

**ALTERIAN LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 1999**



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**ALTERIAN LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 1999**

Alterian Limited is a privately owned company incorporated in 1997 for the purpose of developing and distributing innovative data analysis software through partnerships with leading providers of solutions to the rapidly expanding market for customer relationship marketing and data analysis activities.

The market for customer relationship marketing and data analysis is rapidly expanding and Alterian expect to lead a revolution in the utilisation of information. A key application of Alterian technology is to improve knowledge and understanding of customer preferences and purchasing patterns in order to drive contact strategies, channel strategy and interactive marketing activity all leading to sustainable competitive advantage.

During the year the company has invested significant resources in finalising the development of the initial suite of products whilst also establishing a number of relationships with solution providers which place the company in an enviable position for the forthcoming year.

Further significant investment is planned during the current 12 months in broadening the company's resource base, building on existing partnerships and winning new partners in the UK and overseas.

## **Outlook**

After two years of investment Alterian Limited is budgeted to fund continuing significant investment in expansion through turnover in the year ending 31<sup>st</sup> March 2000. The directors are delighted that they share a common vision for the company with the shareholders and have their full financial support.

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## **Alterian Limited**

### **Managing Director's Review**

The company has achieved excellent progress in the period to 31 March 1999, developing leading edge data analysis software and establishing relationships with some of the largest systems integrators and marketing services organisations worldwide.

Alterian Limited's first range of products received extended customer testing, and was released in September 1998. These products combine Alterian Limited's proprietary technology with complimentary technology secured through agreements with leading third party organisations (such as Microsoft Visual Basic for applications provided through a partnership agreement with Microsoft Corporation).

Alterian technology enables systems integrators and other business partners to build customer relationship marketing and analysis solutions tailored to the needs of a particular business sector or client. During the year relationships were formalised with a number of partner organisations, and end user solutions were implemented. These partners, together with the end user reference sites in place, mean that Alterian is in an excellent position for the financial year ending March 2000.

The first half of the financial year ending 31 March 1999 saw slower than planned sales due to extended customer testing delaying the release of products. However, following release of the products in September 1998 sales grew steadily.

Alterian Limited looks forward to continued success in the development and marketing of innovative software in this exciting, high growth sector and to working with existing and new business partners to deliver powerful solutions to end user organisations in the UK and overseas.

# **Alterian Limited**

**Registered No. 3351717**

## **Directors**

D J Eldridge  
M J Talbot  
T E McCarthy  
I B Johnston (non-exec)  
P V Chapman (non-exec)

## **Secretary**

D J Eldridge

## **Registered Office**

Century Place  
Newfoundland Street  
Bristol  
BS2 9AG

## **Auditors**

Ernst & Young  
Silkhouse Court  
Tithebarn Street  
Liverpool  
L2 2LE

## **Bankers**

National Westminster Bank Plc  
Liverpool City Office  
22 Castle street  
Liverpool  
L69 2BE

## **Solicitors**

Hammond Suddards  
Trinity Court  
16 Dalton Street  
Manchester  
M60 8HS

# **Alterian Limited**

## **Directors' Report for the year ended 31 March 1999**

The directors present their report and the audited financial statements for the year ended 31 March 1999.

### **Results and dividends**

The loss for the financial year, after taxation, was £254,658. The directors do not recommend the payment of a dividend.

### **Principal activities**

The profit and loss account for the year is set out on page 7.

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.

### **Review of business**

Both the level of business and the financial position were satisfactory at 31st March 1999 and continue to perform in accordance with plan.

### **Directors**

The directors of the company at 31 March 1999 are listed below, together with their beneficial interest in the shares of the company.

	31 March 1999 No. ordinary shares	31 March 1998 No. ordinary shares
D J Eldridge	844	5
M J Talbot	846	10
T E McCarthy	846	10
I B Johnston (non-exec)	1,326	-
P V Chapman (non-exec)	2,168	-

### **Taxation status**

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

## **Alterian Limited**

### **Year 2000**

Systems critical to the company's ongoing operation and preparation of financial information (including application systems, operating systems and hardware), as well as other non financial computing and date-dependent systems on which the company relies in its operations have been reviewed to establish the impact, if any, which the year 2000 will have on the accuracy of their calculations, processing and reporting. The directors believe there are plans in place designed to enhance computer and other systems to the end of this millennium which, when implemented, should ensure that the impact of the Year 2000 problem will not create significant errors in accounting records or adversely impact operations or customer service.

### **Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year that 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 that period.

The directors confirm that suitable accounting policies have been used and applied consistently. The judgements and estimates made in the preparation of the financial statements are reasonable and prudent. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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 accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **Auditors**

A resolution to re-appoint Ernst & Young as auditors will be proposed at the Annual General Meeting.

