

Embargoed for 7.00am, 1 November 2007

ALTERIAN PLC
Interim Management Report for the six months ended 30 September 2007

Strong revenue growth with broader product offering and increased investment in distribution channels

Alterian plc ("Alterian" or "the Company" or "the Group"), a leading global provider of Enterprise Marketing Platform software, announces its interim results for the six months ended 30 September 2007.

FINANCIAL HIGHLIGHTS

- Revenue up 27% to £5.3m (2006: £4.2m). At constant exchange rates, revenue increased by 33%.
- Operating costs increased, as anticipated, by 33% to £6.3m (2006: £4.8m) reflecting the Company's investment programme launched in the fourth quarter of the last financial year to open up new distribution channels, and a full period of costs for acquisitions made in the prior year period which include the costs of integrating the acquired products
- Operating loss £1.6m (2006: £0.9m) reflecting the planned increase in operating costs associated with channel and product expansion from which revenue is anticipated in the second half and beyond
- Cash position remains strong at £5.9m after funding earn-out payments for prior acquisitions
- High customer retention rates and high proportion of revenues expected to recur
- On an annualised basis, revenue for the 12 months to 30 September 2007 amounted to £15.2m up 33% (40% at constant exchange rates) compared with 12 months to 30 September 2006*

OPERATIONAL HIGHLIGHTS

- Strong performance in North America
 - North American revenue up 24% (36% at constant exchange rates)
 - North American business accounted for approximately 56% of total revenues
 - Five new partnerships broadening channel to market including Targetbase which is announced separately today, one of the top 10 rated Marketing Service Providers in North America
- Continued growth of UK and international business
 - Revenue increased by 31%
 - Reflecting strong roll out of product and further international success
- Investment to broaden product offering
 - Acquisitions of Dynamics Direct Inc, Nvigorate Limited and the intellectual property in Campaign Calculus integrated and resulting products put on general release during the period
 - Alterian's product range now forms an Enterprise Marketing platform, driven by powerful marketer friendly analytics and has been broadened to include campaign management, email and on-line marketing, marketing optimisation, marketing operations management, marketing asset management and reporting

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

"I am pleased to report an excellent first half for Alterian, with a strong performance across all regions, including the important North American market.

In line with previous guidance and historical trends revenue growth in the current year will be weighted to the second half due to the timing of the product and distribution channel expansion and concentration of renewals in the fourth quarter. Operating costs of the underlying business have been tightly managed and we are seeing early success from our investment programme to expand our distribution channels and product range which is expected to deliver revenues in the second half of the current financial year and beyond.

Trading in the second half has started well and the outlook for the second half is positive, with around £7.0m of recurring revenue expected in the period and an expanded distribution channel, customer base, product range and team. The Board continues to target revenue growth for the full year of around 40% at constant exchange rates and further good growth in earnings."

* See note 1 for basis of preparation of annualised figures

- 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

Alterian and its market

Alterian's Enterprise Marketing software is designed to help marketers gain measurable improvement in the results of their activities. This software platform makes it practical and cost effective for marketers to gain insight into their data and use this to execute an integrated marketing strategy across online and offline channels. Substantial investment has been made in the platform, both through organic development and acquisition, to build on the powerful analytics engine with integrated on-line marketing capability and applications to manage the marketing process.

These products are distributed by many of the worlds leading marketing service providers. Interest is increasingly being shown in the platform by marketing agencies and systems integrators who see their customers adopting it, and an investment programme is currently underway to address these channels.

A number of factors are encouraging marketers to adopt analytics as the basis of their activity, and to integrate their channels of communication, including :

- o The availability of rich data from new channels of communication such as the web and email
- o Growing expectations from customers for relevant, timely communications regardless of channel
- o Pressure to improve the efficiency of marketing spend and processes, and to demonstrate clear return on investment from marketing activities

Alterian's revenue flows are derived from long term agreements with its business partners who typically pay an annual partner fee, together with an annual or perpetual fee, or a fee based on volume of usage for each client, for which they use or sub-licence Alterian technology.

OVERVIEW

Alterian's performance for the first six months was in line with the Board's expectations.

During the six months to 30 September 2007, Alterian achieved revenue growth of 27% to £5.3m (2006: £4.2m). This compares to 22% growth in the same period last year. At last year's exchange rate, reported revenue would have been £5.6m, an increase of 33%.

