,300	-	-	163,300	73.5p	06/12/2004 06/12/2011
T E McCarthy	194,000	-	-	194,000	36p	20/12/2004 20/12/2012
D R Cutler	100,000	-	-	100,000	200p	10/07/2003 10/07/2010
D R Cutler	163,300	-	-	163,300	73.5p	06/12/2004 06/12/2011
D R Cutler	194,000	-	-	194,000	36p	20/12/2004 20/12/2012
D R Cutler	206,000	-	-	206,000	53.5p	26/06/2006 26/06/2013
K Hamill	50,000	-	-	50,000	200p	10/07/2003 10/07/2010
	2,985,200	-	-	2,985,200		

The above options are held under both the approved and unapproved Employee Share Option Schemes, and the EMI Scheme. Subject to the conditions noted on pages 29 and 30 the Directors may exercise the options under the approved and unapproved Schemes at any time between the third and tenth anniversaries of the date of grant and the options under the EMI Scheme at any time between the second and tenth anniversaries of the date of grant.

No options lapsed during the year. The market price of the Company's shares at 31 March 2005 was 101p and the range during the year ended 31 March 2005 was 62p to 109p.

There has been no change in the options held since 31 March 2005.

Policy on External Appointments

It is the Company's policy to allow the executive Directors to hold external appointments and to receive payments provided such appointments are agreed by the Board or Committee in advance, that there is no conflict of interests and that the appointment does not lead to a deterioration in the individual's performance.

By order of the Board

David Cutler
Director
20 May 2005

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Independent Auditors' Report

Independent Auditors' Report to the Members of Alterian plc

We have audited the consolidated financial statements of Alterian plc for the year ended 31 March 2005, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, the accounting policies and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the Annual Report including the Directors' Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the Annual Report for the above year as described in the contents section including the un-audited part of the Directors' Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the profit of the Group for the year then ended; and
- the financial statements and part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants
and Registered Auditors

Bristol

20 May 2005

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Financial Statements

Consolidated Profit and Loss Account Year ended 31 March 2005

	Note	2005 £000	2004 £000
Turnover	2	7,806	5,668
Direct costs		(691)	(658)
Turnover less direct costs		7,115	5,010
Net operating expenses	3	(8,092)	(8,649)
Operating loss	4	(977)	(3,639)
Investment income	6	545	407
Loss on ordinary activity before taxation		(432)	(3,232)
Tax credit on loss on ordinary activities	7	487	488
Retained profit/(loss) for the financial year	20	55	(2,744)
Basic and diluted profit/(loss) per ordinary share	9	0.1 pence	(7.1) pence

There is no difference between the loss on ordinary activities before taxation or the profit/(loss) for the financial year stated above, and their historical cost equivalents.

The results above all derive from the continuing operations of the Group.

Consolidated Statement of Total Recognised Gains and Losses Year ended 31 March 2005

	Note	2005 £000	2004 £000
Profit/(loss) attributable to shareholders	20	55	(2,744)
Currency translation difference on foreign currency net investments	20	(36)	(65)
Total recognised gains and losses		19	(2,809)

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Consolidated Balance Sheet At 31 March 2005

	Note	2005 £000	2004 £000 Restated (see note 1)
Fixed Assets			
Intangible assets	10	318	496
Tangible assets	11	276	357
		594	853
Current Assets			
Debtors	13	4,954	3,699
Investments	14	9,869	11,679
Cash at bank and in hand		1,008	345
		15,831	15,723
Creditors: Amounts due within one year	15	(2,013)	(2,221)
Net Current Assets		13,818	13,502
Total Assets Less Current Liabilities		14,412	14,355
Net Assets		14,412	14,355
Capital And Reserves			
Called up share capital	18	9,805	9,803
Share premium account	20	31,056	31,054
Merger reserve	20	(4,756)	(4,756)
Own shares reserve	19/20	(83)	(117)
Profit and loss account	20	(21,610)	(21,629)
Total Equity Shareholders' Funds	20	14,412	14,355

These financial statements were approved by the Board of Directors on 20 May 2005.

