

PRESS RELEASE



Embargoed for 7.00am, 31 October 2006

ALTERIAN PLC (“ALTERIAN” OR “THE COMPANY”)

Results for the six months ended 30 September 2006

Alterian plc (“Alterian”), the leading global provider of software for Analytics Led Integrated Marketing software announces its interim results for the six months ended 30 September 2006.

Highlights

- Performance in line with Board’s expectations :
 - Revenue of £4.2m, up 22% on the prior year period (2005 : £3.4m)
 - Gross margin remained high at 92% (2005 : 91%)
 - Operating costs increased, as planned, by 7% to £4.8m (2005: £4.5m)
 - Loss before tax reduced by 33% to £0.7m (2005 : £1.1m)

 - Growth in the proportion of revenue expected to recur, and continued high customer retention rates

 - Adjusted operational cash inflow of £0.8m (2005: £nil)*
 - Cash position at 30 September 2006 remains strong at £8.0m after spending £2.7m funding two acquisitions (31 March 2006: £10.1m, 30 September 2005: £10.6m)

- On an annualised basis, results for the 12 months to 30 September 2006 compared with 12 months to 30 September 2005 underline the progress being achieved* :
 - Revenue of £11.4m up 31% on the prior year (2005 : £8.7m)
 - Profit before tax £1.2m up on the prior year (2005 : £0.2m)
 - Diluted earnings per share of 4.2p up on the prior year (2005 : 0.8p)

- North American success continues :
 - Continuing substantial growth in Alterian’s North American business, demonstrating increasing market acceptance and momentum
 - 79% revenue growth to £2.4m (2005: £1.3m)

- Acquisition programme broadening the product range to distribute through Alterian’s channel generating demonstrable success :
 - Successful integration of Dynamics Direct Inc, the email and on-line marketing software company acquired in May 2006
 - Partners have signed agreements to adopt this extended offering in North America and other territories, and have already rolled it out to end users
 - Important three year agreement with Merkle Inc making the Alterian Marketing Suite their platform for on-line as well as off-line marketing

 - Acquisition of Marketing Resource Management software company Nvigorate Limited in September 2006, extending the capability of Alterian’s product range for distribution through Alterian’s channel partners

- Outlook positive for the Board's target of a very significant growth in earnings per share for the current year, with a strong new business pipeline for the second half and significant renewal business expected

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

"Alterian continued to make good progress in the first half, growing year on year revenues at a rate significantly ahead of the planned increase in year on year operating costs.

"The performance of our North American business has been very strong, and we continue to build momentum in this important region where there is significant opportunity for continuing strong growth.

"During the first half we began executing a strategy of acquiring complementary technology, in markets which are expected to see strong growth, for distribution through our global channel. Our first acquisition, of email and on-line marketing software company Dynamics Direct Inc in May 2006, has already proved attractive to our channel with important partner wins being achieved and a strong pipeline of new business in place. We have also received strong interest from our channel partners related to our second acquisition in September 2006 of Marketing Resource Management software provider Nvigorate Limited.

"Based on the good progress in the first half together with our strong and broadening pipeline and significant renewals business expected in the second half, the outlook is positive for the full year with the Board targeting a very significant growth in earnings per share."

* See note 1 for basis of preparation of annualised figures and note 5 for the basis of preparation of adjusted operational cash inflow.

- ends -

Enquiries:

Alterian plc

David Eldridge, Chief Executive Officer

David Cutler, Finance Director

0117 970 3200

Financial Dynamics

Harriet Keen

Haya Chelhot

020 7831 3113

OVERVIEW

Alterian's improvement in operating loss before tax for the first six months was in line with the Board's expectations.

During the six months to 30 September 2006, Alterian achieved revenue growth of 22% to £4.174m (2005: £3.422m). North American revenue growth continued to be strong, and revenues in this region grew by 79% to £2.410m (2005: £1.348m). UK and European revenue reduced by 15% to £1.764m. This was against a strong comparable period in 2005 which saw year on year growth of 46% from £1.421m in 2004 to £2.074m in 2005. The revenue reduction against this was predominantly as a result of the expected slow down in revenue from one partner agreement and the sale of a small number of perpetual licences in the prior year period which do not recur.

