

PRESS RELEASE



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ALTERIAN PLC
("ALTERIAN" OR "THE COMPANY")

Results for the six months ended 30 September 2005

CONTINUING STRONG REVENUE GROWTH

Alterian plc ("Alterian"), the leading global provider of database marketing and customer insight solutions, announces its interim results for the first half ended 30 September 2005.

Highlights

- Revenue of £3.42m, up 36% on the prior year period (2004: £2.51m)
- Gross margin remained at last full year's improved levels of 91%
- Operating costs of £4.45m, 1% higher than the prior year period (2004 : £4.39m)
- Loss before tax of £1.08m, reduced by 44% on prior year period (2004: £1.95m)
- Positive operational cash inflow* during the period of £0.12m (2004: outflow £0.78m)
- Strong cash position at 30 September 2005 of £10.55m (31 March 2005: £10.88m; 30 September 2004: £11.24m)
- Important wins in North America demonstrating the increasing adoption of Alterian's successful UK offering in this market
- Key indicators of revenue quality maintained
- On track to deliver operational profitability for the year and substantial sales growth

Commenting on trading for the period and outlook, David Eldridge, Alterian Chief Executive said:

"Alterian continues to deliver substantial increases in revenue against a stable cost base, with adoption of its technology by Marketing Services Providers and their end users continuing.

"Good progress in rolling out our successful UK offering in international markets has continued with important wins, particularly in North America where we continue to grow our partner network and increase our market penetration.

"The Company's rate of revenue growth depends on the roll out programme of Alterian's business partners. There is uncertainty over the timing of the increases in the pace of roll out under some of these programmes; however the Board anticipates that the percentage revenue growth for the full year will be at a rate at least in line with that achieved in the first half.

"The outlook for the second half is positive and Alterian remains on track to deliver operational profitability for the full year and substantial sales growth."

**Operational cash defined as cash inflow from operating activities plus investment income less payments to acquire property, plant & equipment – see cashflow statement*

OVERVIEW

During the six months to 30 September 2005, Alterian has again achieved strong revenue growth against a stable cost base. This has been accomplished whilst maintaining high quality of revenues, reflecting the roll out of long-term contracts that compound over a number of years.

UK and European revenue increased by 46% to £2,074k (2004: £1,421k) whilst US revenue increased by 24% to £1,348k (2004: £1,090k). US revenue in the prior year included a significant contract renewal, the renewal of which is due in the second half of this year. Excluding this renewal from the prior year, underlying US revenues for the six months almost doubled year on year.

The quality of revenue continued to be high. Both key indicators of revenue quality – the proportion of revenue that is expected to recur into the following year and customer attrition rates – remained similar to those achieved for the prior year being almost 70% and less than 10% respectively for the six months to 30 September 2005.

Gross margin was maintained at last full year's improved levels of 91%.

Operating costs of £4,453k were slightly higher than the prior year period (2004: £4,389k). This reflects an increased investment in North American sales & marketing resource and Research & Development staff, together with the costs resulting from the acquisition of MarkIT Information Services Limited in April 2005, offset by continuing lower costs elsewhere.

The increase in revenue and stable operating costs resulted in a 44% reduction in the loss before tax at £1,082k (2004: £1,945k).

Cash and Investments

At 30 September 2005, the Company had £10.55m of cash (31 March 2005: £10.88m; 30 September 2004: £11.24m).

OPERATIONAL REVIEW

Alterian and its market

Alterian's structural revenue flows are derived principally from relationships with Marketing Service Providers (MSPs), who incorporate Alterian technology into their offering for visualisation-led database management services, list rental, or marketing analysis products and then sell these on to their customer base. The Company typically receives an annual partner fee from each MSP partner, together with an annual fee for each client for whom they use or to whom they sub-licence Alterian technology. Alterian also derives structural revenues from business partners that incorporate Alterian software into their own software products and resell these under their own brand (OEM partners).

Good progress was seen in each of Alterian's principal value propositions and in each of our geographies.

New contracts, or extensions of existing contracts, have resulted not only in increasing adoption of Alterian technology for visualisation led database marketing by MSPs and their clients, but also in improving operational efficiencies for MSPs in the areas of list and data sales and analysis and consultancy. In particular, the launch of Alterian's List Management products during the last financial year has underpinned important new contract wins during the period. This has resulted in new business with existing partners, further strengthening those relationships, as well as access to new opportunities for Alterian.