Signed on behalf of the Board of Directors

D J Eldridge
Director

Financial Statements

Company Balance Sheet At 31 March 2005

	Note	2005 £000	2004 £000
Fixed Assets			
Investments	12	8,913	8,913
Current Assets			
Debtors: Amounts due after more than one year		25,319	22,903
Debtors: Amounts due within one year		29	18
Total Debtors	13	25,348	22,921
Investments	14	9,869	11,679
		35,217	34,600
Creditors: Amounts due within one year	15	(99)	(134)
Net Current Assets		35,118	34,466
Total Assets less current liabilities		44,031	43,379
Net Assets		44,031	43,379
Capital and Reserves			
Called up share capital	18	9,805	9,803
Share premium account	20	31,056	31,054
Profit and loss account	20	3,170	2,522
Total Equity Shareholders' Funds	20	44,031	43,379

These financial statements were approved by the Board of Directors on 20 May 2005.

Signed on behalf of the Board of Directors

D J Eldridge
Director

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Consolidated Cash Flow Statement Year ended 31 March 2005

	Note	2005 £000	2004 £000 Restated (see note 1)
Net cash outflow from operating activities	21	(1,968)	(3,362)
Returns on investments and servicing of finance			
Interest received		545	407
Net cash inflow from investments and servicing of finance		545	407
Taxation			
Tax credit received		402	488
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(85)	(56)
Receipts from sales of tangible fixed assets		-	7
Cash outflow before use of liquid resources and financing		(1,106)	(2,516)
Management of liquid resources			
Net decrease in current asset investments		1,810	2,476
Financing			
Purchase of own shares		(26)	(37)
Issue of ordinary share capital		4	-
Increase/(decrease) in cash in the year	23	682	(77)

1. Accounting Policies and Basis of Preparation

The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

The particular accounting policies adopted by the Company and its subsidiary undertakings are described below.

Change in Accounting Policies – Own Shares

The financial statements have been prepared on a basis consistent with the accounting policies adopted for the year ended 31 March 2004, except for the impact of UITF 37 'Purchase and sale and of own shares' and UITF 38 'Accounting for ESOP trusts'. These abstracts have been adopted for the year ending 31 March 2005 and so the Group has shown the impact for the year and restated comparatives accordingly. The effect of UITF 37 and UITF 38 has been that own shares held by the Group's Employee Benefit Trust and the Share Incentive Plan are shown as a deduction in arriving at shareholders' funds, instead of as fixed assets. Hence, there has been a transfer of £83,000 (31 March 2004: £117,000) from fixed assets to the Own shares reserve. The effect on the Cash flow statement is that there has been a transfer of £26,000 (31 March 2004: £37,000) from Capital Expenditure and Financial Investment to Financing. There has been no effect on the profit and loss account or reserve in any period.

Accounting Convention

The financial statements are prepared under the historical cost convention.

Basis of Consolidation

The financial statements consolidate the financial statements of Alterian plc and all its subsidiaries.

Turnover

Turnover represents amounts invoiced to customers (net of value added tax) for goods and services. Turnover from licence sales is recognised upon delivery to the customer. Maintenance and support contracts are recognised over the period of the contract. Professional services such as training and consultancy are recognised when the services are performed. Royalty income is recognised as it falls due.

Operating Expenses

The Directors consider that in order to appropriately reflect the operating profile of the business, only the direct costs in making sales such as royalties and commissions should be shown as deducted from turnover and that all other costs of the business are more appropriately classified as operating expenses.

Investments

Investments in subsidiary undertakings are shown at cost less provision for any impairment in value.

Investments in Own Shares

Investments in the Company's own shares are included in the Group balance sheet at cost less any provision for impairment.

