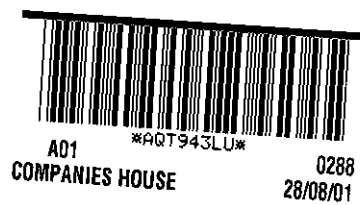


Company Registration No. 3351717

ALTERIAN TECHNOLOGY LIMITED
Report and Financial Statements

31 March 2001

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP



ALTERIAN TECHNOLOGY LIMITED
REPORT AND FINANCIAL STATEMENTS 2001

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ALTERIAN TECHNOLOGY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Eldridge (Chairman)
D R Cutler
T E McCarthy
M J Talbot

COMPANY SECRETARY

D R Cutler FCA FCT

REGISTERED OFFICE

Century Place
Newfoundland Street
Bristol
BS2 9AG

SOLICITORS

Osborne Clarke
50 Queen Charlotte Street
Bristol
BS1 4HE

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

ALTERIAN TECHNOLOGY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the company is the design and development of specialised data manipulation and analysis software tools for sale under licence through third party business partner organisations.

The entire share capital of the company was acquired by Alterian plc on 27 June 2000.

REVIEW OF DEVELOPMENTS

The last twelve months were a period of intense activity for Alterian. For the year all operational targets, both in terms of channel development and staffing resource, were achieved building solid foundations for the business.

| | 31 March 2001 | 31 March 2000 |
|---|---------------|---------------|
| Signed Business Partners | 25 | 11 |
| Of which have paid royalties for on-sale/usage in the preceding 12 months | 8 | 4 |
| Number of staff | 78 | 15 |
| Of which are sales and marketing | 32 | 6 |

After a year of significant progress and investment in the foundations of the business, Alterian is well positioned to take advantage of the opportunity in the market of "Analytical Engines", an important growth segment of the IT market. The Alterian technology is well proven, in both partner and client sites, to be an innovative and market leading product.

Alterian's revenue sources are balanced, with income derived from partners providing services using Alterian technology as well as reselling software licences to end users. In addition, the relatively low level of investment required for initial implementation of Alterian technology means that possible reductions in budgets for major systems are not expected to impact the decision making process for end users.

With a strong team in place, a solid infrastructure established, a rapidly growing partnership base and a strong sales pipeline, the company is confident of delivering significant year on year revenue growth in the new financial year and beyond.

RESULTS AND DIVIDENDS

The result for the year is set out in the profit and loss account on page 6.

The company has not paid or accrued any dividends for the year (2000: nil).

RESEARCH AND DEVELOPMENT ACTIVITIES

Although the core Alterian products were complete at the start of this year, research and development has continued, resulting in a new release of the products during the period. In addition to this, the company has been focused on creating enhanced features and application modules that partners can use to reduce their own development time when constructing polished applications for delivery on the desktop and over the web.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1.

During the year the following directors resigned:

P V W Chapman (resigned 31 December 2000)

I B Johnston (resigned 31 December 2000)

David Cutler was appointed as a director and company secretary on 31 August 2000.

The directors had no interests in the shares of the company.

All the directors at the year end were also directors of the ultimate parent company, Alterian plc, and their interests in the share capital of that company are disclosed in the accounts of that company.

ALTERIAN TECHNOLOGY LIMITED

DIRECTORS' REPORT (continued)

POLICY ON PAYMENT TO SUPPLIERS

It is the company's policy to agree terms and conditions for its business transactions with suppliers. The company 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 company at 31 March 2001 represent 51 days (2000: 78 days) as a proportion of the total amount invoiced by suppliers during the year.

AUDITORS

Deloitte & Touche 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
Secretary

18 July 2001

ALTERIAN TECHNOLOGY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 company as at the end of the financial year and of the profit or loss for the year to that date. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF ALTERIAN TECHNOLOGY LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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. 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, 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

2 August 2001

ALTERIAN TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2001

| | Note | 2001 £000 | (Restated) 2000 £000 |
|---|------|--------------|----------------------------|
| TURNOVER | 2 | 2,078 | 1,011 |
| Direct costs | | (168) | (56) |
| TURNOVER LESS DIRECT COSTS | | 1,910 | 955 |
| Operating expenses | 3 | (5,378) | (943) |
| OPERATING (LOSS)/PROFIT | 4 | (3,468) | 12 |
| Investment income | 6 | 8 | - |
| Interest payable and similar charges | 7 | (12) | (8) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (3,472) | 4 |
| Tax on (loss)/profit on ordinary activities | 8 | - | - |
| RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR | 14 | (3,472) | 4 |

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

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

There are no recognised gains and losses for the current financial year or the preceding financial year other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses has been prepared.

