
WHY DO YOU
NEED **Q&A** AN
INTEGRATED
MARKETING
PLATFORM?

Annual Report **2008**

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Officers and Professional Advisors

Directors

K Hamill (Non-executive Chairman)
 D J Eldridge (Chief Executive)
 M J Talbot (Chief Technical Officer)
 T E McCarthy (Research Director)
 D R Cutler (Group Finance Director)
 I B Johnston (Non-executive Director)
 H D McCartney (Non-executive Director)

Company Secretary

D R Cutler FCA FCT

Registered Office

The Spectrum Building
 Bond Street
 Bristol
 BS1 3LG
 UK

Registrars

Computershare Investor Services PLC
 PO Box 82
 The Pavilions
 Bridgwater Road
 Bristol
 BS99 7NH
 UK

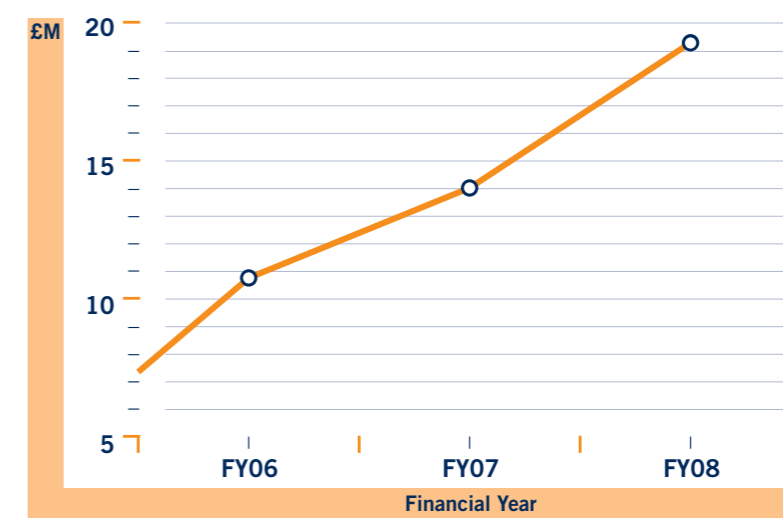
Auditors

Deloitte & Touche LLP
 Bristol

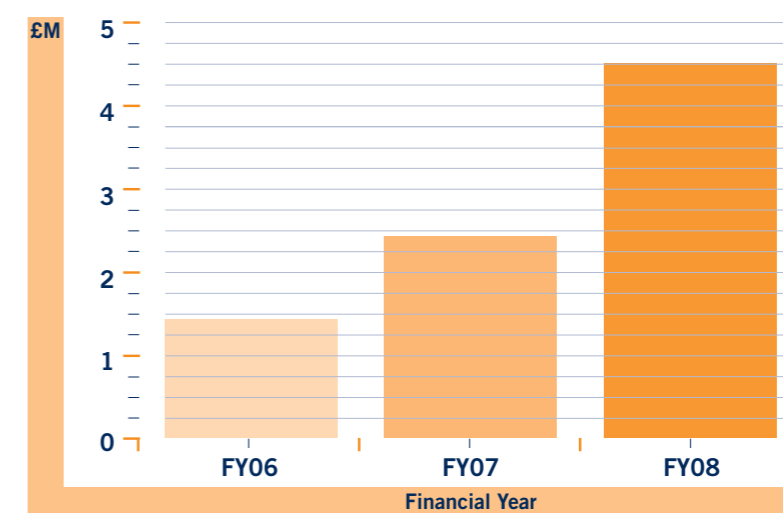
Stockbrokers

Investec Henderson Crosthwaite Corporate Finance
 (a division of Investec Bank (UK) Limited)
 2 Gresham Street
 London
 EC2V 7QP
 UK

Revenue



Retained Profit



02

A Year of Success

April 07

- » Princess Cruises expands B2B online strategy with Alterian for travel agent network

May 07

- » Alterian announces next generation of its three core platform applications: Campaign Manager 3.0, Selection Planner 3.0 and Analytical Reporting 3.0

June 07

- » Alterian Marketing Services Platform officially launched, the first integrated marketing platform to incorporate three key marketing functions – database, digital and operational marketing
- » Alterian positioned in Gartner's Enterprise Marketing Management (EMM) Magic Quadrant

July 07

- » Alliance & Leicester selects Alterian for Operational Marketing
- » Alterian voted one of Chicago's '101 Best and Brightest Companies to Work For' for third consecutive year

September 07

- » Alterian named '2007 Rising Star' by CRM Magazine
- » One&Only Resorts improves operational marketing efficiency with Alterian's Marketing Services Platform

November 07

- » Targetbase selects Alterian for analytically led integrated marketing
- » Alterian partners with 10 of the top 12 database marketing service providers in North America cited by an independent research firm
- » Alterian signs award-winning digital marketing arm of agency, Carat UK

January 08

- » Alterian enters independent research firm, Forrester's, Enterprise Marketing Platform Report as 'Strong Performer'

February 08

- » Premier interactive agency, Fathom SEO, selects Alterian's Marketing Services Platform

March 08

- » Alterian designated as a market leader in the Enterprise Email Service Provider space by independent research firm, JupiterResearch

Alterian Annual Report 2008

Financial Highlights

£19.3m

Turnover for the year to March 2008

38%

Turnover increased by 38% year on year

£4.0m

Profit before tax

£8.2m

Cash of £8.2m provides sound funding for future growth

What are you if you're not integrated?

Irrelevant.

In today's complex, constantly evolving marketplace, the need for the integration of marketing processes and channels has never been more apparent. The increasing number of digital channels and the new buying process characterised by peer-to-peer communication in real time, 24 hours a day, means the marketer must comprehensively track and understand the behaviour of their customers in order to be relevant and to create value.

Alterian continues to solidify its role as the data analytics equivalent of having "Intel Inside" for many marketing services providers and agencies.

Alterian is highly suitable and valuable for those marketers seeking a single database and analytics platform to run cross channel marketing programs.

David Daniels, Vice President and Research Director, JupiterResearch
E-mail Marketing Buyer's Guide 2008: E-mail Service Provider (ESP) Evaluation
March 3, 2008

The key aspect of the Alterian offering is that the various elements are not standalone pieces of technology, with the user having to handle the complex navigation between them to achieve their workflow. With Alterian, the marketer can move seamlessly between organising their resources, undertaking analytics, planning a campaign and overseeing the approvals necessary to drive things to a timely completion.