In the US, new partners include ADS, Daystar Data Group, Palm Coast Data and, significantly for Alterian, Experian Marketing Solutions. New end users include a retailer, several catalogue companies, an industry analyst firm, a publisher, a newspaper group and an insurance company. The roll out of new end-user clients under Alterian's recently extended agreement with infoUSA also continued in line with expectations.

Experian has been a major partner of Alterian in geographies outside of the US for some time, and the new agreement with Experian Marketing Solutions in North America is particularly encouraging as it is the first agreement between Experian and Alterian in this region. Under the agreement, Experian Marketing Solutions will use Alterian technology to underpin a new initiative to combine various data assets owned by Experian and deliver a new analytics service.

Alterian is particularly pleased with the progress achieved in North America since the management team in the region was strengthened in November 2004.

In the UK, the focus has been on further developing existing partner relationships which have led to new end-users being signed through partners. Sales have been particularly strong in the financial services sector with wins with a major banking group, a building society and an insurance company.

In mainland Europe, good progress continues to be made with significant sales in Germany and continuing wins in Spain and Denmark.

Further afield, sales were also made during the period in Hong Kong and Korea by our UK and US based partners who have a presence in these markets.

The roll out of Experian's OEM products that incorporate Alterian technology continued, with the Strategy Management Generation 3 roll out accelerating and further sales of Experian's iMarketer product being made.

This good progress has not only grown short-term revenue but secured significant structural revenue flows.

Research & Development

Alterian has continued to increase cash investment in Research & Development, as previously announced and in line with its strategy of maintaining a market leading position. New versions of each of Alterian's marketing suite applications were put on general release during the period, together with a new version of Alterian Engine and Alterian List Manager.

Investment is currently focused on further enhancements to these core products and new utilities and resource management capabilities to further reduce total cost of ownership for our business partners with multiple end clients. The design of the next major generation of Alterian's product range is also at an advanced stage.

Acquisition

In April 2005 Alterian acquired MarkIT Information Services Limited ("MarkIT"). MarkIT, a long-standing Alterian business partner, is expert in provision of access to Alterian technology via the internet. This service is now being made available to and through all Alterian partners under the brand name Alterian Connect. Integration of the business has progressed to plan and a pipeline of business opportunities with Alterian business partners for Alterian Connect has been successfully built.

Infrastructure

Alterian had 86 staff at 30 September 2005, an increase of 12 from 31 March 2005. The increase resulted from the acquisition of MarkIT, increased Research & Development staffing and increased sales & marketing resource, particularly in North America.

Further small increases in staff numbers are anticipated in the second half, in line with Alterian's strategy of boosting its North American capability and Research & Development investment.

Reporting Periods

Following regulatory changes, Alterian is no longer required to report on a quarterly basis. The next reported results will therefore be the Preliminary Results for the year to 31 March 2006.

OUTLOOK

The outlook for the full year is positive and Alterian is on track to deliver operational profitability for the year and substantial sales growth.

The Company's rate of revenue growth depends on the roll out programme of Alterian's business partners. There is uncertainty over the timing of the increases in the pace of roll out under some of these programmes; however the Board anticipates that the percentage revenue growth for the full year will be at a rate at least in line with that achieved in the first half.

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INDEPENDENT REVIEW REPORT TO ALTERIAN PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2005 which comprises the income statement, the balance sheet, the cash flow statement and related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. The accounting policies are consistent with those that the directors intend to use in the annual financial statements.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

Deloitte & Touche LLP

Chartered Accountants

Bristol

United Kingdom

ALTERIAN PLC
UNAUDITED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2005

			6 months ended 30 September 2005	6 months ended 30 September 2004	Year ended 31 March 2005 (restated note 2)
	Note		£000	£000	£000
Revenue	1, 3		3,422	2,511	7,806
Cost of sales			(291)	(302)	(691)
Gross profit			3,131	2,209	7,115
Distribution costs			(1,874)	(1,875)	(2,706)
Administrative expenses			(2,579)	(2,514)	(5,603)
Operating costs			(4,453)	(4,389)	(8,309)
Loss from operations			(1,322)	(2,180)	(1,194)
Investment income			240	235	545
Loss before tax			(1,082)	(1,945)	(649)
Tax			17	404	487
Loss for the period			(1,065)	(1,541)	(162)
Attributable to equity holders of the parent			(1,065)	(1,541)	(162)
Basic and diluted loss per ordinary share	4		(2.68)p	(3.93)p	(0.04)p

The results above derive from the continuing operations of the Group and the acquisition of MarkIT Information Services Limited (see note 7).