North American revenue growth continues to be strong, and revenues in this region made up 56% of total revenues in the period. North American revenue grew by 24% to £3.0m (2006: £2.4m), or 36% at constant exchange rates. This was against a strong comparable last year which saw the first revenues from the acquisition of Dynamics Direct Inc. UK and European revenue also grew strongly to £2.3m, a 31% increase on the same period last year (2006 : £1.8m).

The quality of revenue continues to be high. Alterian maintained its long term average of approximately 65% of the revenue generated in the period being expected to recur in the next financial year. Customer retention rates remained high at approximately 88% (2006: 90%). The gross margin remained high at 88% (2006 : 92%), marginally down on the prior period as a result of the acquisitions made.

Operating costs of £6.3m were 33% higher than the prior year (2006: £4.8m), and 5% higher than the six months ended 31 March 2007 (£6.0m). These operating costs are in line with the Board's expectations and reflect Alterian's investment programme, announced at the preliminary results, focusing on broadening the company's channel to market to include marketing agencies and systems integrators as well as Marketing Services Providers. The costs also reflect a full period of costs for the acquired companies Dynamics Direct Inc and Nvigorate Limited in the current year which include the costs of integrating the acquired products. The channel investment programme, and the integrated products which were made generally available towards the end of the period, are expected to deliver revenues in the second half of the current financial year and beyond.

As anticipated, the increased operating costs have resulted in an increase in the first half loss before tax to £1.5m (2006: £0.7m).

Cash & Cash Equivalents

Net cash outflow from operating activities for the period was £0.4m (2006: outflow of £0.3m) after funding the planned increased investment in marketing , distribution and development including the costs of the investment programme to broaden distribution channels and an increase in working capital associated with the increase in revenue. At 30 September 2007, the cash position remained strong at £5.9m (30 September 2006: £8.0m) after further acquisition funding in the period of £0.9m (reflected in the movement in creditors).

OPERATIONAL REVIEW

Good progress was achieved in the first half in all areas including revenue growth and the expansion of Alterian's distribution channel, customer base, product range and team.

Distribution Channel & Customer Base

Substantial progress was seen in further developing Alterian's channel in North America. Eight new partners were signed in the period, with five being in North America. New partners signed include Protocol, Cornerstone, Security Mail (Australia), Carat Digital, and Targetbase.

Targetbase are recognised by a leading industry analyst firm to be in the top 10 Marketing Services Providers in North America and with the Targetbase partnership in place, Alterian technology has now been adopted and is in the process of being rolled out by 9 of the top 10 Marketing Services Providers. In addition, Alterian signed a further four partners in North America who are not featured in this ranking. This progress demonstrates the market acceptance and momentum that Alterian is achieving in North America and provides a substantial opportunity to distribute Alterian technology to this channel's existing and new customers.

Alterian announced an investment programme at its last preliminary results focused on broadening its channel to market to include marketing agencies and systems integrators. Whilst this programme is in its very early stages, success has already been achieved by Alterian signing Carat Digital – the digital marketing arm of Carat UK – to its partner channel. Carat Digital required a solution which provided analytics, data visualisation, email marketing and reporting, to improve marketing delivery for their clients. Further success is expected with this programme in the second half and beyond.

The roll out of product by existing partners also delivered good results during the period, with approximately 56 new end user customers licensing Alterian technology through our partners.

Product Range

Alterian's strategy is to broaden its product range to generate further revenue opportunities within its existing distribution channel and to open up new distribution channels. This is supported by continuing investment in Research & Development of approximately £2.5m per year and targeted acquisitions of technology companies or intellectual property in high growth areas.

Alterian completed the acquisition of two companies in the last financial year, and one acquisition of intellectual property. The acquisitions brought email and on-line marketing, marketing operations management and marketing optimisation software into the Alterian product line, evolving the solution to become an Enterprise Marketing Platform recognised by industry analysts such as Gartner and Forrester.

All of the products resulting from the acquisitions have now been successfully integrated into Alterian's platform and towards the end of the period, the following products became generally available :

- Contact Optimiser: an application that utilises advanced algorithms to maximise the financial return on campaigns, while satisfying business rules and constraints to determine the best course of action for contacting an individual customer or prospect, across multiple channels and offerings;
- Organiser: a marketing operations management software product that automates, manages, analyses and reports on a marketing department's workflow, improving both efficiency and control; and
- Dynamic Messenger 5: a major new release of the email and on-line marketing software acquired as a result of the acquisition of Dynamics Direct Inc in May 2006.