David Norris, Senior Analyst, Bloor Research

Alterian's Data Discovery and Visualization module gets rave reviews from marketers for its ease of use and support for campaign design.

The Forrester Wave: Enterprise Marketing Platforms, Q1 2008

The rise of the digital ecosystem

As the volume and significance of digital channels increase, marketers are faced with a complex digital ecosystem that encompasses online advertising, search, mobile, interactive TV, email, social media, viral marketing, podcasting and more and more user-generated content and buying opinion. In order to comprehend and manage this ecosystem, marketers must first understand the technology requirements necessary to underpin it.

The rise of a new buying process

Although consumers increasingly utilise search engines such as Google to initiate and influence their purchasing decisions, marketers need to realise that this only brings the customer to the 'shop door'. In addition, marketers have a new target – the 'influencer'. This person may never become a customer, but they influence the buying decision of potentially hundreds of others. The challenge for the marketer is to initiate a dialogue and guide the consumer from research, through a personalised buying process, towards advocacy of the brand. This is where the likelihood to recommend – the most powerful marketing tool of all – is increased.

The rise of marketing's strategic influence

With the CEO instructing marketing to expand its role in the strategic operations of the business, it is no longer acceptable to manage customers by gut feel or instinct. With so much data available marketers can manage by fact, predict with accuracy and raise the bar for professionalism in marketing. While still accountable for traditional brand building, marketing is now driving business model and market strategy, product and service offerings, customer loyalty and organic growth plans.

Marketers must have visibility and access to all the information they need to quickly make good decisions. The marketer must then manage technology, resources and processes to practically execute strategy and tactics across all available channels. Additionally, the marketer needs to be able to measure results in parallel to the execution and be prepared to alter or make entirely new decisions in order to achieve their objectives. Finally, the marketer must be able to account for and report on their decisions and ultimately whether they were moving the business forward.

The rise of the Integrated Marketing Platform

While the benefits of a platform are clearly significant in terms of efficiency and effectiveness to the traditional marketer, a platform is also required to optimise online marketing given the often inbound and real-time nature of the web. Integrated Marketing Platforms must be designed for the speed of marketing and scale of the Internet. It is for this reason that independent analyst and research firm, Forrester Research, reported that a 'significant majority' (83%) of marketers need a 'comprehensive marketing suite to improve their effectiveness'¹. Alterian believes that the answer to pulling together all of the data, users, channels, analysis, execution and reporting for the modern marketing department lies not with individual marketing applications repackaged and sold as a 'suite', but with a truly integrated marketing platform.

By partnering with Alterian, Merkle will be able to provide select clients with advanced, customized tools that can meet their precise campaign requirements to realize a greater return on their marketing investment. As multi-channel campaigns grow more complex, companies require advanced analytical capabilities that enable a high degree of personalization. Alterian is well-recognized for its achievement in reducing the time and complexity that is often required for marketers to stay ahead of the competition.

Christian Wright, Chief Technology Officer, Merkle

¹ May 2007, Forrester Research Inc., The Enterprise Marketing Software Landscape



What is marketing without analytics?

It's not marketing.

Beyond accountability lies empowerment

Accountability used to be the sole domain of the finance department. The marketing department was seen primarily as a cost centre and support function, with leaders who lack the ability to demonstrate a return on marketing investment or to venture outside their comfort zone of traditional forms of advertising and marketing. It is not surprising that marketing budgets were traditionally the first to be cut in the face of adverse marketing conditions. However, the evolution of marketing, including the increase in number of Chief Marketing Officer (CMO) appointments, volume of customer data and ability to analyse that data, and the emergence of new media, has resulted in marketing quickly becoming a strategic and core function in the business which can not only align its agenda to that of the CEO, but can be a driving and enabling force for business growth.

It is essential that CMOs can clearly demonstrate how brand strategy and marketing activities and investments create customer preference, drive profitability and support where the business aspires to be. To do this they need to retain a relentless customer focus, leverage new forms of media as aggressively as their customers are doing and, most importantly, be empowered with the insight and intelligence to identify new market opportunities and strategies to grow the business and prove the worth of the marketing function. This is why technology is the greatest corporate asset and competitive weapon the CMO has today.



As one of the most influential authority leadership channels for strategic marketing decision makers in the world, the CMO Council see Alterian as a key vendor in the marketing technology sector and we are delighted to be partnering with them on the 'Calibrate how you Operate' program we are running in 2008. This research is designed to assess diverse operational marketing needs and identify the integrated platform, methodologies and solutions required to improve marketing accountability and effectiveness.

Donovan Neale-May, Executive Director of the Chief Marketing Officer (CMO) Council.

The marketing technology roadmap

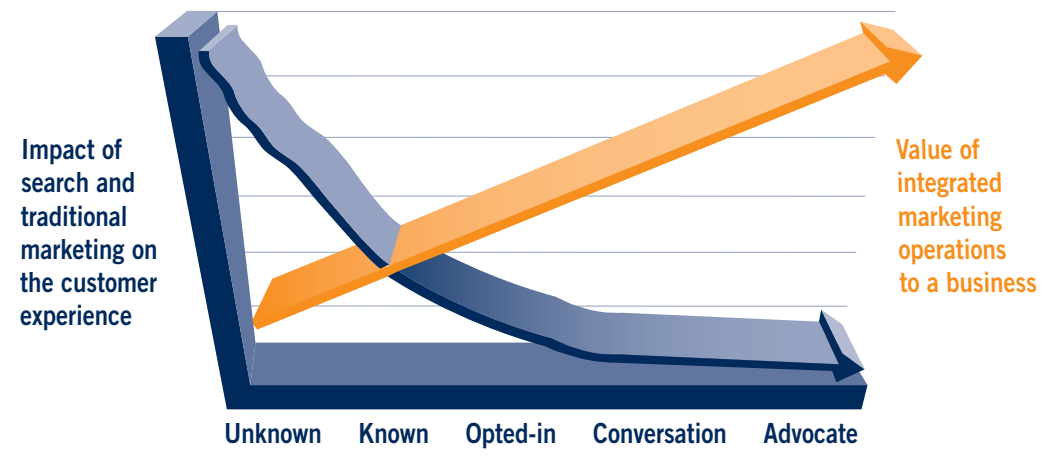
Marketing technology selection and implementation will determine the marketing department's brand effectiveness, programme capacity, and ultimately decide the success or failure of the CMO in every organisation, regardless of the strength of product offering or market share. Technology can no longer be seen as a back office responsibility owned by the IT organisation. The CMO must mandate the organisation to create a marketing technology roadmap that implements an Integrated Marketing Platform, joining marketing functions and applications across offline and online channels. Creating, funding and implementing the marketing technology roadmap may arguably be the CMO's most critical task over the next three to five years.