ALTERIAN TECHNOLOGY LIMITED

BALANCE SHEET

At 31 March 2001

| | Note | 2001 £000 | 2000 £000 |
|--|------|-----------------------|-------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 718 | 90 |
| CURRENT ASSETS | | | |
| Debtors | 10 | 1,704 | 506 |
| Cash at bank and in hand | | 137 | - |
| | | <u>1,841</u> | <u>506</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | <u>(5,756)</u> | <u>(402)</u> |
| NET CURRENT (LIABILITIES)/ASSETS | | <u>(3,915)</u> | <u>104</u> |
| TOTAL (LIABILITIES)/ASSETS LESS CURRENT LIABILITIES | | <u>(3,197)</u> | <u>194</u> |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 12 | <u>(36)</u> | <u>(24)</u> |
| NET (LIABILITIES)/ASSETS | | <u><u>(3,233)</u></u> | <u><u>170</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 210 | 141 |
| Share premium | 14 | 280 | 280 |
| Profit and loss account | 14 | <u>(3,723)</u> | <u>(251)</u> |
| SHAREHOLDERS' FUNDS | | <u><u>(3,233)</u></u> | <u><u>170</u></u> |
| Attributable to equity shareholders | | <u>(3,443)</u> | <u>29</u> |
| Attributable to non-equity shareholders | | <u>210</u> | <u>141</u> |
| | | <u><u>(3,233)</u></u> | <u><u>170</u></u> |

These financial statements were approved by the Board of Directors on 18 July 2001.

Signed on behalf of the Board of Directors



D J Eldridge
Director

ALTERIAN TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the company are described below.

Basis of Preparation

The company enjoys the support of its ultimate parent company, Alterian plc.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover and revenue recognition

Turnover represents amounts invoiced to customers (net of value added tax) for goods and services. Revenue 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.

Changes in classifications

The directors consider that in order to more appropriately reflect the operating profile of the business since the group's flotation in July 2000, 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.

The effect of this change has been to increase operating expenses in 2000 by £206,000, and decrease the cost of making sales by the same amount. The change has no effect on operating (loss)/profit.

Tangible fixed assets

Tangible fixed assets are shown at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

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

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

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.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

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.

ALTERIAN TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2001

1. ACCOUNTING POLICIES (continued)

Pension benefits

The company does not operate a pension scheme but employees receive enhancements to salary of between 5% and 10% of gross pay in lieu of company contributions. Such amounts are charged to the profit and loss account as incurred.

2. TURNOVER

All turnover is attributable to the principal activity of the company and generated in the United Kingdom.

| | 2001 | 2000 |
|---|--------------|--------------|
| | £000 | £000 |
| Geographical analysis of turnover by destination | | |
| United Kingdom | 1,935 | 830 |
| Rest of the World | 143 | 181 |
| | <u>2,078</u> | <u>1,011</u> |

3. OPERATING EXPENSES

| | 2001 | 2000 |
|-------------------------|--------------|-------------|
| | £000 | £000 |
| Administrative expenses | 2,492 | 723 |
| Distribution costs | 2,886 | 220 |
| | <u>5,378</u> | <u>943</u> |

4. OPERATING (LOSS)/PROFIT

| | 2001 | 2000 |
|---|-------------|-------------|
| | £000 | £000 |
| Operating (Loss)/Profit as stated after charging: | | |
| Rentals under operating leases – other | 88 | 75 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| - own assets | 78 | 17 |
| - assets held under finance leases and hire purchase contracts | 27 | 8 |
| Loss on disposal of fixed assets | 4 | - |
| Research and development | 365 | 181 |
| Auditors' remuneration: | | |
| - audit fees | 32 | 5 |
| - non-audit services | 86 | 10 |
| | <u>86</u> | <u>10</u> |

The non-audit services relate to management accounting, taxation and share option advice.