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
SIX MONTHS ENDED 30 SEPTEMBER 2005

	6 months ended 30 September 2005	6 months ended 30 September 2004	Year Ended 31 March 2005 (restated note 2)
	£000	£000	£000
Exchange differences on translation of foreign operations	54	3	(36)
Net income recognised in equity	54	3	(36)
Loss for the period	(1,065)	(1,541)	(162)
Total recognised income and expense for the period	(1,011)	(1,538)	(198)
Attributable to equity holders of the parent	(1,011)	(1,538)	(198)

ALTERIAN PLC
UNAUDITED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2005

		At 30 September 2005	At 30 September 2004	At 31 March 2005 (restated note 2)
	Note	£000	£000	£000
<i>Non current assets</i>				
Goodwill	7	1,121	-	-
Other intangible assets		234	403	318
Property, plant and equipment		348	333	276
Trade investments		70	-	-
Total non-current assets		1,773	736	594
<i>Current assets</i>				
Trade and other receivables		3,843	2,702	4,954
Cash and cash equivalents		10,550	11,237	10,877
Total current assets		14,393	13,939	15,831
Total assets		16,166	14,675	16,425
<i>Current liabilities</i>				
Trade and other payables		(2,129)	(1,569)	(1,639)
Tax liabilities		(263)	(182)	(401)
		(2,392)	(1,751)	(2,040)
Net current assets		12,001	12,188	13,791
Net assets		13,774	12,924	14,385
<i>Equity</i>				
Share Capital	5	9,988	9,803	9,805
Capital reserves	5	26,591	26,298	26,300
Other reserves	5	489	306	412
Own shares	5	(234)	(95)	(83)
Cumulative currency exchange reserve	5	18	(18)	(36)
Retained earnings	5	(23,078)	(23,370)	(22,013)
Total equity		13,774	12,924	14,385

ALTERIAN PLC
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2005

	6 months ended 30 September 2005	6 months ended 30 September 2004	Year ended 31 March 2005 (restated note 2) £000	
Note	£000	£000	£000	
Net cash from operating activities	6	27	(958)	(1,566)
Investing activities				
Interest received		240	235	545
Payments to acquire property, plant & equipment		(143)	(57)	(85)
Receipts from sales of property, plant & equipment		-	9	-
Payments to acquire investments		(70)	-	-
Payments to acquire subsidiary		(453)	-	-
Overdrafts acquired		(122)	-	-
Net cash used in investing activities		(548)	187	460
Financing activities				
Purchase of own shares		(160)	(19)	(26)
Issue of ordinary share capital		243	-	4
Net cash used in financing activities		83	(19)	(22)
Net decrease in cash and cash equivalents		(438)	(790)	(1,128)
Cash and cash equivalents at beginning of period		10,877	12,024	12,024
Effect of foreign exchange rate changes		111	3	(19)
Cash and cash equivalents at end of period		10,550	11,237	10,877

ALTERIAN PLC NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Details of the Group's principal IFRS accounting policies are set out below.

Basis of preparation

The consolidated financial statements of Alterian plc will be required to be prepared in accordance with International Financial Reporting Standards (IFRS) for the year end 31 March 2006 onwards. Accordingly, the interim report has been prepared using accounting policies consistent with IFRS. The Group had previously reported under UK GAAP.

The consolidated financial statements are prepared under the historical cost convention. The unaudited interim accounts were approved by a duly appointed committee of the Board of Directors on 21 October 2005. The information presented for the six months ended 30 September 2005 and the comparative period is unaudited. The unaudited interim accounts do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The figures for the year ending 31st March 2005 do not compromise the Group's statutory accounts for that period but have been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under S237 of the Companies Act 1985.

Transition to IFRS

The date of transition to IFRS was 1 April 2004, which is the beginning of the comparative period for the year ending 31 March 2006. The Group has applied IFRS 1 for first time adoption of IFRS, and has elected to use the following exemptions:

- Cumulative translation differences for foreign operations have been deemed to be nil at 1 April 2004.
- The provisions of IFRS 2 "Share Based Payments" have been applied to equity instruments after 7 November 2002
- Comparative information has not been restated for IAS 32 or IAS 39.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 2.