The quality of revenue continued to be high. Over 70% of the revenue generated in the six months to 30 September 2006 is expected to recur in the next financial year, an improvement from last year. This reflects the high proportion of annual contracts sold during the period, during which no customers requested perpetual licences. Customer attrition rates remained low at 10% (2005: 10%). The gross margin remained high at 92% (2005 : 91%).

Operating costs of £4.764m were 7% higher than the prior year (2005: £4.453m) and in line with plan, reflecting an increased investment in North American sales and marketing resource and Research & Development staff, together with the costs resulting from the acquisitions of Dynamics Direct Inc in May 2006 and Nvigorate Limited in September 2006, offset by continuing lower costs in other areas of the business.

The increase in revenue, strong gross margin and controlled operating costs has resulted in a reduction of 33% in the loss before tax for the period, which was £0.727m (2005: £1.082m).

Cash & Investments

The cash position at 30 September 2006 remains strong at £8.0m after spending £2.7m funding two acquisitions (31 March 2006: £10.1m, 30 September 2005: £10.6m)

OPERATIONAL REVIEW

Alterian and its market

Alterian's structural revenue flows are derived principally from relationships with Marketing Service Providers (MSPs), who incorporate Alterian's technology into their offering for analytically-led integrated marketing 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 or perpetual 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 achieved in the first half, particularly in North America.

In the first half, Alterian signed new partnerships with seven MSPs worldwide. New partners included Cognitive Data, Intellidyn, IC Direct, Baycorp, Absolute Intuistic, Loyalty Management Systems and Planning Inc.

Alterian's partners signed over 30 new end users worldwide during the period.

Substantial growth was seen in Alterian's North American business, demonstrating increasing market acceptance and momentum. Following the addition of five of the top ten MSPs in North America last financial year, Alterian now has active relationships with eight of the top ten MSPs as ranked by Forrester Research

(The Forrester Wave™: Database Marketing Service Providers, Q1 2006). This high quality channel underpins Alterian's continuing growth in this important market and some of these new partnerships have begun to generate royalties from sales to their clients with substantial growth in this roll out expected in the second half.

Alterian's business outside of North America reduced, predominantly as a result of the expected slow down in revenue from one partner agreement and the sale of a small number of perpetual licences in the prior year period which do not recur. Stripping out these factors, the underlying UK business grew revenues compared to the prior year period. Continuing sales were made to end users including a telecoms retailer, building society, entertainment group, major catalogue retailer and publisher by existing UK based partners such as Occam, Accenture, Data Lateral, MDB, GB Group and Identex. Sales were also made further afield such as in Spain and Australia.

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. The product range has also been significantly extended through the two acquisitions carried out in the period.

New versions of Alterian's List Manager, Analytic Reporting, Selection Planner and Dynamic Messenger products were released with increased functionality during the first half. The Dynamic Messenger product, which is Alterian's email and on-line marketing product that was acquired through the purchase of Dynamics Direct, has been integrated with the Alterian Marketing Suite and this integrated product has already been successfully implemented by customers.

A major new release of Alterian's core Data Discovery & Visualisation product is also currently nearing the end of testing. This introduces a host of new dashboarding and ease of use features which have had very positive feedback from partners involved in the testing programme.

Investment is currently focused on the integration of Nvigorate's products with the Alterian Marketing Suite, further enhancements to Alterian's core products within the suite, and new utilities and resource management capabilities to further reduce total cost of ownership for our business partners with multiple end clients.

Development of the next major generation of Alterian's products is also advancing.

Acquisitions

During the period, Alterian made two acquisitions in line with its strategy of acquiring complementary technology for distribution through our global channel in closely related market areas which are expected to see strong growth.

Dynamics Direct Inc (DDI) was acquired in May 2006 and Alterian has already signed agreements with partners in both the UK and North America incorporating the DDI products, including an important three-year agreement signed during the period with Merkle Inc making the Alterian Marketing Suite their platform for on-line as well as off-line marketing. The agreement expands the relationship the two companies formed in March 2006 to license the Alterian Marketing Suite. Merkle, headquartered near Washington, D.C. in Lanham, Maryland, is one of North America's largest database marketing agencies. A strong pipeline for these products has also been built for the second half of the financial year and beyond.