### **By order of the board**

  
D J Eldridge  
Company Secretary

18<sup>th</sup> January 2000

## **Report of the Auditors to the members of Alterian Limited**

We have audited the accounts on pages 8 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

### **Respective responsibilities of directors and auditors**

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

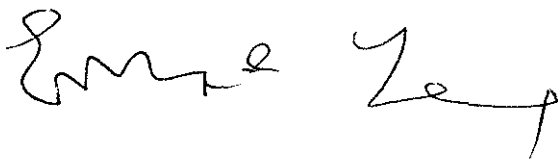
### **Basis of opinion**

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, 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 accounts 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 accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31<sup>st</sup> March 1999 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young**  
**Registered Auditors**  
Liverpool

26 January

2000



## Alterian Limited

### Profit and Loss Account for the year ended 31 March 1999

	Notes	1999 £	1998 £
<b>Turnover</b>	2	425,958	7,872
Cost of Sales		<u>388,893</u>	<u>153,788</u>
<b>Gross Profit/Loss</b>		37,065	(145,916)
Net operating expenses		<u>293,483</u>	<u>61,584</u>
<b>Operating Loss</b>	5	(256,418)	(207,500)
Interest receivable		1,850	-
Interest payable and similar charges		<u>(90)</u>	<u>-</u>
<b>Loss on ordinary activities before taxation</b>		(254,658)	(207,500)
<b>Tax on ordinary activities</b>	6	-	207,500
<b>Loss retained for the financial year</b>	12	<u>(254,658)</u>	<u>-</u>

The company has no recognised gains and losses other than the loss for the year ended 31 March 1999 of £254,658.

# Alterian Limited

## Balance Sheet at 31 March 1999

	Notes	1999 £	1998 £
<b>Fixed Assets</b>			
Tangible Assets	7	<u>69,350</u>	<u>13,963</u>
<b>Current Assets</b>			
Debtors	8	97,801	24,999
Cash at bank and in hand		<u>30,835</u>	<u>-</u>
		128,636	24,999
<b>Creditors: Amounts falling due within one year</b>	9	<u>152,150</u>	<u>38,862</u>
<b>Net current liabilities</b>			(13,863)
		<u>(23,514)</u>	
<b>Total assets less current liabilities</b>		45,836	100
<b>Creditors: Amounts falling due after more than one year</b>	10	<u>19,961</u>	<u>-</u>
<b>Net assets</b>		<u>25,875</u>	<u>100</u>
<b>Capital and reserves</b>			
Called up share capital	11	101	100
Share premium account	12	280,432	-
Profit and loss account	12	<u>(254,658)</u>	<u>-</u>
<b>Equity shareholders' funds</b>		<u>25,875</u>	<u>100</u>

Approved by the board on : 18<sup>th</sup> January 2000



D J Eldridge  
Director

# **Alterian Limited**

## **Notes to the accounts at 31<sup>st</sup> March 1999**

### **1. Principal accounting policies**

The financial statements have been prepared in accordance with applicable *Accounting Standards in the United Kingdom*. The accounting policies which have been applied consistently are set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates for this purpose are:

	%
Computer Equipment	33
Fixtures and Fittings	15
Office Furniture & Equipment	33
Motor Vehicles	25

#### **Development expenditure**

Development expenditure relating to specific projects intended for commercial exploitation is carried forward. Such expenditure is amortised over the period expected to benefit. No development expenditure has been treated in this manner to date. Expenditure on pure and applied research is written off as incurred.

#### **Pensions**

No scheme is currently in place but employees receive an enhancement to salary equal to 5% of gross pay in lieu of company contributions to a defined pension scheme. Such amounts are charged to the profit and loss account as incurred.

#### **Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

# Alterian Limited

## Notes to the accounts at 31<sup>st</sup> March 1999

### Leasing commitments

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The corresponding lease obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### Related Parties

The company has taken advantage of the exemption from disclosure requirements of Financial Reporting Standard No.8 on the grounds that it qualifies as a small company.

### Cash Flow

In accordance with the exemptions specified within the Financial Reporting Standard No.1 the company is not required to prepare a cash flow statement.

## 2. Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied. All turnover was in the UK and from continuing activities.