Share Incentive Plan (SIP)

In accordance with UITF Abstract 38, the Group's accounts include the Alterian SIP which is administered by its trustees. The Trust holds shares in the Company for the SIP. The Directors consider that Alterian Technology Limited (one of the Company's subsidiaries) has control of shares held by the Trust and bears their benefits and risks. Where shares in the Company are held by the Trust, they are shown as 'Own shares' as a deduction in arriving at shareholders' funds. Finance costs and administrative expenses of the plan are charged to the profit and loss as they accrue.

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Intangible Fixed Assets

Software licences and other intellectual property assets acquired are shown at cost and amortised over their estimated useful lives of two to six years.

Tangible Fixed Assets

Depreciation is provided on cost less estimated residual value in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% per annum
Computer and office equipment	33% - 50% per annum
Fixtures and fittings	15% - 20% per annum

Deferred Taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on un-remitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate and long-term foreign currency borrowings are taken direct to reserves.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Research and Development

Research and Development expenditure is charged to the profit and loss account as incurred.

Pension Benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. In addition some UK employees receive an enhancement to salary of between 5% and 10% of gross pay in lieu of company contributions. The costs of both schemes are charged to the profit and loss account as incurred. US employees receive an enhancement to their 401k pension scheme contribution of 25%.

Financial instruments

In relation to the disclosures made in note 17, short-term debtors and creditors are not treated as financial assets or liabilities. The Group does not trade in financial instruments.

Notes to the Financial Statements
Year ended 31 March 2005

2. Turnover and Profits/(Losses)

All turnover and profit/(loss) before tax is attributable to the principal activity of the Group.

	Turnover		Profit/(loss) before tax		Net assets	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
						Restated (see note 1)
Turnover, profit/(loss) before tax, and net assets by origin						
United Kingdom	5,398	4,213	167	(2,354)	13,343	14,116
United States	2,408	1,455	(599)	(878)	1,069	239
	7,806	5,668	(432)	(3,232)	14,412	14,355

	2005 £000	2004 £000
Geographical analysis of turnover by destination		
United Kingdom	4,679	3,796
United States	2,242	1,455
Rest of the World	885	417
	7,806	5,668

3. Operating Expenses

	2005 £000	2004 £000
Administrative expenses	5,386	5,603
Distribution costs	2,706	3,046
	8,092	8,649

4. Operating Loss

	2005 £000	2004 £000
Operating loss is stated after charging/(crediting) :		
Rentals under operating leases		
- Other	248	466
Depreciation and other amounts written off tangible fixed assets		
- Own assets	158	268
Amortisation of intangible fixed assets	169	644
Profit on disposal of fixed assets	-	(7)
Research and development costs	2,407	2,439
Auditors' remuneration (see detail below)	65	58

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4. Operating Loss (continued)

The auditors' remuneration for audit and non-audit services is as follows:

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Audit services:				
Statutory audit	43	39	7	6
Audit-related regulatory reporting	13	3	-	-
	56	42	7	6
Other services:				
Other services	2	10	-	-

In addition to the above, fees as reporting accountants of £23,500 have been capitalised as part of the cost of the acquisition of MarkIT Information Services Limited in accordance with FRS 7.

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on page 25 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

5. Information regarding Directors and Employees

Employee costs (including Directors' emoluments) during the year:

	2005 £000	2004 £000
Wages and salaries	4,893	4,760
Social security costs	474	487
Other pension costs	82	75
	5,449	5,322

Average number of persons employed by the Group in the year:

	No.	No.
Product development and testing	35	29
Sales and distribution	24	27
Administration	12	12
	71	68

Directors' emoluments

Details of Directors' emoluments, share options and pension entitlements are given in the audited section of the Remuneration Report which begins on page 33.