Based in California and recently ranked as one of the leading email marketing software providers by Jupiter Research (Email Marketing Buyers Guide, 2005), DDI had a rapidly growing partner and customer base. DDI's products have already been integrated with the Alterian Marketing Suite resulting in an important enhancement to the Alterian offering by integrating email and other on-line marketing execution capabilities with Alterian's powerful analytics and offline marketing capabilities. This is expected to accelerate penetration of Partners' customer and prospect bases, increase average sale price, and provide access to a wider market of potential Partners.

Nvigate Limited (Nvigate) was acquired in September 2006 and Alterian has received strong interest from partners in the Marketing Resource Management (MRM) software that Alterian now has as a result of the acquisition.

Nvigate's products, sold under the OnePlace name, help marketers manage and improve the return on investment for all types of marketing initiatives. Their functionality includes planning and budgeting, creating and developing marketing programmes and content, fulfilling and distributing marketing content and collateral, and measuring and optimising marketing performance. Through the integration of Nvigate's MRM products with Alterian's existing database marketing and on-line technologies, Alterian will have a broad functionality set to address the needs of marketers in both marketing efficiency and marketing effectiveness. The new capability will also broaden the appeal of the Alterian product range to include software applications relevant to all forms of marketing including, for example, advertising and promotion where a significant proportion of marketing spend typically occurs.

Infrastructure

Alterian had 112 staff at 30 September 2006, an increase of 21 from 31 March 2006 (91 staff). The increase resulted from the acquisition of Dynamics Direct Inc and Nvigate Limited, increased Research and Development staffing and increased sales and marketing resource in North America.

It is anticipated that staff numbers will increase in line with Alterian's strategy of boosting its North American capability and Research and Development investment.

OUTLOOK

Based on the good progress in the first half together with our strong and broadening pipeline and significant renewals business expected in the second half, the outlook is positive for the full year with the Board targeting a very significant growth in earnings per share.

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 2006 which comprises the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and related notes 1 to 6. 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.

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 2006.

Deloitte & Touche LLP

Chartered Accountants
Bristol
United Kingdom

ALTERIAN PLC
UNAUDITED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2006

| | | 6 months ended 30 September 2006 £000 | 6 months ended 30 September 2005 £000 | Year ended 31 March 2006 £000 |
|---|-------------|--|---|---|
| | Note | | | |
| Revenue | 1, 2 | 4,174 | 3,422 | 10,629 |
| Cost of sales | | (315) | (291) | (1,082) |
| Gross profit | | 3,859 | 3,131 | 9,547 |
| Distribution costs | | (1,979) | (1,874) | (3,047) |
| Administrative expenses | | (2,785) | (2,579) | (6,049) |
| Operating costs | | (4,764) | (4,453) | (9,096) |
| Operating (loss)/profit | | (905) | (1,322) | 451 |
| Investment revenues | | 179 | 240 | 438 |
| Finance costs | | (1) | - | - |
| (Loss)/profit before taxation | | (727) | (1,082) | 889 |
| Tax | | 5 | 17 | 480 |
| Retained (loss)/profit for the period | | (722) | (1,065) | 1,369 |
| Attributable to equity holders of the parent | | (722) | (1,065) | 1,369 |
| Basic (loss)/profit per ordinary share | 3 | (1.7)p | (2.7)p | 3.4p |
| Diluted (loss)/profit per ordinary share | 3 | (1.7)p | (2.7)p | 3.2p |

The results above derive from the continuing operations of the Group and the acquisition of Direct Dynamics Inc and Nvigorate Limited (see note 6).