A recent survey reported that seven out of ten marketers today are using at least three different technology applications to perform their day to day tasks². Over 20% are using more than seven applications which results in time and effort being wasted trying to incorporate dozens of different systems, processes and vendors across their marketing function. When it comes to selecting the right marketing technology platform, CMOs must start the evaluation, and possibly end it, based on the strength and architecture of its database marketing and analytical capabilities. CMOs should not be fooled into purchasing a marketing suite, which is merely various marketing applications bundled and sold as a package. This will just add to the number of data silos marketing has and the number of tools the marketer needs to learn. An integrated marketing platform must eliminate databases at the application level enabling a single system of record and customer intelligence for marketing.

Alterian provides us with a competitive advantage, as well as the capabilities, integration and scalability of a single platform that far exceeds our numerous existing 'best of breed' solutions. We realized the need to evolve with the changing online landscape and gain access to more strategic, targeted data based on our clients' goals and requests. The Alterian Marketing Services Platform allows us to effectively and efficiently manage our clients' comprehensive online and offline campaigns.

Bill Fox, President, Fathom SEO

Personalised Customer Experience



² Alterian Annual Survey 2007, 'The Road to Customer Centricity', surveying around 1000 marketers.

CFO and CMO: from adversaries to allies

By selecting a platform that combines data, analysis, content and execution, the CMO establishes an essential baseline for the necessary marketing technology roadmap. In addition, the marketing department becomes more streamlined and the CMO is provided with a significant deliverable towards integrated marketing.

The benefits of a process-driven, accountable marketing operation can be measured fiscally and classified as a 'marketing dividend'. This dividend releases savings which can be redistributed to fund the execution of marketing strategy such as campaign production, advertising and PR. Specific areas where a marketing dividend can be realised include:

Increased marketing effectiveness

Through better analysis the right offer can be made to the right customer at the right time through the right channel. This optimisation not only increases the effectiveness of marketing activities, but also reduces the amount of marketing budget spent on ineffective or redundant campaigns.

Minimising waste and maximising customer satisfaction

Traditional forms of marketing, such as sending catalogues to an entire customer database rather than to specific segments at specific times, are not only a waste of time, money and the environment, but also have a negative effect on the brand. The ability to analyse and execute based on customer preferences solves both these challenges.

Speed to campaign

Campaigns which are drawn out over months – from idea to execution, due to poor or outdated planning or workflow tools – cause considerable problems. An operational campaign management tool, as part of an integrated marketing platform that enables data and analysis to be part of the workflow, can yield a huge marketing dividend. A reduction in both the resources required to perform the task and campaign costs relating to how long it takes to execute the campaign, will deliver a return on investment.

Total cost of ownership (TCO)

Through Alterian's integrated technology platform, organisations are able to realise significant total cost of ownership benefits in the areas of technology and hardware, and also in associated support personnel costs.

Summary

The role of the marketing department is maturing and a new CMO is emerging, with the emphasis moving from tactical to strategic. By shifting the focus from purely creative towards a creative use of technology, the CMO can implement new operating models that give their brand a competitive advantage beyond advertising budget and product differentiation. An integrated marketing platform therefore provides the vehicle for the empowerment of the CMO as it gives them access to analytics which drive both decisions and execution. Analytics are the new corporate IP. CMOs that organise their company to use analytics will drive innovation and growth, profitable customer experience and engagement, marketing productivity and, ultimately, market leadership.



Alterian's technology helps us to fully integrate on- and offline marketing data for our clients and has become an important component of our online customer contact strategy, GB U4CTM. The robustness of the Alterian platform, combined with the quality of GB Group's own software and consultancy services, have helped our clients optimise and quantify the value of their marketing operations.

Bill Mooney, Sales Director, GB Group

We selected Alterian because their software platform is designed by marketers for marketers. We can share technology, reporting and charting, and make on the fly changes quickly. We went directly to Alterian because their Engine has a level of maturity that has already been proven with their flagship clients. Marketers must be able to react, change, and open up new opportunities rapidly. As our clients continue to evolve the ways in which data is used to test and segment consumers, fast and easy access to the data will become critical in being able to make informed decisions on how to market with agility.

John Zell, Senior Vice President of Technology, Protocol



How do you start the integrated marketing journey?



By being on the right platform.

The Alterian Marketing Services Platform manages the people, processes and applications that have often been autonomous marketing functions. The Alterian Marketing Services Platform supports different marketing users, functions and the daily activities to execute those processes across the entire organisation. Running through the entire Platform is an analytical capability enabling marketers to gain insight into their data by using intuitive, easy to use, visual segmentation tools. It provides answers to marketers' questions by analysing all of the information associated with each individual customer or prospect in the entire database in a matter of seconds. The detail of this granular information and the speed at which it is analysed encourages a thorough exploration of customer behaviour, which in turn enables truly targeted activities delivered through Alterian's integrated campaign planning and execution modules. This approach supports a unique 'train of thought' analysis capability which complements a marketer's typical working practice.

Alterian believes that the key tenets of an integrated marketing platform are:

- Fit for purpose data infrastructure
- Architected for extensibility
- Flexible deployment model and user interfaces
- Integrated applications
- Analytics and process driven
- Multi-channel execution
- Supportive of transparency and accountability

Every application of the Alterian Marketing Services Platform shares data, business rules and assets across applications. No data silos are created. Marketers can plan, create, execute, and report through one user interface, across all channels, across all departments in the organisation, around the globe.

There needs to be a single data infrastructure so marketers can have proximity to their data, to be able to visualise and work with it, applying the analytics to give them the insight they need, rather than wait for IT to deliver files of the transactional systems to synchronise. Alterian provides this Platform for marketers enabling them to become analytically led and to integrate their marketing. This Platform also provides a future-proof investment as marketing technology matures and more of the processes of the marketing department are integrated.

It wasn't just the performance of the platform itself. We were impressed by Alterian's understanding of direct marketing. We share a similar vision – we believe that analytics should be at the core of everything, and all marketing efforts should be seamlessly integrated; that is marketing today.