6. Investment Income

	2005 £000	2004 £000
Interest receivable and similar income	545	407

7. Tax Credit on Loss on Ordinary Activities

	2005 £000	2004 £000
Analysis of credit in year:		
Overseas tax – current year	2	-
Research and development tax credit – current year	(170)	(488)
Research and development tax credit – prior year	(319)	-
	(487)	(488)

Factors affecting tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2004: 30%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2005 £000	2004 £000
Loss on ordinary activities before tax	(432)	(3,232)
	2005 £000	2004 £000
Tax on loss on ordinary activities at standard rate	(130)	(969)
Non deductible expenditure	22	26
Non taxable income	(11)	-
Capital allowances in excess of depreciation	5	179
Other timing differences	(65)	(8)
Research and development credit – current year	(170)	355
Current year losses surrendered for research and development credit	179	-
No credit for current year losses	-	267
Overseas tax - current year	2	-
Research and development credit – prior year	(319)	(338)
Current tax credit for the year	(487)	(488)

Factors affecting future tax charges:

Other than tax on UK investment income, the Group does not anticipate taxable profits to arise within the immediate future due to the availability of tax losses of £10m (2004: £10m) in the UK and £6.7m (2004: £6.7m) in the US as at 31 March 2005.

8. Profit of Parent Company

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £648,000 (2004: £91,000).

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9. Profit/(Loss) Per Share

Basic profit/(loss) per share is calculated by dividing the profit attributable to ordinary shareholders for the year ended 31 March 2005 of £55,000 (2004: loss of £2,744,000) by the weighted average number of ordinary shares in issue during the year of 38,919,000 (2004: 38,849,000).

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally, no adjustment is made to diluted EPS for out-of-the-money share options.

	2005 £000	2004 £000
Basic and diluted profit/(loss) attributable to ordinary shareholders	55	(2,744)
	No	No
Weighted average number of ordinary shares ('000)	38,919	38,849
	Pence	Pence
Basic and diluted profit/(loss) per share	0.1p	(7.1)p

10. Intangible Fixed Assets

	2005 £000
The Group	
Cost:	
At 1 April 2004	1,842
Exchange movements	(1)
Disposals	(9)
At 31 March 2005	1,832
Accumulated amortisation:	
At 1 April 2004	1,346
Exchange movements	(1)
Charge for the year	169
At 31 March 2005	1,514
Net book value:	
At 31 March 2005	318
At 31 March 2004	496

Intangible assets represent intellectual property rights and other software licences. There are no intangible fixed assets in the balance sheet of the Company.

The anticipated life of intangible assets is regularly reviewed in accordance with FRS 10 'Goodwill and Intangible Assets'.

11. Tangible Fixed Assets

	Motor Vehicles £000	Computer and office equipment £000	Fixtures and fittings £000	Total £000
The Group				
Cost:				
At 1 April 2004	26	702	452	1,180
Exchange movements	-	(7)	(6)	(13)
Additions	-	81	4	85
Disposals	-	(3)	-	(3)
At 31 March 2005	26	773	450	1,249
Accumulated depreciation:				
At 1 April 2004	6	607	210	823
Exchange movements	-	(6)	(2)	(8)
Charge for the year	7	83	68	158
At 31 March 2005	13	684	276	973
Net book value:				
At 31 March 2005	13	89	174	276
At 31 March 2004	20	95	242	357

There are no tangible fixed assets in the balance sheet of the Company.

12. Investments held as Fixed Assets

	Shares in subsidiary undertakings £000
The Company	
Cost and net book value:	
At 31 March 2005 and 2004	8,913

The investments of the Company are unlisted. Full details of these investments are set out in note 27.

13. Debtors

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	4,332	3,214	-	-
Amounts owed by group companies	-	-	25,319	22,903
Other debtors	313	185	12	11
Prepayments	309	300	17	7
	4,954	3,699	25,348	22,921

Amounts owed by group companies includes £25,319,000 (2004: £22,903,000) falling due after more than one year. These loans have no fixed repayment date.