For the year ended 31 March 2006 the Group will be required to prepare consolidated financial statements under 'International Accounting Standards' as adopted by the European Commission. These will be those International Accounting Standards, International Financial Reporting Standards and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Commission. This process is ongoing and the Commission has yet to endorse certain standards issued by the IASB

The preliminary opening balance sheet and IFRS comparatives for 2005 and GAAP reconciliation between UK GAAP and IFRS has been prepared using best knowledge of the expected standards and interpretations of the International Accounting Standards Board, facts and circumstances, and accounting policies that will be applied when the company prepares its first complete set of IFRS financial statements as at 31 March 2006.

Therefore it is possible that the accompanying preliminary opening balance sheet may require adjustment before constituting the final opening balance sheet. These adjustments may give rise to changes to other statements. Moreover, under IFRS, only a complete set of financial statements (comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and full explanatory notes) can provide a fair presentation of the Group's financial position, results of operations and cash flow.

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group. The financial statements of all subsidiaries are prepared to the same reporting date as the parent company.

Segment reporting

For management purposes, the Group is currently organised into two operating divisions – Europe and United States. These divisions are the basis on which the Group reports its primary segment information.

Revenue recognition

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

Revenue is recognised as follows:

Licence sales

Revenue from licence sales is recognised upon delivery to the customer.

Maintenance and support contracts

Revenue from Maintenance and support contracts is recognised over the period of the contract.

Professional Services

Revenue from Professional services such as training and consultancy is recognised when the services are performed.

Royalty income

Royalty income is recognised as it falls due.

Where a single arrangement comprises a number of individual elements which are capable of operating independently of one another, the total revenues are allocated amongst the individual elements based on an estimate of the fair value of each element. Where the elements are not capable of operating independently, or reasonable measures of fair value for each element are not available, total revenues are recognised on a pro rata basis over the contract period.

Cost of sales

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 distribution costs and as administrative expenses.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

Group companies

The results and financial position of overseas Group entities are translated into Sterling as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet;
- Income and expenses are translated at the average exchange rate for the period;
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received under such schemes is recognised as an expense in the income statement. Fair value is determined by use of the Black Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives. At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period.

The Group's accounts include the Alterian Share Incentive Plan 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 total equity. Finance costs and administrative expenses of the plan are charged to the income statement as they accrue.

The Group also has an Employee Benefit Trust. Shares in the Group held by the Trust are also shown as Own shares and presented in the balance sheet as a deduction from equity.

The Group has applied the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 to equity-settled awards granted after 7 November 2002 that had not vested on 31 March 2005.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any impairment in value.

Depreciation is charged on a straight line basis as follows:

- Motor Vehicles are depreciated over 4 years;
- Computer & Office Equipment are depreciated over 2 to 3 years according to the estimated life of the asset;
- Fixtures & Fittings are depreciated over 5 to 7 years according to the estimated life of the asset.

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Group's share of identifiable net assets of a subsidiary acquired at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment charge would be recognised for any amount by which the carrying value of goodwill exceeds its fair value.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are separable and their fair value can be measured reliably. Intangible assets acquired separately from the acquisition of a business are capitalised at cost.

Computer software

Computer software licences and other intellectual property assets acquired are held at cost and are amortised on a straight line basis over their estimated useful lives of 2 to 6 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Research and development costs

Research costs are expensed as incurred. Expenditure arising from development (or from the development phase of an internal project) is capitalised if it satisfies the specified criteria within IAS 38.

Financial instruments

Short-term debtors and creditors are not treated as financial assets or liabilities. The Group does not trade in financial instruments.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Investments in Subsidiary Undertakings

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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Current taxation

The tax expense/(credit) represents the sum of the tax currently payable and deferred tax movements in relation to the period, plus any adjustments in relation to prior periods. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

Leases*Operating leases*

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Finance leases

The Group does not have any finance leases.

Employee benefits

Pension obligations

The Company operates a defined contribution pension scheme in the UK. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group has no legal or constructive obligations to pay further contributions to the fund. The cost of providing these benefits, recognised in the income statement, comprises the amount of contributions payable to the schemes in respect of the year.

In addition to the scheme 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 income statement as incurred. US employees receive an enhancement to their 401k pension scheme contribution of 25%.