Scott Watkins, VP Database Solutions, ChoicePoint Precision Marketing

The Alterian Marketing Services Platform



1. Marketing Data Infrastructure

The underlying foundation for the Alterian Marketing Services Platform is a fit for purpose marketing data infrastructure, which makes all of the data and real time feedback available to marketers for analysis and execution activities. By eliminating data silos and sharing knowledge across functions, marketers benefit from a holistic, high performance view of the information required to execute analytically led marketing. **Benefits include: increased productivity, flexibility, complete access to marketing data.**

2. Operate

The pressure to provide return on investment is driving marketing departments to mature beyond tactical point solutions and tie the entire marketing process together with improved product development processes, faster brief development and integration of planning, insight, creative development, production and measurement with campaign management. **Benefits include: consolidated marketing workflow, increased efficiency, pro-active marketing management.**

3. Visualise and Analyse

The volume and complexity of modern marketing requires innovative methods for understanding data and utilising this knowledge to drive communications. Alterian places advanced yet intuitive visualisation and analysis tools directly into the hands of marketers for use throughout the marketing process. **Benefits include: pervasive analytics, ease of use, tools for a variety of analysis tasks.**

4. Plan and Design

The ability to take action on analysis is paramount for marketers. Alterian's planning and design applications enable marketers to transform the results of analytical activities into tangible customer contact strategies. **Benefits include: comprehensive marketing automation, true integrated marketing, simplified management of scale and complexity.**

5. Execute

As contact options proliferate, marketing technology must accommodate the ability to deploy messages across various media, track results in real time and provide a platform for managing consistent communications across channels. **Benefits include: many channels, one platform, visibility to campaign performance, high performance campaigns.**

6. Report

Marketing is an iterative process, and tracking and sharing the results of activities is as important as executing the campaigns themselves. Alterian's reporting applications allow marketers to deliver relevant reports across a variety of formats and media to everyone in the organisation who requires insight into the marketing department's activities. **Benefits include: accountability, role appropriate market intelligence, information actionable for future campaigns.**

83% of marketers agree that they need a more comprehensive and integrated application suite in order to increase their effectiveness.

May 2007, Forrester Research Inc., The Enterprise Marketing Software Landscape

For more information on the Alterian Marketing Services Platform visit www.alterian.com/products



How will you transform your marketing?



By partnering with the experts.

As marketing is forced to transform, driven by the rise in digital channels and the change in customers' buying approach, the marketer needs help with this transformation and will typically turn to their portfolio of trusted marketing Partners, suppliers and experts. Alterian works alongside a global network of such Partners who provide the domain and service expertise to implement and execute integrated marketing strategy and solution.

These Partners fall into three key segments based on a starting point for their solution – Marketing Services Providers, Agencies and Systems Integrators – although there is more often now a blurring of segments and capabilities, as with the integration of marketing so comes the integration of marketing supplier capabilities.

Marketing Services Providers

Because there's more to data than modelling and mining

Marketing Services Providers (MSPs) typically offer a broad range of marketing database, communications and execution capabilities. Their core services include the building, managing and enhancing of clients' customer databases, which can be made up of millions of customers across multiple geographies. Often the ultimate aim is building a single customer view for marketing. MSPs work with their clients to show them how to apply analytics to their databases, to then build targeted relevant campaigns, identify new markets or product opportunities and plan the customer life cycle

through multiple interactions. An MSP can host and operate the entire solution for the customer, providing analytical and reporting access, or build the required solution for the customer on their site, or a combination of the two. Many MSPs have critically been broadening their range of services to include digital channels and execution. Many MSPs are, in fact, well placed to help customers get the most from the opportunities presented by digital. Their understanding of direct marketing best practice learnt from many years of running offline marketing programmes has applicability to the online world.

Demand for analytics is increasing in India, due to the relentless rise in both data type and volume. As the largest relationship marketing agency in India, Direxions needed to be able to perform analysis faster and demonstrate the results to clients more effectively. Our international search for the right software provider led us to Alterian. With its Partner strategy and innovative approach to analytics, Alterian gave us the confidence that it was the best fit for us. With Alterian, we now have a robust platform on which we have built and developed our analytic services, that can not only handle large volumes of data at incredible speed, but its ease-of-use means our client-facing teams can also utilise the technology themselves to deliver improved customer insight and service.

Sandeep Mittal, Marketing Director, Direxions Marketing Solutions



Agencies

Because online is not a channel. It's an ecosystem.

Agencies, specifically the interactive or digital arm of an agency group, are being forced to fundamentally change their operating models as a result of the explosion in channels and technology. They are increasingly aware that successful customer interaction is reliant not just upon great creative, but also insight and understanding of customer preferences and behaviour gained through powerful analytics and insight. Customer centricity requires this in-depth analysis, and clients are demanding greater ROI and accountability. This challenge can be solved by implementing an integrated marketing platform which helps build a common data view and analytical capability, and achieve coordinated execution across online and offline channels. Using the Alterian Marketing Services Platform, agencies are able to create highly targeted and relevant communications and improve the marketing performance of their clients.



Systems Integrators

Because CRM forgot something. The marketing department.

During the last ten years, System Integrators (SIs) have helped a large number of businesses implement Customer Relationship Management systems to enhance the sales prospecting process, make sales more accountable, and empower customer contact centres with relevant information and service processes. Now, businesses are challenging marketers to become more accountable and to understand and respond to customers' needs in a digital age. Marketing needs help to map out a transformation strategy, a technology platform to coordinate marketing analysis, execution and operations, and the expertise to manage the change processes and integration required on this journey. The scope of these projects will require the strategy, business consulting, change management and technology integration skills of a Systems Integrator. The Alterian Marketing Services Platform which is built and tuned for marketing, unlike many of the lumbering ERP suites, is an excellent technology partner choice for a growing number of Systems Integrators who are rising to the opportunity of this new growth market in marketing integration.

We wanted to help our clients improve the efficiency of their campaigns through repeat contact and robust cross-channel evaluation. Our ultimate aim is to drive incremental sales and maximise lifetime value. We needed a technology platform which allows us to visualise and analyse data and draw a complete view of each customer or prospect over time. We also wanted the opportunity to re-contact individuals through multiple marketing channels. Alterian's platform is a very strong, flexible and cost efficient solution to this brief. The data element is very important because a significant part of Carat Digital's proposition is moving from a communications strategy towards being a 'relationship enabler'.