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14. Investments held as Current Assets

	2005 £000	2004 £000
The Group and the Company		
Fixed interest securities	73	-
Certificates of deposit	3,305	7,586
Call deposit account	4	37
Other deposits	60	120
Money market fund	1,369	3,936
Insight Liquidity Fund	5,058	-
	9,869	11,679

15. Creditors: Amounts due within One Year

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade creditors	122	287	27	29
Taxation and social security	401	425	-	-
Other creditors	115	177	-	-
Accruals and deferred income	1,375	1,332	72	105
	2,013	2,221	99	134

16. Deferred Taxation

	2005 Provided £000	2004 Provided £000
The Group		
Accelerated capital allowances	(106)	(101)
Other timing differences	(8)	(73)
Tax losses carried forward	114	-
Unrecognised	-	174
	-	-

Unrecognised deferred tax assets at 31 March 2005 are £4,934,000 (2004: £5,190,000) relating to short term timing differences and tax losses. These will be realised as and when they reverse against suitable future taxable profits.

17. Financial Instruments

The Group does not trade in financial instruments. Short term debtors and creditors have been omitted from all disclosure other than as appropriate in the currency analysis of net assets in Note 17(a).

17(a). Interest Rate and Currency Profile of Financial Instruments

The following detail the interest rate and currency profiles of the Group's financial assets:

	Sterling 2005 £000	US Dollar 2005 £000	Gross financial assets 2005 £000	Sterling 2004 £000	US Dollar 2004 £000	Gross financial assets 2004 £000
Financial assets						
Floating rate – cash at bank and in hand	828	180	1,008	273	72	345
Floating rate – current asset investments	9,869	-	9,869	11,679	-	11,679
	10,697	180	10,877	11,952	72	12,024

Financial assets comprise cash in hand and at bank of £1,008,000 (2004: £345,000) and current asset investments of £9,869,000 (2004: £11,679,000).

Current asset investments are classified as 'floating rate' in accordance with FRS 13 as the weighted average interest rate is fixed for a period of less than 12 months. They have a weighted average rate of 4.7% (2004: 4.0%); the rates are fixed for a weighted average period of 1.9 months (2004: 0.9 months).

There are no financial liabilities in the Group.

The Group does not undertake any transactions to hedge against foreign currency monetary assets or liabilities.

Interest on floating rate assets is based on the relevant national inter bank rates.

The Group has no trading assets and liabilities (or non structural exposures) that give rise to net currency gains and losses recognised in the profit and loss account. The individual operating units only have assets and liabilities denominated in the operating (or functional) currency of the operating unit involved.

17(b). Fair Value of Financial Assets and Liabilities

A comparison of current and book values of all the Group's financial instruments as at 31 March 2005 is provided below. Where market prices are not available for a particular instrument, fair values have been calculated by discounting cash flow at prevailing interest rates.

Primary financial instruments held for use in the Group's operations

	Carrying amount 2005 £000	Estimated fair value 2005 £000	Carrying amount 2004 £000	Estimated fair value 2004 £000
Cash at bank and in hand	1,008	1,008	345	345
Current asset investments	9,869	9,869	11,679	11,679
	10,877	10,877	12,024	12,024

Cash awaiting investment in the Group is held in a variety of short dated sterling instruments and deposits actively managed by independent managers to maximise the return consistent with the Group's stringent risk criteria. Regular reports are produced and the returns and investments are compared with both benchmark targets and competitor returns.

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18. Share Capital

2005

Authorised:	No.	£000
Ordinary shares of 25 pence each	60,840,000	15,210

Allotted, called up and fully paid:

Ordinary shares of 25 pence each	39,220,516	9,805
----------------------------------	------------	-------

2004

Authorised:	No	£000
Ordinary shares of 25 pence each	60,000,000	15,000
15% cumulative preference shares of £1 each	210,000	210

15,210

Allotted, called up and fully paid:

Ordinary shares of 25 pence each	39,212,250	9,803
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It was resolved at the AGM held on 12 July 2004 that each of the existing authorised but un-issued cumulative preference shares of £1.00 each be subdivided and re-classified as four ordinary shares of 25 pence each.

