

## SCOPE OF THE REPORT

The Remuneration Report summarises the Group's remuneration policy and particularly its application in connection with the Directors. The report also describes how the Group applies the principles of good corporate governance in relation to Directors' remuneration. This report is not mandatory for companies listed on AIM but has been voluntarily included as a matter of best practice.

## THE REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board and comprises only Non-executive Directors, including the Non-executive Chairman. The Committee meets regularly to determine, on behalf of the Board, the framework of executive remuneration.

During the year, the membership of the Committee comprised: Kenneth McGeorge (Chairman), Tony Caplin and Timothy Holland-Bosworth. The members of the Committee are considered by the Board to be independent Non-executive Directors.

During the current year, the Committee met on three occasions, with the attendance of all members.

The Committee's terms of reference are reviewed regularly and approved by the Board. These are available for inspection at the Group's registered address. The members of this Committee do not have any conflicts from cross-directorships that relate to the business of the Committee. The members do not have any day-to-day involvement in the running of the Group. Kenneth McGeorge is the sole member not regarded as being independent, as defined by the Combined Code on Corporate Governance, for the reason that he is the Group's Non-executive Chairman. However, he is considered to be independent by the Board.

To assist the work of the Committee, the views of the Chief Executive Officer, Chief Financial Officer and Head of Human Resources are also invited where appropriate. These individuals did not however participate in any decision related to their own remuneration.

## REMUNERATION POLICY

The Group is committed to the governing objective of maximising shareholder value over time. Each year the remuneration framework and the packages of the Directors are reviewed to ensure they continue to achieve this objective.

The Group's policy is to attract, retain and incentivise Executive Directors to run the Group and meet the expectations of shareholders whilst adopting a prudent approach to overall remuneration.

## BASIC SALARY AND BENEFITS

The Group's policy for Executive Directors' salaries is that they should be maintained at competitive levels for those in comparable positions, with variations to reflect individual performance, experience and job size. Benefits in kind consist of car allowances, private medical and health insurance, employer pension contributions and health club membership.

## EMPLOYEE BENEFIT TRUST (EBT)

An EBT was established during the year ended 30 September 2005 and Jim Sewell, Edward Spurrier and Ben Marnham were each awarded interests in 638,400, 0.125p shares held by the trust.

These shares are held on trust for them absolutely subject to the trustees retaining a lien on the shares. The lien is in respect of the trustees' obligation to settle the loan from the Company used to acquire the shares (which is the equivalent to £277,000 each, £831,000 being the total loan) plus any premium. The premium arises in the event that the lien is settled within the initial two year period and is equal to the increase in the value of the shares at that time.

## DIRECTORS' LONG TERM INCENTIVE PLAN (LTIP)

An LTIP was established on the 25 April 2008. Under the scheme Jim Sewell, Edward Spurrier and Ben Marnham were each awarded share options which are subject to meeting specific performance criteria. As at the 30 September 2009, options were outstanding over 1,388,919 ordinary shares (2008: 1,388,919) under this scheme.

**ALL EMPLOYEE SHARE AND SHARE OPTION PLANS (NOTE 29)**

The Group's Enterprise Management Incentive (EMI) scheme was adopted on the 22 December 2004 (EMI 2004). Under the Group's EMI scheme, options which are qualifying options under the EMI regime and also unapproved options may be granted. As at the 30 September 2009 there were no options outstanding (2008: 30,800).

A second EMI scheme was established on 18 January 2006 (EMI 2006). As at 30 September 2009, options were outstanding over 165,305 ordinary shares (2008: 288,574) under this scheme.

A third EMI scheme was established on 17 January 2007 (EMI 2007). As at 30 September 2009, options were outstanding over 913,067 ordinary shares (2008: 962,385) under this scheme.

A fourth EMI scheme was established on 3 July 2008 (EMI 2008). As at 30 September 2009, options were outstanding over 243,018 ordinary shares (2008: 243,018) under this scheme.

At 30 September 2009 options were outstanding over a total of 1,321,390 ordinary shares (2008: 1,524,777) under all four schemes.

Options under the EMI 2004 scheme were eligible to be exercised from 31 December 2006 based on the conditions that the option holder is still an employee of the Group and the Group had achieved certain performance criteria in the period 1 October 2004 to 30 September 2006. The exercise price was 25p per share. During the year ended 30 September 2009, the remaining 30,800 options were exercised.

Options under the EMI 2006 scheme were eligible to be exercised from 3 December 2008 based on the conditions that the option holder is still an employee of the Group and the Group had achieved certain performance criteria in the period 1 October 2005 to 30 September 2008. The exercise price is £1.025 per share which was the market value at the date of the grant. During the year ended 30 September 2009, there were 123,269 options exercised and nil options lapsed.