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
SIX MONTHS ENDED 30 SEPTEMBER 2006

| | 6 months ended 30 September 2006 £000 | 6 months ended 30 September 2005 £000 | Year Ended 31 March 2006 £000 |
|--|--|---|---|
| Exchange differences on translation of foreign operations | (107) | 54 | 76 |
| Net (expense)/income recognised in equity | (107) | 54 | 76 |
| (Loss)/profit for the period | (722) | (1,065) | 1,369 |
| Total recognised income and expense for the period attributable to equity holders of the parent | (829) | (1,011) | 1,445 |

ALTERIAN PLC
UNAUDITED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2006

| | | At 30 | At 30 | At |
|-----------------------------------|-------------|------------------|----------------|----------------|
| | | September | September | 31 March |
| | | 2006 | 2005 | 2006 |
| | Note | £000 | £000 | £000 |
| <i>Non current assets</i> | | | | |
| Goodwill | | 5,499 | 1,121 | 1,119 |
| Other intangible assets | | 944 | 234 | 559 |
| Property, plant and equipment | | 434 | 348 | 404 |
| Available for sale investments | | 70 | 70 | 70 |
| Deferred tax asset | | 250 | - | 250 |
| Total non-current assets | | 7,197 | 1,773 | 2,402 |
| <i>Current assets</i> | | | | |
| Trade and other receivables | | 5,683 | 3,843 | 7,229 |
| Cash and cash equivalents | | 8,020 | 10,550 | 10,113 |
| Total current assets | | 13,703 | 14,393 | 17,342 |
| Total assets | | 20,900 | 16,166 | 19,744 |
| <i>Current liabilities</i> | | | | |
| Trade and other payables | | (3,867) | (2,129) | (2,687) |
| Tax liabilities | | (271) | (263) | (511) |
| | | (4,138) | (2,392) | (3,198) |
| Net current assets | | 9,565 | 12,001 | 14,144 |
| Net assets | | 16,762 | 13,774 | 16,546 |
| <i>Equity</i> | | | | |
| Share Capital | 4 | 10,537 | 9,988 | 10,164 |
| Capital reserves | 4 | 27,777 | 26,591 | 26,714 |
| Other reserves | 4 | 244 | 507 | 521 |
| Own shares | 4 | (430) | (234) | (209) |
| Retained earnings | 4 | (21,366) | (23,078) | (20,644) |
| Total equity | | 16,762 | 13,774 | 16,546 |

ALTERIAN PLC
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2006

| | 6 months ended 30 September 2006 | 6 months ended 30 September 2005 | Year ended 31 March 2006 |
|--|---|---|-----------------------------------|
| Note | £000 | £000 | £000 |
| Net cash used in operating activities | (328) | (43) | (416) |
| Investing activities | | | |
| Interest received | 179 | 240 | 439 |
| Interest paid | (1) | - | - |
| Purchases of property, plant & equipment | (134) | (143) | (301) |
| Receipts from sales of property, plant & equipment | 44 | - | 10 |
| Expenditure on product development | (200) | - | (405) |
| Payments to acquire subsidiaries | (1,535) | (453) | (456) |
| Net Overdrafts acquired | (6) | (122) | (122) |
| Net cash used in investing activities | (1,653) | (478) | (835) |
| Financing activities | | | |
| Purchase of own shares | (38) | (160) | (28) |
| Proceeds on issue of shares | - | 243 | 542 |
| Proceeds from sale of shares | 50 | - | - |
| Net cash from financing activities | 12 | 83 | 514 |
| Net decrease in cash and cash equivalents | (1,969) | (438) | (737) |
| Cash and cash equivalents at beginning of period | 10,113 | 10,877 | 10,877 |
| Effect of foreign exchange rate changes | (124) | 111 | (27) |
| Cash and cash equivalents at end of period | 8,020 | 10,550 | 10,113 |

As anticipated in agreeing the transaction, following the acquisition of Nvigorate there was an immediate working capital outflow of £1,133k representing the settlement of overdue creditors and loans. This outflow is included in net cash used in operating activities above. If the impact of this amount were excluded, the net cash inflow from operating activities would be £805k.

ALTERIAN PLC
NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES & BASIS OF PREPARATION

Accounting policies

The interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs).

The same accounting policies and methods of computation were followed in the Group's most recent annual accounts, which were published on 25 May 2006.