On 18 February 2005 8,266 ordinary shares were issued. 6,600 were issued at 52p per share and 1,666 were issued at 26p per share.

19. Own Shares Reserve

The Group

	£000
Cost and net book value:	
At 1 April 2004	117
Additions in the year	26
Charged to profit and loss account in the year	(60)

At 31 March 2005

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Interests in own shares held represent the cost of shares in the Company held by the trustee of the Employee Benefit Trust (EBT) and the trustee of the Share Incentive Plan (SIP), and are disclosed as own shares in accordance with the Urgent Issues Task Force Abstract No.38 'Accounting for ESOP Trusts'. As at 31 March 2005 the EBT held 65,850 shares with a market value of £66,509, and the trustee of the SIP held 228,351 shares with a market value of £230,634. There was also £4,388 of cash held by the EBT.

The trusts are discretionary trusts for the benefit of employees of the Group. Under the terms of the trusts, the trustees are empowered to purchase shares in the Company with funds contributed by companies within the Group. The trustees will use any shares acquired for the benefit of employees especially in conjunction with employee share schemes operated by the Company.

All costs of the trusts are charged to the Group profit and loss account as they accrue.

20. Combined Reconciliation of Movements in Shareholders' Funds and Statement of Movements on Reserves

The Group	Called up share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Profit and loss account £000	2005 £000	2004 £000
As previously reported	9,803	31,054	(4,756)	-	(21,629)	14,472	17,281
Restatement (see note 1)	-	-	-	(117)	-	(117)	(113)
As restated	9,803	31,054	(4,756)	(117)	(21,629)	14,355	17,168
Issue of new shares	2	2	-	-	-	4	-
Profit/(loss) attributable to members of the group	-	-	-	-	55	55	(2,744)
Movement in the year	-	-	-	34	-	34	(4)
Foreign exchange translation differences	-	-	-	-	(36)	(36)	(65)
At the end of the year	9,805	31,056	(4,756)	(83)	(21,610)	14,412	14,355

The Company	Called up share capital £000	Share premium account £000	Profit and loss account £000	2005 £000	2004 £000
At the beginning of the year	9,803	31,054	2,522	43,379	43,288
Issue of new shares	2	2	-	4	-
Profit attributable to members of the group	-	-	648	648	91
At the end of the year	9,805	31,056	3,170	44,031	43,379

21. Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	2005 £000	2004 £000
Operating loss	(977)	(3,639)
Depreciation of tangible fixed assets	158	268
Amortisation of intangible fixed assets	169	644
Profit on sale of tangible fixed assets	-	(7)
Charges in respect of own shares	60	32
Increase in debtors	(1,235)	(706)
(Decrease)/increase in creditors	(143)	46
Net cash outflow from operating activities	(1,968)	(3,362)

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22. Analysis of Changes in Net Funds

	Cash at bank and in hand £000	Current asset investments £000	Total £000
At 1 April 2004	345	11,679	12,024
Cash flows	682	(1,810)	(1,128)
Exchange movement	(19)	-	(19)
At 31 March 2005	1,008	9,869	10,877

23. Reconciliation of Net Cash Flow to Movement in Net Funds

	2005 £000	2004 £000
Increase/(decrease) in cash in the year	682	(77)
Cash inflow from decrease in liquid resources	(1,810)	(2,476)
Change in net funds resulting from cash flows	(1,128)	(2,553)
Effect of foreign exchange rate changes	(19)	(17)
Movement in net funds in the year	(1,147)	(2,570)
Net funds at start of year	12,024	14,594
Net funds at end of year	10,877	12,024

24. Operating Lease Commitments

At 31 March 2005 the Group and Company were committed to making the following annual payments in respect of operating leases which expire:

	2005 £000	2004 £000
Land and buildings		
Between two and five years	202	188
Over five years	-	130
	202	318
Other assets	£000	£000
Within one year	3	8
Between two and five years	33	39
Over five years	-	1
	36	48

25. Pension Scheme

The Group operates a defined contribution pension scheme covering its permanent UK employees. Scheme funds are administered by trustees and are independent of the Group's finances. The Group has contributed 5.5% of members' gross salaries to the scheme since 1 October 2001. The pension cost charge represents contributions payable by the Group to the fund and amounted to £61,000 (2004: £63,000).