2. EFFECT OF IFRS ADOPTION

Effect of IFRS adoption on the Income Statement

	Note	Year to 31 March 2005 (the latest period presented under previous GAAP)			6 months to 30 September 2004 (the latest period presented under previous GAAP)		
		Previous GAAP £000	Effect of transition to IFRS £000	IFRS £000	Previous GAAP £000	Effect of transition to IFRS £000	IFRS £000
Revenue		7,806	-	7,806	2,511	-	2,511
Cost of sales		(691)	-	(691)	(302)	-	(302)
Gross profit		7,115		7,115	2,209	-	2,209
Distribution costs		(2,706)	-	(2,706)	(1,875)	-	(1,875)
Administrative expenses	a,b	(5,386)	(217)	(5,603)	(2,377)	(137)	(2,514)
Operating loss		(977)	(217)	(1,194)	(2,043)	(137)	(2,180)
Investment income		545	-	545	235	-	235
Loss before tax		(432)	(217)	(649)	(1,808)	(137)	(1,945)
Tax		487	-	487	404	-	404
Profit/(loss) for the period		55	(217)	(162)	(1,404)	(137)	(1,541)
Earnings per share		0.01p	(0.05)p	(0.04p)	(3.6)p	(0.4)p	(4.0)p

Notes

- a Adjustment for Share options under IFRS 2
b Adjustment for Holiday pay under IAS 19

Effect of IFRS adoption on the Consolidated Balance Sheet

	Note	As at 1 April 2004 (Date of transition)			As at 30 September 2004 (End of last period presented under previous GAAP)			As at 31 March 2005 (End of last period presented under previous GAAP)		
		Previous GAAP £000	Effect of Transition to IFRSs £000	IFRS (opening Balance sheet) £000	Previous GAAP £000	Effect of Transition to IFRSs £000	IFRS £000	Previous GAAP £000	Effect of Transition to IFRSs £000	IFRS £000
Non current assets										
Other intangible assets		357	-	357	403	-	403	318	-	318
Property, plant and equipment		496	-	496	333	-	333	276	-	276
Total non-current assets		853	-	853	736	-	736	594	-	594
Current assets										
Trade & other receivables		3,699	-	3,699	2,702	-	2,702	4,954	-	4,954
Cash and cash equivalents		12,024	-	12,024	11,237	-	11,237	10,877	-	10,877
Total current assets		15,723	-	15,723	13,939	-	13,939	15,831	-	15,831
Total assets		16,576	-	16,576	14,675	-	14,675	16,425	-	16,425
Current liabilities										
Trade & other payables	e	(2,221)	402	(1,819)	(1,698)	129	(1,569)	(2,013)	374	(1,639)
Tax liabilities	e	-	(425)	(425)	-	(182)	(182)	-	(401)	(401)
Total liabilities		(2,221)	(23)	(2,244)	(1,698)	(53)	(1,751)	(2,013)	(27)	(2,040)
Total assets less total liabilities		14,355	(23)	14,332	12,977	-	12,924	14,412	-	14,385
Equity										
Share capital		9,803	-	9,803	9,803	-	9,803	9,805	-	9,805
Capital reserves		26,298	-	26,298	26,298	-	26,298	26,300	-	26,300
Other reserves	c	-	199	199	-	306	306	-	412	412
Own shares		(117)	-	(117)	(95)	-	(95)	(83)	-	(83)
Exchange rate reserve	d	-	-	-	-	(18)	(18)	-	(36)	(36)
Retained earnings	c,d,e	(21,629)	(222)	(21,851)	(23,029)	(341)	(23,370)	(21,610)	(403)	(22,013)
Total equity		14,355	(23)	14,332	12,977	(53)	12,924	14,412	(27)	14,385

Notes

- c Adjustment for Share options under IFRS 2
- d Adjustment for Cumulative translation differences under IAS 21
- e Adjustment for Holiday pay under IAS 19, and tax reclassification

Effect of IFRS adoption on the Consolidated Cash Flow

		Year to 31 March 2005 (the latest period presented under previous GAAP)			6 months to 30 September 2004 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
	Note	£000	£000	£000	£000	£000	£000
Cash flow from operating activities	f	(1,968)	402	(1,566)	(1,362)	404	(958)
Cash flow from investing activities	f	862	(402)	460	591	(404)	187
		(1,106)	-	(1,106)	(771)	-	(771)
Cash flow from financing		(22)	-	(22)	(19)	-	(19)
Net increase/(decrease) in cash and cash equivalents		(1,128)	-	(1,128)	(790)	-	(790)
Cash and cash equivalents at beginning of period		12,024	-	12,024	12,024	-	12,024
Effect of foreign exchange rate changes		(19)	-	(19)	3	-	3
Cash and cash equivalents at end of period		10,877	-	10,877	11,237	-	11,237

Notes

f Tax credit received

3. SEGMENTAL INFORMATION

All revenue and loss before tax is attributable to the principal activity of the Group.