In addition, Alterian's Research & Development effort has produced new versions of pre-existing products as well as a further new product within the platform:

- Web List Direct: a self service web based product for list managers and owners to market and sell data.

These new products are expected to contribute to accelerating new business in the second half of the current year.

Team

Alterian has continued targeted recruitment in Research and Development, North American sales and globally to support the broadening of our distribution channel.

At 30 September 2007 Alterian had 126 staff (30 September 2006: 112 staff; 31 March 2007: 123 staff), of which 40 are based in North America and 86 in the UK and Europe. Seven staff are currently focused on the new channel development highlighted above with plans to increase this by a further three in the second half of the current financial year.

OUTLOOK

In line with previous guidance and historical trends revenue growth in the current year will be weighted to the second half due to the timing of the product and distribution channel expansion programme and concentration of renewals in the fourth quarter. Alterian is seeing early success from the investment programme to expand its' distribution channels and product range which is expected to deliver revenues in the second half of the current financial year and beyond.

Trading in the second half has started well and the outlook for the second half is positive, with around £7.0m of recurring revenue expected in the period and an expanded distribution channel, customer base, product range and team. The Board continues to target revenue growth for the full year of around 40% at constant exchange rates and further good growth in earnings for the full year.

ALTERIAN PLC

RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on Alterian's performance over the remaining 6 months of the financial year and could cause actual results to differ materially from expected and historical results.

Competitor Risks

Alterian's blend of the power of its Engine, allied to the ever widening suite of its applications, is a unique offering to the market. However, competition exists for fragmented elements of our offering from internally generated solutions as well as large Application Service Providers (ASPs) and other software providers. If one or more of these competitors is successful in developing solutions that are faster and more economic than Alterian's, and can provide the necessary support levels to the Marketing Service Provider (MSP) market, then Alterian's long term revenue streams will be at risk. To minimise this risk Alterian continues to develop both market relevant applications and the quality of its core products.

Commercial Relationships

Alterian's future revenue streams depend on its close long term relationships with its Partner group. Damage to, or loss of, these substantial relationships, could cause a detrimental effect on long term revenue prospects. To manage this risk Alterian ensures that constant and developing working reviews take place with its key Partners to ensure both their needs and the needs of their end customers are met.

Foreign Exchange and Treasury Risks

The Group operates mostly within the UK and the US.

Currency exposures are regularly monitored and decisions taken on whether to hedge only when specific cash exposures are contracted. Purely accounting exposure is not hedged. The Group has historically maintained its reserve cash balances principally in sterling, as the ultimate currency of its shareholder base.

Environmental Risks

Alterian takes its responsibilities to the environment seriously. The risks to which Alterian is materially exposed are not company specific as Alterian does not operate in areas that materially damage the environment.

Resources

The principal resources of the Group are:

- Its intellectual property which is protected by internal controls and held in secure escrow;
- The employees of Alterian who have extensive knowledge of the products and markets in which the company operates;
- The unique indirect channel to market operated through the strong partner network built up since the founding of the business.

Any material adverse change in these resources would constitute a risk to the Group's performance.

ALTERIAN PLC

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

David Eldridge
David Cutler

INDEPENDENT REVIEW REPORT TO ALTERIAN PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
31 October 2007
Bristol, UK

ALTERIAN PLC

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2007

		6 months ended 30 September 2007 £000	6 months ended 30 September 2006 £000	Year ended 31 March 2007 £000
	Note			
Revenue	3	5,297	4,174	14,037
Cost of sales		(635)	(315)	(1,567)
Gross profit		4,662	3,859	12,470
Distribution costs		(2,879)	(1,979)	(4,476)
Administrative expenses		(3,431)	(2,785)	(6,301)
Operating costs		(6,310)	(4,764)	(10,777)
Operating (loss)/profit		(1,648)	(905)	1,693
Investment revenues		163	179	314
Finance costs		-	(1)	(1)
(Loss)/profit before taxation		(1,485)	(727)	2,006
Tax	5	8	5	411
Retained (loss)/profit for the period		(1,477)	(722)	2,417
Attributable to equity holders of the parent		(1,477)	(722)	2,417
Basic (loss)/profit per ordinary share	6	(3.4)p	(1.7)p	5.8p
Diluted (loss)/profit per ordinary share	6	(3.3)p	(1.6)p	5.5p

The results above derive from the continuing operations of the Group.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND
EXPENSE
SIX MONTHS ENDED 30 SEPTEMBER 2007