Some UK employees receive an enhancement to salary of between 5% and 10% of gross pay in lieu of Company contributions. This amounted to £104,000 (2004: £105,000).

US employees contribute to a 401k scheme. They receive an additional 25% of their contribution. This amounted to £15,000 (2004: £12,000).

26. Related Party Transactions

The Company has taken advantage of the exemption under FRS 8 not to disclose transactions with other group companies.

27. Principal Subsidiary Undertakings

The principal subsidiary undertakings at 31 March 2005 are shown below. All subsidiary undertakings are wholly owned and prepare accounts to 31 March each year.

Subsidiary	Activity	Country of Incorporation, registration, and operation	Portion of ordinary shares and voting rights held
Alterian Technology Limited	Database Analysis Software Supplier	England	100%
Alterian Inc.	Database Analysis Software Supplier	Illinois, USA	100%

All subsidiaries are included within the consolidated financial statements.

28. Post Balance Sheet Events

On 6 April 2005 the Company acquired 100% of the share capital of MarkIT Information Services Limited. The total cost of acquisition is estimated at approximately £1m, of which approximately £0.3m was satisfied by the issue of new shares.

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Five Year Summary

Five Year Summary Year ended 31 March

	2005	2004	2003	2002	2001
	£000	£000	£000	£000	£000
Turnover	7,806	5,668	4,784	4,267	2,078
Operating loss	(977)	(3,639)	(6,733)	(10,414)	(5,100)
Loss on ordinary activities before tax	(432)	(3,232)	(5,966)	(9,247)	(3,592)
Dividends	-	-	-	-	-
Retained profit/(loss) for the year	55	(2,744)	(5,666)	(9,247)	(3,592)
Net assets	14,412	14,355	17,281	23,017	32,257

This table summarises the performance and financial position of the Group for the last five financial years.

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Notice of Annual General Meeting 2005

Notice is hereby given that an Annual General Meeting of Alterian plc will be held at Century Place, Newfoundland Street, Bristol, BS2 9AG on 11th July 2005 at 2.30p.m. for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1-6 will be proposed as ordinary resolutions and resolutions 7-8 will be proposed as special resolutions:

- 1 To receive and consider the Financial Statements for the year ended 31st March 2005 and the Reports of the Directors and Auditors thereon.
- 2 To approve the Directors' Remuneration Report for the year ended 31 March 2005.
- 3 To re-elect Mr M Talbot as a Director.
- 4 To re-elect Mr T McCarthy as a Director.
- 5 To re-appoint Deloitte and Touche LLP as Auditors of the Company and resolve that their remuneration be agreed by the Directors.
- 6 That the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80, Companies Act 1985 to allot, or to grant any right to subscribe for or convert any security into, Ordinary Shares in the Company up to an aggregate nominal value of up to £3,268,377, at any time or times during the period from the date of the passing of this resolution up to and including the day preceding the next Annual General Meeting of the Company or 15 months from the date of passing of this resolution whichever comes first, on which date this authority shall expire and this authority shall allow the Company to make an offer or agreement before the expiry of the authority which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after the expiry of the authority.
- 7 That the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash as if sub-section (1) of Section 89 did not apply to any such allotment, provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of Shareholders where the equity securities respectively attributable to the interests of all such Shareholders are proportionate (as nearly as may be) to the respective number of Shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities having an aggregate nominal value of £490,256 (being approximately five per cent of the nominal value of the Ordinary Share Capital of the Company in issue immediately following the date of this resolution) and shall expire on the day preceding the next Annual General Meeting of the Company or 15 months from the date of passing of this resolution whichever comes first, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
- 8 That in accordance with the Articles of Association of the Company and Section 166 of the Companies Act 1985, the Company be and is hereby granted general and unconditional authority to make market purchases (as defined in Section 163 of the Companies Act 1985) of any of its own shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine provided that the authority conferred by this resolution shall:
 - (a) be limited to the number of Ordinary Shares having an aggregate nominal value of £490,256;
 - (b) not permit the payment per share of more than five per cent above the average middle market quotation of an Ordinary Share of the Company on the London Stock Exchange as derived from the Daily Official List on the five dealing days immediately prior to the date of purchase or less than 25p (in each case exclusive of expenses); and
 - (c) expire on the date falling 15 months after the passing of this resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier, except in relation to purchases of shares the contract for which was concluded before the expiration of the said period and which may be executed wholly or partly after such date.