## 3. Directors' emoluments

	1999 £	1998 £
Emoluments (including benefits in kind)	<u>163,085</u>	<u>147,716</u>

# Alterian Limited

## Notes to the accounts at 31<sup>st</sup> March 1999

### 4. Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was 8.

The staff costs in the year were:

	1999 £	1998 £
Wages and salaries	279,333	129,354
Social security costs	28,717	14,134
Other pension costs	<u>2,626</u>	<u>1,790</u>
	<u>310,676</u>	<u>145,278</u>

### 5. Loss on ordinary activities before taxation

	1999 £	1998 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation		
- owned assets	10,060	3,968
- leased assets	2,995	-
Auditors' remuneration		
- audit	1,200	1,000
- non-audit services	-	-
Operating lease rentals	78,458	-
Write off of irrecoverable intercompany balance	-	(14,519)

### 6. Tax on loss on ordinary activities

	1999 £	1998 £
Based on the loss for the year:		
United Kingdom corporation tax	-	-
Group relief	<u>-</u>	<u>(207,500)</u>
	<u>-</u>	<u>(207,500)</u>

# Alterian Limited

## Notes to the accounts at 31<sup>st</sup> March 1999

### 7. Tangible fixed assets

	Motor Vehicles £	Office Equipment £	Computer Equipment £	Fixtures & Fittings £	Total £
Cost					
At 1 April 1998	-	2,283	15,647	-	17,930
Additions		-	6,997	32,691	68,442
	28,754				
At 31 March 1999	28,754	2,283	22,644	32,691	86,372
Depreciation					
At 1 April 1998		691	3,276	-	3,967
Charge for year	2,995	754	6,888	2,418	13,055
At 31 March 1999	2,995	1,445	10,164	2,418	17,022
Net Book Value					
At 31 March 1999	25,759	838	12,480	30,273	69,350
At 31 March 1998	-	1,592	12,371	-	13,963

The net book value of fixed assets above includes £25,759 (1998 £nil) in respect of a motor vehicle held under finance lease

### 8. Debtors

	1999 £	1998 £
Trade debtors	69,288	-
Prepayments	28,513	24,999
	<u>97,801</u>	<u>24,999</u>

### 9. Creditors: amounts falling due within one year

	1999 £	1998 £
Obligations under finance lease and hire purchase	4,985	-
Trade creditors	47,074	16,109
Accruals and deferred income	84,253	8,372
Other taxation and social security costs	15,838	-
Amounts owed to group undertaking	-	14,381
	<u>152,150</u>	<u>38,862</u>

# Alterian Limited

## Notes to the accounts at 31<sup>st</sup> March 1999

### 10. Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance lease and hire purchase	<u>19,961</u>	<u>-</u>

The maturity of the amounts due in respect of finance leases are analysed as follows:

	1999 £	1998 £
Amounts payable:		
Within one year	7,194	-
In two to five years	<u>22,491</u>	<u>-</u>
	29,685	-
Less: finance charges allocated to future periods	<u>4,739</u>	<u>-</u>
	<u>24,946</u>	<u>-</u>
Disclosed as:		
Current obligations (note 9)	4,985	-
Non-current obligations	<u>19,961</u>	<u>-</u>
	<u>24,946</u>	<u>-</u>

# Alterian Limited

## Notes to the accounts at 31<sup>st</sup> March 1999

### 11. Share capital

	1999 £	1998 £
<b>Authorised</b>		
Ordinary shares of £1 each	-	100
Ordinary shares of £0.01 each	<u>1,000</u>	<u>-</u>
	<u>1,000</u>	<u>100</u>

### Allotted, called up and fully paid

	1999 No.	1998 No.	1999 £	1998 £
Ordinary shares of £1 each	-	100	-	100
Ordinary shares of £0.01 each	<u>10,073</u>	<u>-</u>	<u>101</u>	<u>-</u>
	<u>10,073</u>	<u>100</u>	<u>101</u>	<u>100</u>

During the year :

- i) 100 ordinary shares of £1 each were converted into 10,000 ordinary shares of £0.01 each.
- ii) 73 ordinary shares of £0.01 each, with an aggregate nominal value of £0.73, were issued fully paid for cash of £280,433.



# Alterian Limited

## Notes to the accounts at 31<sup>st</sup> March 1999

### 12. Reconciliation of shareholders' funds and movement on reserves

	Share Capital	Share Premium Account	Profit and Loss Account	Total Shareholders' Funds
	£	£	£	£
At 1 April 1997 and 1998	100	-	-	100
Proceeds from the issue of shares	1	280,432	-	280,433
Loss for the year	-	-	(254,658)	(254,658)
At 31 March 1999	<u>101</u>	<u>280,432</u>	<u>(254,658)</u>	<u>25,875</u>

### 13. Transactions with directors

There were no reportable transactions with Directors during the year ended 31st March 1999

### 14. Capital commitments

	1999 £	1998 £
<b>Future capital expenditure</b>		
Contracted but not provided for	<u>nil</u>	<u>nil</u>

### 15. Other financial commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
Between two and five years	54,000	-	-	-
In over five years	-	-	-	-
	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>