ALTERIAN TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2001

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

| | 2001 | 2000 |
|------------------------|-------------|-------------|
| | £000 | £000 |
| Emoluments | 747 | 224 |
| Highest paid director: | £000 | £000 |
| Emoluments | 226 | 76 |

Directors' Pensions

None of the directors are members of a defined benefit or money purchase pension scheme or long term incentive plan. Basic salaries include an enhancement to salary equal to 10% of basic salary in lieu of company contributions.

| Employee costs during the year | £000 | £000 |
|---------------------------------------|-------------|-------------|
| Wages and salaries | 2,007 | 421 |
| Social security costs | 241 | 47 |
| | 2,248 | 468 |

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

| | No. | No. |
|------------------------|------------|------------|
| Production | 8 | 6 |
| Sales and distribution | 18 | 2 |
| Administration | 14 | 2 |
| | 40 | 10 |

6. INVESTMENT INCOME

| | 2001 | 2000 |
|--|-------------|-------------|
| | £000 | £000 |
| Interest receivable and similar income | 8 | - |

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2001 | 2000 |
|--|-------------|-------------|
| | £000 | £000 |
| Bank loans, overdrafts and other loans repayable within five years | 2 | 6 |
| Finance leases and hire purchase contracts | 10 | 2 |
| | 12 | 8 |

ALTERIAN TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

| | | | |
|----|--|-------------|-------------|
| 8. | TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES | 2001 | 2000 |
| | | £000 | £000 |

United Kingdom corporation tax at 30% (2000: 20%)
based on the (loss)/profit for the year

| | |
|---|---|
| - | - |
|---|---|

At 31 March 2001 there were tax losses available to offset against future taxable profits amounting to approximately £1,500,000. A deferred tax asset has not been recognised in connection with these losses.

9. TANGIBLE FIXED ASSETS

| | Computer and office equipment £000 | Fixtures and fittings £000 | Motor vehicles £000 | Total £000 |
|---------------------------------|---|---|------------------------------------|-----------------------|
| Cost: | | | | |
| At 1 April 2000 | 54 | 33 | 45 | 132 |
| Additions | 323 | 246 | 180 | 749 |
| Disposals | - | - | (29) | (29) |
| At 31 March 2001 | 377 | 279 | 196 | 852 |
| Accumulated depreciation | | | | |
| At 1 April 2000 | 24 | 7 | 11 | 42 |
| Charge for the year | 60 | 14 | 31 | 105 |
| Disposals | - | - | (13) | (13) |
| At 31 March 2001 | 84 | 21 | 29 | 134 |
| Net book value | | | | |
| At 31 March 2001 | 293 | 258 | 167 | 718 |
| At 31 March 2000 | 30 | 26 | 34 | 90 |

The net book value of the company's fixed assets includes £67,000 of Motor vehicles and £3,000 of Computer and office equipment (2000: £35,000 of Motor vehicles) in respect of assets held under hire purchase contracts.

10. DEBTORS

| | | |
|--|--------------|-------------|
| | 2001 | 2000 |
| | £000 | £000 |
| Amounts falling due within one year | | |
| Trade Debtors | 1,142 | 470 |
| Amounts owed by group companies | 229 | - |
| Other Debtors | 136 | - |
| Prepayments and accrued income | 197 | 36 |
| | <u>1,704</u> | <u>506</u> |

ALTERIAN TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| Bank overdraft | - | 17 |
| Obligations under finance leases and hire purchase contracts | 23 | 9 |
| Amounts owed to group companies | 3,517 | - |
| Trade creditors | 1,168 | 141 |
| Taxation and social security | 109 | 25 |
| Accruals and deferred income | 939 | 210 |
| | <u>5,756</u> | <u>402</u> |

The bank overdraft was secured by way of a charge over the company's assets.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| Obligations under finance leases and hire purchase contracts | <u>36</u> | <u>24</u> |
| Finance lease and hire purchase obligations | | |
| Amounts repayable | | |
| - within one year | 23 | 9 |
| - between one and two years | 23 | 18 |
| - between two and five years | 13 | 6 |
| | <u>59</u> | <u>33</u> |

Finance lease and hire purchase obligations are secured on the related assets.