On the basis of these accounting policies and in accordance with IFRS18, revenue includes amounts under contracts where the Group has met all of its obligations, where the customer has accepted the transaction and where all of the amounts receivable under the arrangements are expected to be settled within 12 months of the transaction, and excludes any amounts not meeting these criteria. Revenue from maintenance and support contracts is recognised over the period of the contract, and revenue from professional services is recognised when the services are performed.

Basis of preparation

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 30 October 2006. The information presented for the six months ended 30 September 2006 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 31 March 2006 do not comprise 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 statements under s237 (2) or s237 (3) of the Companies Act 1985.

The results for the twelve months to 30 September 2006 are derived from the six months to 30 September 2006 reported here plus the six months to 31 March 2006 as previously reported. The results for the twelve months to 30 September 2006 are derived similarly.

2. SEGMENTAL INFORMATION

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

| | 6 months ended 30 September 2006 | 6 months ended 30 September 2005 | Year ended 31 March 2006 |
|---|---|--|--------------------------------|
| Geographical analysis of revenue by origin | £000 | £000 | £000 |
| United Kingdom | 1,764 | 2,074 | 6,564 |
| United States | 2,410 | 1,348 | 4,065 |
| | 4,174 | 3,422 | 10,629 |

| 6 months ended 30 September 2006 | UK 2006 £000 | US 2006 £000 | Group 2006 £000 |
|---|-----------------------------|-----------------------------|--------------------------------|
| Revenue | 1,764 | 2,410 | 4,174 |
| Operating Result | (1,704) | 799 | (905) |

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

3. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders for the six months ended 30 September 2006 of £722,000 (2005: £1,065,000) by the weighted average number of ordinary shares in issue during the period of 41,892,221 (2005: 39,738,579).

4. **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 2006 £000 | 31 March 2006 £000 |
|--|---|--------------------------------------|------------------------------------|--|---|----------------------------------|-----------------------------------|
| At the beginning of the period | 10,164 | 26,714 | 521 | (209) | (20,644) | 16,546 | 14,385 |
| Issue of new shares | 373 | 1,063 | - | - | - | 1,436 | 773 |
| (Loss)/profit attributable to members of the group | - | - | - | - | (722) | (722) | 1,369 |
| Movement in the period | - | - | (170) | (221) | - | (391) | (57) |
| Foreign exchange translation differences | - | - | (107) | - | - | (107) | 76 |
| At the end of the period | 10,537 | 27,777 | 244 | (430) | (21,366) | 16,762 | 16,546 |

Capital reserves comprise the share premium account £31,524,000 (Mar 2006: £31,372,000) and merger reserve £(3,747,000) (Mar 2006: £(4,658,000))

Other reserves comprise adjustments for share options made in accordance with IFRS 2 'Share Based Payments' £311,000 (Mar 2006: £481,000), and exchange reserves arising on translation of Alterian Inc. £(67,000) (Mar 2006: £40,000).

Own shares represents the cost of shares in the Company held by the trustees of the Company's Employee Benefit Trust and Share Incentive Plan for the benefit of the employees.

5. NOTES TO THE CASH FLOW STATEMENT

| | 6 months ended 30 Sept 2006 £000 | 6 months ended 30 Sept 2005 £000 | Year ended 31 March 2006 £000 |
|--|---|--|--|
| Operating (loss)/profit | (905) | (1,322) | 451 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 102 | 92 | 190 |
| Amortisation of intangible assets | 160 | 84 | 164 |
| Profit on sale of property, plant and equipment | (44) | - | (1) |
| Employee benefit charges | 18 | 9 | 31 |
| IFRS 2 share based payment charge | 60 | 80 | 154 |
| Payments on exercise of options | (229) | - | - |
| Operating cash flows before movements in working capital | (838) | (1,057) | 989 |
| Decrease/(increase) in receivables | 1,770 | 1,042 | (2,195) |
| (Decrease)/increase in payables | (132) | (285) | 540 |
| Cash from (used by) operations before acquisition items | 800 | (300) | (666) |
| Tax credit received | 11 | 257 | 257 |
| Tax paid | (6) | - | (7) |
| Net cash from (used in) operating activities before acquisition items | 805 | (43) | (416) |
| Acquisition items | (1,133) | - | - |
| Net cash used in operating activities | (328) | (43) | (416) |

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with an original maturity of three months or less.