By Order of the Board

D R Cutler

Company Secretary
8th June 2005

Registered Office:
Century Place, Newfoundland Street, Bristol BS2 9AG

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- 1 The register of the Directors' interests in the share capital of the Company maintained under Section 325 of the Companies Act 1985 will be available for reference at the place of meeting from 8.30 a.m. on the date of the meeting until its conclusion.
- 2 Copies of the Directors' service agreements will be available for inspection at the Registered Office of the Company during normal business hours on each business day from the date of this notice until the date of the meeting, and at the place of the meeting from 8.30 a.m. on the date of the meeting until its conclusion.
- 3 Any member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Forms of proxy, to be valid, must be received by the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
- 4 The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company as at 6.00pm on 9 July 2005 shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 9 July 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Explanatory Notes

Resolution 1 – Report and Accounts 2005

The Directors will present the Directors' Report and the audited financial statements of the company for the year ended 31 March 2005 to shareholders.

Resolution 2 – Approval of Remuneration Report 2005

The Directors will seek approval for the Directors' Remuneration Report for the year ended 31 March 2005. Please refer to pages 28 to 35 of the Annual Report for the full text.

Resolutions 3 and 4 – Re-election of Directors retiring by rotation

One-third of the Directors must retire each year, though they may offer themselves for re-election. This year Michael Talbot and Tim McCarthy are retiring and seeking re-election. Please refer to pages 18 and 19 of the Annual Report for biographical details. Michael Talbot is the Chief Technical Officer and Tim McCarthy is the Research Director.

Resolution 5 – Re-appointment of Auditors

The Directors will seek approval for the re-appointment of Deloitte and Touche LLP as the Company's Auditors.

Resolution 6 – Authority to allot shares

An ordinary resolution will be proposed to give the Directors authority to allot part of the unissued Ordinary share capital of the Company. In accordance with Institutional Shareholders' Committee guidelines, any such authority should be limited by reference to the issued Ordinary share capital of the Company. In broad terms, such authority should be limited in amount equal to one third of the existing issued Ordinary share capital of the Company.

Resolution 7 – Disapplication of pre-emption rights

A special resolution will be proposed to empower Directors to allot securities of the Company up to a specified amount in connection with rights issues without having to obtain prior approval from shareholders on each occasion and also to allot a small number of these for cash without first being required to offer such shares to existing shareholders. In accordance with Institutional Shareholders' Committee guidelines, the number of Ordinary shares which may be issued for cash under the latter authority should not exceed five per cent of the issued Ordinary share capital of the Company.

Resolution 8 – Market purchase of shares

Under the Company's articles of association and Section 162 of the Companies Act 1985, the Company is empowered to purchase its own shares. Resolution 8 is proposed as a special resolution to enable the Company to purchase, for cancellation and/or for holding in treasury, Ordinary shares in the market for the period until the conclusion of the Company's Annual General Meeting to be held in 2006, upon the terms set out in the resolution up to a maximum number of 1,961,024 Ordinary shares (representing approximately five per cent of the issued Ordinary share capital of the Company).

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