Julie Jeancolas, Head of Operations, Carat Digital

Businesses are challenging marketers to become more accountable and to understand and respond to customers' needs in a digital age.

What is the model for integrated marketing?



The 5Ps.

Alterian's solutions are framed by its model for integrated marketing – the 5Ps: People, Passion, Platform, Process and Partners. This model defines the technology, process and people required to make integrated marketing a reality. The original 4Ps of product, price, promotion and place are concepts which, whilst still significant, have become somewhat commoditised by our connected world. The 5Ps build on this construct and provide a framework more applicable for the technology enabled, customer-centric marketing required today. Alterian believes this simple and unique framework is an important tool to help marketers – in what is a very complex and changing world of marketing – turn vast amounts of data in to value for both the customer and the company.

PEOPLE

Understanding customers as people

Customers are a scarce, but valuable, resource who directly create the value an organisation needs to survive. Marketers therefore need to understand the buying journey of their customers, from both a transactional and an emotional/human perspective. If every aspect of the customer's interaction and journey with the organisation is planned, monitored and understood, mutual value can be generated for both the customer and the company, and a long term relationship nurtured. Through analysis, marketers can understand customers on a one to one basis, respect the individual's needs and preferences, and develop them into recommenders of the brand.

PASSION

Passion for marketing driven by analytics

Marketers have always been passionate about the creative success of their campaigns. However, the increasing pressure to become accountable for their spending, to show measurable results, to predict the value of each customer and to provide insight to identify new markets or market innovations which in turn drive business growth, has resulted in the need for their passion to be driven by analytics. It is no longer acceptable to manage by gut feel or instinct; with so much data available marketers can track behaviour, manage by fact, predict with accuracy and raise the bar for professionalism in marketing.

PLATFORM

Integrated Marketing Services Platform

The Alterian Marketing Services Platform is the first marketing platform that gives the marketer an integrated set of applications built on top of a single data architecture and accessed through

a single user interface or marketing portal. Every application of the Alterian Platform shares data, business rules and assets. Marketers can plan, create, execute, and report through one user interface, across all channels and departments in the organisation. Marketers can be confident that the Alterian Platform gives them an expertly architected, scalable solution flexible enough to meet future marketing challenges.

PROCESS

Joined up marketing processes

Marketers need to join up their marketing. Starting with database marketing, where the underlying accuracy and completeness of customer data underpins the success of an integrated marketing platform, the marketer can then begin to combine digital/online marketing with offline marketing, ensuring the right message is sent to the right customer, via the right channel, at the right time. With the increase in velocity and complexity of multi-channel marketing, a need arises for marketers to implement an operational marketing infrastructure to support the planning, sharing, workflow, asset management and reporting of campaigns.

PARTNERS

Partners adding domain and services expertise

Acquiring, keeping and growing customers is a tough job, and marketers cannot do it alone. Specialists are needed with communications, creative, data and domain expertise to make this happen. Alterian works alongside its global community of business Partners, who add their technology and services expertise to the Alterian Marketing Services Platform, to help organisations integrate their marketing processes. Alterian's Partners range from the largest database hosting and list sales organisations, to the leading direct marketing agencies.

This model defines the technology, process and people required to make integrated marketing a reality. The 5Ps provide a framework more applicable for the technology enabled, customer-centric marketing required today.

Marketers can be confident that the Alterian platform gives them an expertly architected, scalable solution flexible enough to meet future marketing challenges.

CASE STUDY

Princess Cruises sails the high seas with the Alterian Marketing Services Platform

About Princess Cruises

One of the best known names in cruising, Princess Cruises carries more than a million passengers each year on its 16 ships to more worldwide destinations than any other major line. Princess Cruises prides itself on offering passengers a complete escape and, with an emphasis on providing personalised vacation experiences catering to an array of interests, appropriately targeting direct mail and email campaigns takes on a special significance for Princess.

The Challenge

With such a large prospect database, the company's challenge was to find a marketing analytics tool that could query the database and return accurate results in a timely manner without slowing down the system.

The Solution

Princess Cruises selected Alterian for the control it allowed users, its single-platform model that allows for expansion and seamless integration with campaign execution capability, its competitive total cost of ownership and,

above all, its fast response time. "We tested multiple solutions on the same set of data," said Stanley McClurkin-Birge, Director of Direct Marketing for Princess Cruises. "With other tools, we saw a response time of close to ten minutes. When we ran the same queries using Alterian, we saw results in about a second. Our users are now able to work smarter and experiment with queries, allowing us to refine our targets for a campaign in a fraction of the time it used to take."

The Results

The implementation of the Alterian Marketing Services Platform has allowed Princess to double the number of targeted, relevant, timely and successful campaigns it sends, further personalise correspondence with their customers and to manage seamlessly this increased complexity. Through Alterian's advanced analytical capabilities and campaign management tools, Princess Cruises plans to continue streamlining its marketing efforts and increasing the precision with which it executes campaigns.

We tested multiple solutions on the same set of data. With other tools, we saw a response time of close to ten minutes. When we ran the same queries using Alterian, we saw results in about a second. Our users are now able to work smarter and experiment with queries, allowing us to refine our targets for a campaign in a fraction of the time it used to take.

Stanley McClurkin-Birge, Director of Direct Marketing, Princess Cruises

Alterian empowers marketers

Alterian is proud to deliver its integrated marketing platform to 500 end users worldwide, helping market leaders, such as those listed below, integrate their marketing processes and drive competitive advantage.



“The Board has confidence in the future prospects of the business as it continues to benefit from the strategy it is following, its strengthening distribution and product range, and the growth of the markets in which it operates.”

During the year to 31 March 2008, the Company again achieved both its performance and its strategic objectives.

The Review of Operations is set out on pages 16 to 23 and the financial statements for the year are set out on pages 44 to 70.

Revenue for the period was £19.3m (2007: £14.0m), which was up 38% (43% at constant exchange rates). Earnings before tax and depreciation were £4.3m (2007: £2.2m) and profit before tax was £4.0m (2007: £2.0m). Cash flow from operating activities was £2.4m. The strong performance on cash flow reflects the doubling of profit and success in the collection of receivables.

The Company has made very good progress in developing the business in North America, with revenues reaching £10.1m (2007: £6.9m).

The financial position remains strong. At 31 March 2008 the Company had cash, and cash equivalents, of £8.2m, after final deferred acquisition payments in the period (2007: £8.0m) and net current assets excluding cash amounted to £6.6m (2007: £3.2m).