As anticipated in agreeing the transaction, following the acquisition of Nvigorate there was an immediate working capital outflow of £1,133k representing the settlement of overdue creditors and loans. This outflow is included as acquisition items in the statement above. The balance excluding this amount, £805k, is referred to as 'adjusted operational cash inflow' in the Highlights section above.

6. ACQUISITION OF SUBSIDIARIES

Dynamics Direct Inc

On 25 May 2006 the Group acquired 100% of the issued share capital of Dynamics Direct Inc ("DDI"). The total cost of acquisition was approximately £3.2m (\$6.1m), comprising consideration for shares of £3.2m. This transaction has been accounted for by the purchase method of accounting. As part of the consideration 1,257,042 shares, with a fair value of £1.226m, were issued. The fair value was calculated as the market value of the shares as at the date of acquisition.

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

| Description | Fair value | Carrying value prior to acquisition |
|--|--------------|-------------------------------------|
| | £000 | £000 |
| Intangible assets | 344 | 0 |
| Property, plant and equipment | 1 | 1 |
| Trade and other receivables | 132 | 143 |
| Cash and cash equivalents (bank accounts) | 51 | 51 |
| Trade and other payables (excluding bank accounts) | (184) | (60) |
| Net assets acquired | 344 | 135 |
| Goodwill | 2,911 | |
| Consideration | 3,255 | |
| Satisfied by | | |
| Cash consideration | 972 | |
| Costs of acquisition | 528 | |
| Deferred consideration | 529 | |
| Issue of shares | 1,226 | |
| | 3,255 | |

The initial consideration paid by Alterian on completion was £2.73m (\$5.1m) satisfied by the payment of £1.50m (\$2.74m) in cash and the issue of 1,257,042 new shares in Alterian. The cash element of the initial consideration was satisfied out of Alterian's existing cash resources. An additional consideration of up to £0.53m (\$1m), subject to the achievement of certain revenue targets by DDI for the period from completion to 31 March 2007, will be payable in cash on achievement of those targets.

Goodwill amounts to approximately £2.9m (\$5.4m) a value supported by the estimated cashflows of the future business. The value attributed to other intangible assets is £344k (\$650k) reflecting the value placed upon the intellectual property element of the consideration at the date of acquisition.

The full amount of the profit or loss of DDI since the acquisition has not been identified as the business has been combined within other group activities.

Nvigorate Limited

On 11 September 2006 the Group acquired 100% of the issued share capital of Nvigorate Limited. The total cost of acquisition was approximately £1.47m comprising consideration of £467k and net liabilities assumed of £1m. This transaction has been accounted for by the purchase method of accounting.

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

| Description | Fair value | Carrying value prior to acquisition |
|--|-------------------|--|
| | £000 | £000 |
| Property, plant and equipment | 4 | 4 |
| Trade and other receivables | 92 | 98 |
| Trade and other payables (excluding bank overdrafts) | (897) | (681) |
| Cash and cash equivalents (bank overdrafts) | (57) | (57) |
| Trade and other payables due after one year | (144) | (144) |
| Net liabilities acquired | (1,002) | (780) |
| Goodwill | 1,469 | |
| Consideration | 467 | |
| Satisfied by | | |
| Costs of acquisition | 167 | |
| Deferred consideration | 300 | |
| | 467 | |

The initial consideration paid by Alterian on completion was £167k satisfied by the payment of cash. In addition there was an immediate working capital outflow of £1,133k representing the settlement of overdue creditors and loans.

Deferred consideration of up to £300k in cash will be payable subject to the achievement of certain performance targets for the period to 30 September 2007 on achievement of those targets.

Goodwill amounts to approximately £1.47m, a value supported by the estimated cashflows of the future business. The value attributed to other intangible assets is nil reflecting the net cash flows of the legacy business.

The amount of the profit or loss of Nvigorate since the acquisition date has not been identified as the business has been combined with other group activities.