13. SHARE CAPITAL

| | No. | 2001 £ |
|---|---------|----------------|
| Authorised | | |
| Ordinary shares of £0.01 each | 100,000 | 1,000 |
| 15% cumulative Preference shares of £1 each | 210,000 | 210,000 |
| | | <u>211,000</u> |
| | No. | £ |
| Allotted, called up and fully paid | | |
| Ordinary shares of £0.01 each | 10,073 | 101 |
| 15% cumulative Preference shares of £1 each | 210,000 | 210,000 |
| | | <u>210,101</u> |

ALTERIAN TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

13. SHARE CAPITAL (continued)

| | No. | 2000 £ |
|---|---------|-----------|
| Authorised | | |
| Ordinary shares of £0.01 each | 100,000 | 1,000 |
| 15% cumulative Preference shares of £1 each | 210,000 | 210,000 |
| | | <hr/> |
| | | 211,000 |
| | | <hr/> |
| Allotted | | |
| Ordinary shares of £0.01 each | 10,073 | 101 |
| 15% cumulative Preference shares of £1 each | 210,000 | 210,000 |
| | | <hr/> |
| | | 210,101 |
| | | <hr/> |
| Called up, fully and partly paid | | |
| Ordinary shares of £0.01 each | 10,073 | 101 |
| 15% cumulative Preference shares of £1 each | 210,000 | 140,700 |
| | | <hr/> |
| | | 140,801 |
| | | <hr/> |

Cumulative redeemable preference shares

On 19 May 2000, the 210,000 issued Preference shares had a final call of 33p made on them, resulting in proceeds of £69,300.

On 27 June 2000, the Preference shares ceased to be convertible and the entire issued share capital of the company was acquired by Alterian plc pursuant to the terms of a Share Exchange Agreement.

Dividends and other rights

The shares entitle the holder to receive a fixed cumulative preferential dividend at the rate of 15% on the paid up capital and the right to a return of capital on either winding up or a repayment of capital. There are no fixed dates for the payment of dividends but the rate payable is compounded annually, interest accruing thereafter up to the date of payment. The shares do not entitle the holders to any further participation in the profits or assets of the company, and do not carry any voting rights unless the company is in breach of the terms and conditions attaching to the shares.

The Preference shareholders have waived their entitlement to dividends for the year ended 31 March 2001.

Redemption

At any point on or before 31 January 2002 the company may at its sole discretion redeem for cash the total amount paid up in respect of all the cumulative redeemable Preference shares then outstanding or tranches of not less than 1,000 shares. No premium is payable on redemption.

ALTERIAN TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

14. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | At 31 March 2001 £000 | At 31 March 2000 £000 |
|---------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|--------------------------------|--------------------------------|
| At the beginning of the year | 141 | 280 | (251) | 170 | 26 |
| Proceeds from issue of shares | 69 | - | - | 69 | 140 |
| (Loss)/profit for year | - | - | (3,472) | (3,472) | 4 |
| At the end of the period | 210 | 280 | (3,723) | (3,233) | 170 |

15. CAPITAL COMMITMENTS

| | 2001 £000 | 2000 £000 |
|---------------------------------|--------------|--------------|
| Contracted for but not provided | 40 | - |

16. OPERATING LEASE COMMITMENTS

| | 2001 £000 | 2000 £000 |
|-------------------------------|--------------|--------------|
| Land and buildings | | |
| Expiring in two to five years | 140 | 54 |
| Other assets | | |
| Expiring within one year | 7 | 4 |
| Expiring in two to five years | 23 | 35 |
| | 30 | 39 |

17. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Alterian plc and has accordingly taken advantage of the exemption available under FRS 8 from disclosing transactions with group entities.

18. CASH FLOW STATEMENT

As a wholly owned subsidiary of a UK registered company, Alterian Technology Limited has taken advantage of the exemption from requirements to produce a cash flow statement. A consolidated cash flow statement is included in the Alterian plc group accounts.

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Alterian plc which is incorporated in Great Britain. Copies of the accounts of Alterian plc may be obtained from the Company Secretary's office, Century Place, Newfoundland Street, Bristol, BS2 9AG.