During the year the Company issued 1.713m shares.

The products available from the acquisitions made and successfully integrated in 2006 are substantially strengthening the Alterian platform in rapidly developing areas of the market.

During the current year we expect to continue to develop the business through the expansion of the product range and the development of the teams.

As a result the Company expects to see organic revenue growth for the current year in line with the growth trends achieved in the year to 31 March 2008, which will be assisted by a high level of recurring income, and is targeting further good growth in earnings. The Board has confidence in the future prospects of the business as it continues to benefit from the strategy it is following, its strengthening distribution and product range, and the growth of the markets in which it operates.

In pursuit of this strategy we announced a cash and share offer for Web Content Management software company, Mediasurface plc (LSE: MSR), for a total consideration of £18.12m.

Keith Hamill
Chairman



Keith Hamill



David Eldridge

Overview

Alterian achieved its target of revenue growth for the full year of approximately 40% at constant exchange rates and further good growth in earnings, as detailed in last year's preliminary results.

For the year, Alterian achieved revenue growth of 38% to £19.3m (2007: £14.0m). This compares with 32% growth in the prior year. At constant exchange rates, reported revenue would have been £20.0m, an increase of 43%.

North American revenue growth continues to be strong, and revenues in this region made up 52% of total revenues in the period. North American revenue grew by 47% to £10.1m (2007: £6.9m), or 58% at constant exchange rates. This was against good growth in the previous year, which included the first revenues from the acquisition of Dynamics Direct, Inc. UK and other international revenue also grew strongly to £9.2m, a 29% increase on the same period last year (2007: £7.1m).

In the second half, Alterian revenues grew 42% to £14.0m (2007: £9.9m). North American revenues of £7.1m were 58% up on the prior year (2007: £4.5m). UK and other international revenues were £6.9m, an increase of 28% on the prior year (2007: £5.4m). At constant exchange rates, North American revenues in the second half increased by 70%.

The quality of revenues continues to be high with a strong level of revenues expected to recur during the current financial year. Customer retention rates remained high at over 90% (2007: 88%). The gross margin remained high at 87% (2007: 89%).

Full year operating costs of £13.1m were 21% higher than the prior year (2007: £10.8m). For the second half, operating costs were £6.8m representing a 12% increase on the same period in the prior year (2007: £6.0m). These operating costs are in line with the Board's plans and reflect Alterian's investment programme, announced at the last preliminary results, focused 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 during the year, began to deliver revenues in the second half of the financial year ended 31 March 2008.

This channel investment programme and the availability of integrated products is expected to continue to provide revenue growth in the coming financial year.

Profit before tax for the full year doubled to £4.0m (2007: £2.0m) due to the significant growth in revenue and managed growth in operating costs. Second half profit before tax increased to £5.5m (2007: £2.7m). Diluted earnings per share for the full year were up 84% at 10.1p (2007: 5.5p).

Cash and Cash Equivalents

Net cash inflow from operating activities for the period was £2.4m (2007: £1.0m) 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 31 March 2008, the cash position remained strong at £8.2m (31 March 2007: £8.0m) after final deferred acquisition payments in the period of £1.2m.

Good progress was seen in all territories, with 15 new Partners, over 120 new end user clients added during the period, and the expansion of Alterian's product range and team.

Distribution Channel and Customer Base

Substantial progress was seen in further developing Alterian's channel in North America. 12 new Partners were signed in the period in North America including Protocol, Cornerstone, Targetbase, ChoicePoint, CDS Global, Fathom SEO and Paramount Communication Group, as well as a substantial number of new end user wins. During the fourth quarter Alterian also extended its relationship with Experian in North America with a new multi-year agreement for them to utilise Alterian technology in expanding their analytic and database services.

In the UK and other international markets, Alterian also made significant progress, with three new Partners including Security Mail (Australia), Carat Digital and a leading UK Marketing Services Provider, as well as a substantial number of new end user wins.

By the end of the period, Alterian had active relationships with 10 of the top 12 Marketing Services Providers in the United States and 12 of the top 15 Marketing Services Providers in the UK, demonstrating significant market acceptance and momentum and providing 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. This programme began delivering a return in the second half, with six of the 15 new Partners signed in the period being marketing agency 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 and Development of approximately £3.0m per year and seeking appropriate selective acquisitions of technology companies or intellectual property in high growth areas.

Over the last two years Alterian has successfully completed and integrated the acquisition of two companies and a significant acquisition of intellectual property. The acquisitions brought email and online marketing, marketing operations management and marketing optimisation software into the Alterian product line, evolving the solution to become an Integrated Marketing Platform recognised by market researchers such as Gartner and Forrester.

All of the products resulting from the acquisitions have now been successfully integrated into Alterian's platform and, during the period, the following products became generally available and contributed to revenue in the period:

Contact Optimizer: 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;

Organizer: 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 online marketing software acquired as a result of the acquisition of Dynamics Direct, Inc in May 2006.

In addition, Alterian's Research and Development effort has produced new versions of pre-existing products.

These new products are expected to contribute to new business going forward.

Employees

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

At 31 March 2008 Alterian had 133 employees (31 March 2007: 123 employees), of which 42 are based in North America and 91 in the UK and Europe.

Good progress was seen in all territories, with 15 new Partners, over 120 new end user clients added during the period, and the expansion of Alterian's product range and team. This has been an excellent year for Alterian in which the Group met all its strategic and financial targets.

Acquisition of Mediasurface

With the preliminary audited results for the year ended 31 March 2008, Alterian also announced a cash and share offer for Web Content Management software company, Mediasurface plc (LSE: MSR), for a total consideration of £18.12m, with an associated placing and open offer of £13m, fully underwritten by Investec Bank (UK) Limited.

Outlook

This has been an excellent year for Alterian in which the Group met its strategic and financial targets. The year has seen a strong performance across all regions, including the important North American market.

Revenue growth of 38%, combined with tightly managed operating costs, has resulted in a doubling of pre-tax profit.

The Group's investment programme to expand its distribution channels and product range is showing early success with all new products released in the period generating revenue, and six new marketing agencies signed as Partners. This investment programme and the availability of integrated products are expected to continue to provide revenue growth in the coming financial year.