	6 months ended 30 September 2005	6 months ended 30 September 2004	Year ended 31 March 2005 (restated note 2)
Geographical analysis of revenue by origin	£000	£000	£000
United Kingdom	2,074	1,421	5,398
United States	1,348	1,090	2,408
	3,422	2,511	7,806

6 months ended 30 September 2005	UK	US	Group
	2005	2005	2005
	£000	£000	£000
Revenue	2,074	1,348	3,422
Operating Result	(1,318)	(4)	(1,322)

6 months ended 30 September 2004	UK	US	Group
	2004	2004	2004
	£000	£000	£000
Revenue	1,421	1,090	2,511
Operating Result	(1,644)	(536)	(2,180)

4. LOSS PER SHARE

Basic loss per share is calculated by dividing the profit attributable to ordinary shareholders for the six months ended 30 September 2005 of £1,065,000 (2004: £1,541,000) by the weighted average number of ordinary shares in issue during the year of 39,738,579 (2004: 38,846,981).

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

	Called up share capital £000	Capital reserves £000	Other reserves £000	Own shares reserve £000	Profit and loss account £000	30 Sept 2005 £000	31 March 2005 £000
At the beginning of the period	9,805	26,300	376	(83)	(22,013)	14,385	14,355
IFRS restatement	-	-	-	-	-	-	(23)
As restated after IFRS adoption	9,805	26,300	376	(83)	(22,013)	14,385	14,332
Issue of new shares	183	291	-	-	-	474	4
Loss attributable to members of the group	-	-	-	-	(1,065)	(1,065)	(162)
Movement in the period	-	-	77	(151)	-	(74)	247
Foreign exchange translation differences	-	-	54	-	-	54	(36)
At the end of the period	9,988	26,591	507	(234)	(23,078)	13,774	14,385

6. **NOTES TO THE CASH FLOW STATEMENT**

	6 months ended 30 Sept 2005 £000	6 months ended 30 Sept 2004 £000	Year ended 31 March 2005 (restated note 2) £000
Loss from operations	(1,322)	(2,180)	(1,194)
Adjustments for:			
Depreciation of property, plant and equipment	92	81	158
Amortisation of intangible assets	84	84	169
Employee benefit charges	9	42	60
IFRS 2 share based payment charge	80	107	213
Operating cash flows before movements in working capital	(1,057)	(1,866)	(594)
Decrease/(increase) in receivables	1,112	997	(1,235)
Decrease in payables	(285)	(493)	(139)
Cash generated by operations	(230)	(1,362)	(1,968)
Tax credit received	257	404	402
Net cash from operating activities	27	(958)	(1,566)

7. ACQUISITION OF SUBSIDIARY

On 6 April 2005 the Group acquired 100% of the issued share capital of MarkIT Information Services Limited. The total cost of acquisition is approximately £1.1m, of which approximately £0.3m was satisfied by the issue of new shares. This transaction has been accounted for by the purchase method of accounting.

As part of the consideration 129,113 shares, with a fair value of £130,404, were issued. In addition 79,604 shares were issued for cash of £80,400, and 99,010 shares were issued to repay a loan of £100,000. The fair value is calculated as the market value of the shares as at the date of acquisition.

The carrying amounts of each class of MarkIT's assets and liabilities before the combination are set out below:

Description	£000
Fixed assets	13
Current assets	380
Current liabilities	(586)
Creditors due after one year	(130)
	(323)
Adjustment to Alterian accounting policies	(210)
Net liabilities	(533)
Goodwill generated	1,121
Cost of investment	588
Satisfied by	
Cash	453
Issue of shares	130
Other non-cash consideration	5
	588

The acquisition of MarkIT is expected to be earning enhancing in the first full year post acquisition. The acquisition expands Alterian's service portfolio to its Partner network. Through the acquisition, Alterian will deliver a new service called "Alterian Connect" which manages computer hardware and Alterian software deployed on this hardware and delivers access to these Alterian solutions via the internet.

Alterian Connect enables Marketing Services Providers to provide access to Alterian software for their clients more rapidly and is expected to accelerate the associated software licence revenue. Alterian Connect will also provide a new revenue source from Alterian Partners for the ASP services and is expected to prove attractive to prospective Partners who currently do not have this resource.

Goodwill amounts to approximately £1.1m (including net liabilities acquired of £0.5m) a value supported by the estimated cashflows of the future business. The value attributed to other intangible assets is nil reflecting the net cashflows of the legacy business.

The amount of the profit or loss of MarkIT since the acquisition date has not been identified as the business has been combined within other Group activities.