	6 months ended 30 September 2007 £000	6 months ended 30 September 2006 £000	Year Ended 31 March 2007 £000
Exchange differences on translation of foreign operations	(97)	(107)	(423)
Net expense recognised in equity	(97)	(107)	(423)
(Loss)/profit for the period	(1,477)	(722)	2,417
Total recognised income and expense for the period attributable to equity holders of the parent	(1,574)	(829)	1,994

ALTERIAN PLC

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2007

	Note	At 30 September 2007 £000	At 30 September 2006 £000	At 31 March 2007 £000
Non current assets				
Goodwill		5,499	5,499	5,499
Other intangible assets	7	1,952	944	1,730
Property, plant and equipment		594	434	615
Available for sale investments		70	70	70
Deferred tax asset		650	250	650
Total non-current assets		8,765	7,197	8,564
Current assets				
Trade and other receivables		7,915	5,683	8,299
Cash and cash equivalents		5,938	8,020	7,999
Total current assets		13,853	13,703	16,298
Total assets		22,618	20,900	24,862
Current liabilities				
Trade and other payables		(3,224)	(3,867)	(4,611)
Tax liabilities		(410)	(271)	(542)
		(3,634)	(4,138)	(5,153)
Net current assets		10,219	9,565	11,145
Net assets		18,984	16,762	19,709
Equity				
Share capital	8,9	10,990	10,537	10,562
Capital reserves	8	28,352	27,777	27,886
Other reserves	8	7	244	45
Own shares	8	(661)	(430)	(557)
Retained earnings	8	(19,704)	(21,366)	(18,227)
Total equity		18,984	16,762	19,709

ALTERIAN PLC

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2007

		6 months ended 30 September 2007	6 months ended 30 September 2006	Year ended 31 March 2007
	Note	£000	£000	£000
Net cash (used in)/from operating activities	10	(424)	(328)	971
Investing activities				
Interest received		163	179	314
Interest paid		-	(1)	(1)
Purchases of property, plant & equipment		(135)	(134)	(457)
Receipts from sales of property, plant & equipment		-	44	43
Expenditure on product development		(500)	(200)	(764)
Payments to acquire subsidiaries		(907)	(1,535)	(1,667)
Payments in respect of IPR capitalised		-	-	(340)
Net overdrafts acquired		-	(6)	(6)
Net cash used in investing activities		(1,379)	(1,653)	(2,878)
Financing activities				
Purchase of own shares		(127)	(38)	(163)
Proceeds from sale of shares		-	50	50
Net cash (used in)/from financing activities		(127)	12	(113)
Net decrease in cash and cash equivalents		(1,930)	(1,969)	(2,020)
Cash and cash equivalents at beginning of period		7,999	10,113	10,113
Effect of foreign exchange rate changes		(131)	(124)	(94)
Cash and cash equivalents at end of period		5,938	8,020	7,999

ALTERIAN PLC

NOTES TO CONDENSED SET OF FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information for the year ended 31 March 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under s237 (2) or s237 (3) of the Companies Act 1985.

The results for the twelve months to 30 September 2007 are derived from the six months to 30 September 2007 reported here plus the six months to 31 March 2007 as previously reported. The results for the twelve months to 30 September 2006 are derived similarly.

2. ACCOUNTING POLICIES

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'.

The same accounting policies, presentation and methods of computation are followed in these condensed set of financial statements as were applied in the preparation of the Group's annual audited financial statements for the year ended 31 March 2007.

3. SEGMENTAL INFORMATION

For management purposes, the Group is currently organised into two operating divisions - UK and United States. These divisions are the basis on which the Group reports its primary segment information. The Group does not report on any other basis and so no secondary segmental information is presented.

	6 months ended 30 September 2007	6 months ended 30 September 2006	Year ended 31 March 2007
Geographical analysis of revenue by origin	£000	£000	£000
United Kingdom and International	2,313	1,764	7,144
United States	2,984	2,410	6,893
	5,297	4,174	14,037

6 months ended 30 September 2007	UK	US	Group
	2007	2007	2007
	£000	£000	£000
Revenue	2,313	2,984	5,297
Operating Loss	(1,305)	(343)	(1,648)

ALTERIAN PLC

NOTES TO CONDENSED SET OF FINANCIAL STATEMENTS (continued)

3. SEGMENTAL INFORMATION (continued)

6 months ended 30 September 2006	UK	US	Group
	2006	2006	2006
	£000	£000	£000
Revenue	1,764	2,410	4,174
Operating Loss	(740)	(165)	(905)

4. OPERATIONS IN THE INTERIM PERIOD

In line with historic trends, revenue growth in the current year will be weighted to the second half due to the timing of the product and distribution channel expansion programme and concentration of renewals in the fourth quarter.