During the year Alterian won over 120 new end user clients and by the end of the year, had active relationships with 10 of the top 12 Marketing Services Providers in the United States and 12 of the top 15 Marketing Services Providers in the UK, demonstrating significant market acceptance and momentum. This, together with high recurring revenues from current contracts and the success of the Group's strategy in broadening its product offering, place Alterian in a strong position to deliver significant future value. Since the year end, the Group has continued to trade in line with the Board's expectations and the Board views the outlook for the year with confidence.

In addition, the Board is pleased to have announced the offer to acquire Mediasurface plc. The proposed acquisition is in line with the Group's strategy of extending the capabilities of its integrated marketing platform and provides complementary technology in a high growth area of the markets in which Alterian operates. Mediasurface products can be distributed through Alterian's established channels and can assist Alterian in developing new channels to market. Following the integration and investment during the current year, the Board of Alterian expects the acquisition of Mediasurface to be earnings enhancing before amortisation and after expected cost savings, in its first full year post acquisition.

David Eldridge
Chief Executive

The Group's investment programme to expand its distribution channels and product range is showing early success with all new products released in the period generating revenue, and six new marketing agencies signed as Partners. This investment programme and the availability of integrated products are expected to continue to provide revenue growth in the coming financial year.

The following sections contain Directors' views of factors which may affect the performance of the Group.

Key Performance Indicators

	2008	2007
Revenue Growth ¹		
Global	38%	32%
UK	29%	9%
US	47%	69%
Gross Margin ²	87%	89%
Active Partners ³	90	77
Number of End Users ⁴	500	350

(1) Revenue Growth: as extracted from the consolidated income statement in the financial statements.

(2) Gross Margin: Gross Profit as a percentage of Revenue as per the consolidated income statement in the financial statements.

(3) Active Partners: direct customers of Alterian who have live contracts incorporating annual fees for the use of Alterian technology.

(4) Number of End Users: End users are Alterian's Partners and their customers who have extant contracts incorporating the availability or use of Alterian technology.

Alterian's key objective is to grow its market position and, therefore, revenue growth is a paramount test of that achievement, not only globally, but measured in its two key markets. As demonstrated above, Alterian continues to grow in both markets. The US, being a larger potential market, is demonstrating the faster growth as planned.

The software model that allows such financial leverage to be achieved when profitable is measured by maintenance of a substantial gross margin. This has also been achieved.

The penetration of the market is achieved by successful operation of our Partner model. This is dependent on having a critical mass of active Partners providing the attractive route to market that characterises Alterian's business model. Following from that is the Partners' success in implementing Alterian software with end users worldwide.

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on Alterian's long term performance.

Competitor risks

Alterian's blend of the power of its Engine, allied to the ever widening platform of its applications, is a unique offering to the market. However, competition exists for fragmented elements of its offering from internally generated solutions as well as large Application Services 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 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.

Integration risks

Alterian's strategy is to broaden its product range to generate further revenue through continued investment in research and development and seeking appropriate, selective acquisitions of technology companies or intellectual property in high growth areas. As Alterian expands, successful integration of acquired companies is essential in ensuring that such acquisitions do not undermine the core business.

To manage this risk, Alterian ensures adequate and appropriate resources are available to focus on an effective and efficient integration of new companies into the Group.

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; and

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.

Financial Structure and Liquidity

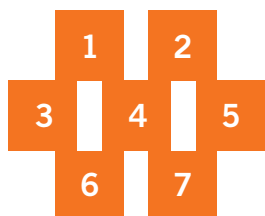
Alterian raised funds at flotation which have been the subject of rigorous stewardship and have, therefore, provided adequate funding to bring the Company to profitability, with cash and cash equivalent reserves of £8.2m in hand.

The Company is well funded going forward with sufficient equity and cash to develop the business organically at existing rates of growth and to provide financial strength to assist the acquisition of assets and businesses as opportunities arise.

Capital expenditure is related principally to purchases of computer hardware and software to manage, develop and enhance the Company's product growth and development. The rate of capital expenditure is not anticipated to grow materially beyond that currently experienced and can be accommodated within anticipated future operational cash flows.

The Employee Benefit Trust has been the recipient of funds from the Company, which have been used to purchase Alterian shares in the market in order to satisfy allocated but unexercised share options. This programme is designed to utilise surplus operational cash flow in order to reduce the dilution caused by the issue of new shares to satisfy future option exercises, given that the Company is well funded as described above.

In the year to 31 March 2008, 100,000 shares have been issued or purchased at a cost of £132,237.



1 Keith Hamill FCA
(age 55)

Non-executive Chairman,
appointed July 2000

Keith is Chairman of Tullett Prebon plc, Travelodge Limited and Heath Lambert Ltd and Deputy Chairman of Collins Stewart plc. He is also Deputy Chancellor of Nottingham University. He was previously Finance Director of WH Smith, Forte and United Distillers and was a partner in PricewaterhouseCoopers. He has also served on the Accounting Standards Board's Urgent Issues Task Force and the CBI Companies Committee.

2 David Eldridge
(age 39)

Chief Executive,
appointed July 2000

Prior to founding Alterian, David spent four years in several roles within Royal Dutch Shell Group including the Aviation, Consulting and Distribution divisions, and then spent four years leading corporate development with GB Information Management where he established their marketing services division and led the development and launch of several new products. David established his first company at the age of 14 to market his software which won first prize in the BBC National Schools Software Competition.

3 Michael Talbot
(age 40)

Chief Technical Officer,
appointed July 2000

Mike started his career as a freelance computer games programmer. Subsequently, he worked as a freelance consultant designing and producing multimedia applications including the broadcast weather graphics system for Westcountry television regional news, the guest cabin entertainment system for the cruise ship P&O Victoria and the on-train television information system for Heathrow Express. Before joining Alterian, Mike was the founder of, and Technical Director for, Brann Software and the architect of Viper, one of the first desktop marketing analysis tools.

4 Timothy McCarthy
(age 42)

Research Director,
appointed July 2000

After working with the first generation of PC-based accounting systems, Tim entered the rapidly expanding world of computer entertainment, developing over 30 games in six years. At the end of this period he joined Ubisoft and subsequently its parent company, Guillemot Informatique, in Paris. After writing automated data protection systems at Iomega in Utah and California, he helped Brann Limited to develop its existing marketing information software.

5 David Cutler FCA, FCT
(age 65)

Group Finance Director,
appointed July 2000

Professional training with Deloitte & Co in London was followed by senior financial posts at NFC, British Leyland, and CompAir. David was Finance Director of London-listed UKO International plc, until its successful sale following a public bid. For 12 years he was Group Finance Director of Emess plc, listed in London and Frankfurt. In addition, for seven years until 1999, he was a member of the supervisory board (Aufsichtsrat) of Frankfurt-listed Brilliant AG. From 1998 to 2000 David was a director of ImagoQA Ltd, the leading independent software testing consultancy, guiding the company to a successful private financial sale.