Options under the EMI 2007 scheme can be exercised from 31 December 2009 based on the conditions that the option holder is still an employee of the Group and the Group has achieved certain performance criteria in the period 1 October 2006 to 30 September 2009. The exercise price is £1.505 per share which was the market value at the date of the grant. During the year ended 30 September 2009, there were nil options exercised and 49,318 options lapsed.

Options under the EMI 2008 scheme can be exercised from 3 July 2011 based on the conditions that the option holder is still an employee of Alternative Networks plc and the Group has achieved certain performance criteria in the period 1 October 2007 to 30 September 2010. The exercise price is £1.355 per share which was the market value at the date of the grant. During the year ended 30 September 2009, there were nil options exercised and nil options lapsed.

**SERVICE AGREEMENTS**

Each of the Executive Directors has a Service Agreement with the Group. These are rolling agreements which can be terminated by either party giving not less than six months' notice in writing at any time. If the Group terminates the contract by notice but other than on giving full notice, the Service Agreements provide for the payment of the fixed amount equal to the salary and other contractual benefits for the unexpired proportion of the duration of the appointment or entitlement to notice, as the case may be. It is the Committee's view that they should not change the term of the existing Directors' Service Agreements.

**NON-EXECUTIVE DIRECTORS' REMUNERATION**

The remuneration of the Chairman and Non-executive Directors is determined by the Board on the recommendation of the Chief Executive Officer on an annual basis and takes into account market rates based on independent advice, as required. The Chairman and Non-executive Directors concerned do not participate in this process.

Tony Caplin, Timothy Holland-Bosworth and Kenneth McGeorge have fixed one year appointments until 19 January 2010. The appointments may be terminated by either party giving three months' notice at any time without compensation.

As Chairman, Kenneth McGeorge is entitled to receive a fee of £34,320 per annum with no pension, bonus, benefits or share options.

The Non-executive Directors, other than the Chairman, receive a basic fee of £22,880 per annum. The Non-executive Directors do not participate in any incentive, pension or benefit scheme.

## DIRECTORS' REMUNERATION

	Salary and fees paid or receivable £	Bonus paid or receivable £	Pension contributions £	Other benefits £	2009 total £	2008 total £
K McGeorge	34,320	—	—	—	34,320	33,000
J Murray	267,713	22,350	14,400	22,962	327,425	411,950
E Spurrier	253,347	22,350	11,956	19,123	306,776	393,882
B Marnham	190,455	22,350	5,714	18,291	236,810	327,916
J Sewell	190,455	22,350	5,714	18,570	237,089	328,152
A Caplin	22,880	—	—	—	22,880	22,000
T Holland-Bosworth	22,880	—	—	—	22,880	22,000
<b>Totals</b>	<b>982,050</b>	<b>89,400</b>	<b>37,784</b>	<b>78,946</b>	<b>1,188,180</b>	1,538,900

## DIRECTORS' SHARE OPTIONS IN ALTERNATIVE NETWORKS PLC

	Option scheme	Options at 1 October 2008 Number	Awarded in year Number	Options exercised Number	Options at 30 September 2009 Number	Option price £	Exercise dates
B Marnham	EMI	64,500	—	—	64,500	1.505	31 December 2009
E Spurrier	EMI	64,500	—	—	64,500	1.505	31 December 2009
J Sewell	EMI	64,500	—	—	64,500	1.505	31 December 2009

	Option scheme	Options at 1 October 2008 Number	Awarded in year Number	Options exercised Number	Options at 30 September 2009 Number	Option price £	Exercise dates
B Marnham	LTIP	462,973	—	—	462,973	0.125	25 April 2010
E Spurrier	LTIP	462,973	—	—	462,973	0.125	25 April 2010
J Sewell	LTIP	462,973	—	—	462,973	0.125	25 April 2010

Subject to the conditions described in the note overleaf on page 28.

In addition the above three Directors also have interests in an EBT as described above on page 27.

## DIRECTORS' INTERESTS IN THE ORDINARY SHARES OF ALTERNATIVE NETWORKS PLC

	2009 Number of shares	2008 Number of shares
J Murray	14,958,105	15,058,105
E Spurrier and family	2,498,277	2,898,277
J Sewell	1,689,191	1,889,191
B Marnham and family	1,689,191	1,889,191

Signed by and approved on behalf of the Board.

**KENNETH McGEORGE**  
CHAIRMAN OF THE REMUNERATION COMMITTEE  
7 DECEMBER 2009