5. TAXATION

The effective tax rate at the interim period is 1% (2006: 1%). No further recognition of potential deferred tax asset has been made at the half year as management believes it is too early to predict the taxable profits for the periods to March 2009 and beyond at this time.

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders for the six months ended 30 September 2007 of £1,477,000 (2006: £722,000) by the weighted average number of ordinary shares in issue during the period of 43,609,101 (2006: 41,892,221).

	6 months ended 30 September 2007 £000	6 months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Loss/profit attributable to equity holders of the parent	(1,477)	(722)	2,417
	No.	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	43,580	41,892	41,892
Effect of dilutive potential ordinary shares: share options	1,257	1,716	1,729
Weighted average number of ordinary shares for the purpose of diluted earnings per share	44,837	43,609	43,621
Basic (loss)/profit per share	(3.4)p	(1.7)p	5.8p
Diluted (loss)/profit per share	(3.3)p	(1.6)p	5.5p

In calculating diluted earnings per share there were 1,774,070 options that have not been included as they are anti-dilutive and/or the related performance condition has not been achieved for the period presented (2006: 1,836,660 options).

ALTERIAN PLC

NOTES TO CONDENSED SET OF FINANCIAL STATEMENTS (continued)

7. INTANGIBLE ASSETS

Intangible assets comprise Development costs and IPR and other software licences.

The principal movement on this balance relates to £500,000 of development costs capitalised, less £234,000 of related amortisation.

8. 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 2007 £000	31 March 2007 £000
At the beginning of the period	10,562	27,886	45	(557)	(18,227)	19,709	6,546
Issue of new shares	428	466	-	-	-	894	1,570
(Loss)/profit attributable to members of the group	-	-	-	-	(1,477)	(1,477)	2,417
Movement in the period	-	-	59	(104)	-	(45)	(401)
Foreign exchange translation differences	-	-	(97)	-	-	(97)	(423)
At the end of the period	10,990	28,352	7	(661)	(19,704)	18,984	19,709

Capital reserves comprise the share premium account £32,099,000 (Mar 2007: £31,633,000) and merger reserve £(3,747,000) (Mar 2007: £(3,747,000)).

Other reserves comprise adjustments for share options made in accordance with IFRS 2 'Share Based Payments' £488,000 (Mar 2007: £428,000), and exchange reserves arising on translation of Alterian Inc. £(481,000) (Mar 2007: £(383,000)).

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.

9. SHARE CAPITAL

Share capital as at 30 September 2007 amounted to £10.99 million. During the period, the Group issued 1,594,042 shares in relation to share option exercises in the period.

ALTERIAN PLC

NOTES TO CONDENSED SET OF FINANCIAL STATEMENTS (continued)

10. NOTES TO THE CASH FLOW STATEMENT

	6 months ended 30 Sept 2007 £000	6 months ended 30 Sept 2006 £000	Year ended 31 March 2007 £000
Operating (loss)/profit	(1,648)	(905)	1,693
Adjustments for:			
Depreciation of property, plant and equipment	135	102	237
Amortisation of intangible assets	65	160	220
Amortisation of development costs	234	-	202
Profit on sale of property, plant and equipment	-	(44)	(43)
Employee benefit charges	19	18	37
IFRS 2 share based payment charge	93	60	163
Payments on exercise of options	-	(229)	(229)
Operating cash flows before movements in working capital	(1,102)	(838)	2,280
Decrease/(increase) in receivables	342	1,770	(954)
Increase/(decrease) in payables	287	(132)	659
Cash (used in)/from operations	(473)	800	1,985
Tax credit received	64	11	164
Tax paid	(15)	(6)	(45)
Net cash (used in)/from operating activities before acquisition items	(424)	805	2,104
Acquisition items	-	(1,133)	(1,133)
Net cash (used in)/from operating activities	(424)	(328)	971

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.

Following the acquisition of Nvigorate in September 2006, there was an immediate working capital outflow of £1,133k representing the settlement of overdue creditors and loans. This outflow is included as a comparative in acquisition items in the statement above.

11. RELATED PARTY TRANSACTIONS

The Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

12. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board of Directors on 31st October 2007.