6 Iain Johnston
(age 42)

Non-executive Director,
appointed July 2000

Since becoming managing director in 1990 of customer database management start-up, GB Information Management, Iain has led the rapid development of the business, which culminated in its being awarded a place on The Independent Top 100 and Virgin Fasttrack 100, and the Financial Times Top 100 Companies of the Future. In 1998 GB Information Management was sold to Telme.com plc, of which he became an executive director. Formerly a board member of the Direct Marketing Association, Iain is now involved in a number of fast growth marketing and technology businesses.

7 Hugh McCartney
(age 58)

Non-executive Director,
appointed January 2002

Hugh has over 25 years' experience in the computer software industry. Currently Chairman and CEO of leading email security company Cloudmark Inc based in San Francisco, California, he previously held sales and general management positions with enterprise and infrastructure software firms in the areas of email management, database management and software configuration management, in North America and Europe. He has also acted as a non-executive Director of companies in both USA and UK.

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 March 2008.

Principal Activities

Alterian plc is the Parent Company of a Group of companies engaged in the design and development of software tools for marketing and customer insight for sale under licence through third party business Partner organisations.

Enhanced Business Review

A review of the business of the Company is provided in the 'overview' section of the Chief Executive's review on page 18. The principal risks and uncertainties facing the business are discussed in the 'risks and uncertainties' section on pages 22 and 23 of the Review of Operations. The key financial and non-financial performance indicators necessary for an understanding of the business are discussed in the 'key performance indicators' section on page 22 of the Review of Operations.

Dividends

The Company has not paid nor accrued any dividends for the year (2007: £nil).

Capital Structure

Details of the authorised and issued share capital, together with movements in the Company's issued share capital during the year, are shown in note 21. The Company has one class of Ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The percentage of the issued nominal value of the Ordinary shares is 72% of the total authorised nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee schemes are set out in the Directors' Remuneration Report.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the directors are described in Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 29.

Under its Articles of Association, the Company has authority to issue 60,840,000 Ordinary shares.

Directors

The names of the present Directors and their biographical details are set out on pages 24 and 25. All Directors served throughout the financial year. Details of interests of the Directors in the Company's shares and Directors' share options are set out in the Directors' Remuneration Report on pages 33 to 41.

Michael Talbot and Timothy McCarthy retire by rotation in accordance with the Company's Articles of Association and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Following performance evaluation, as detailed on page 31, the Board confirms that Michael Talbot and Timothy McCarthy's performance continues to be effective, and that they bring their experience and professionalism to the benefit of the Board.

Employees

The Board believes that there is a strong link between the commitment of staff and customer satisfaction. Therefore, it is the policy of the Group to develop employee involvement throughout the organisation. The Group is committed to providing equality of opportunity to all existing and prospective employees without unlawful or unfair discrimination. All employees are appraised to ensure that their career development, through training, enables them to be well qualified to deliver the Group's business objectives. In accordance with the Group's equal opportunities policy, disabled people are given the same consideration as others when they apply for jobs. Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees. Appropriate training is arranged for disabled persons, including retraining for alternative work for employees who become disabled, to promote their career development within the organisation.

Regular communication meetings are held with all employees to discuss issues and give feedback on the Group's performance and plans. Opportunity is given at these meetings for senior management to be questioned about matters concerning employees.

The Group operates a Share Incentive Plan (SIP) that is available to all qualifying UK employees and operates a Non-statutory Stock Option Plan that is available to all qualifying US employees. In addition, the Company operates share option schemes to incentivise employees. Details of the schemes are shown in the Directors' Remuneration Report.

Health and Safety

It is Group policy to ensure that operations are, at all times, executed in a manner that, as far as reasonably practicable, protects the health, safety and welfare of its employees, and all other persons who may be affected by its activities. The Chief Executive is the Director with overall responsibility for safety. Full details of the Group's policy have been disseminated to employees. An ongoing training programme is in place to ensure that the necessary training in health and safety is provided to employees and kept up to date.

Environmental Responsibility

Alterian plc recognises its responsibilities to the environment and believes that environmental issues are integral and important components of best practice in business management.

Corporate Responsibility

The Group conducts its business with appropriate regard to the rights and interests of shareholders, employees and other stakeholders.

Substantial Shareholdings

At 14 May 2008, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

Name	Percentage of voting rights and issued share capital	Number of Ordinary shares	Nature of holding
GAM Fund Management	12.5%	5,501,000	Direct
AXA Framlington Investment Managers	9.7%	4,247,721	Direct
Herald Investment Management Limited	7.6%	3,350,000	Direct
Artemis Investment Management Limited	7.2%	3,160,000	Direct
M&G Investment Management	6.9%	3,040,000	Direct
R Davies	5.2%	2,301,000	Direct

Charitable and Political Donations

Charitable donations of £1,506 (2007: £887) were made during the year. There were no political contributions (2007: £nil).

Policy on Payment to Suppliers

It is the Group's policy to agree terms and conditions for its business transactions with suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The trade creditors of the Group at 31 March 2008 represent 47 days (2007: 63 days) and those of the Company represent 58 days (2007: 38 days) as a proportion of the total amount invoiced by suppliers during the year.

Financial Instruments

The disclosures required by Schedule 7 of the Companies Act with regard to financial instruments are provided in note 19 to the financial statements.

Annual General Meeting

The Company's Annual General Meeting will be held at The Spectrum Building, Bond Street, Bristol, BS1 3LG on 24 July 2008, at 10.00 am. The Notice convening the AGM, and an explanation of the business to be put to the meeting, will be issued at least 21 days before the meeting.

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and

each of the Directors has taken all of the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

properly select and apply accounting policies;

present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group, and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
2. the report on performance factors, which is incorporated into the Review of Operations, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on behalf of the Board

David Cutler
Director

16 May 2008

Application of the Combined Code

The 2006 FRC Code, as appended to the Listing Rules, sets out principles of good corporate governance and code provisions which are applicable to listed companies incorporated in the UK. Attention is drawn to the decision of the Board that in view of the Company's size, his previous experience and his non-executive role, the Chairman should be treated as an independent Director for the purposes of the Code and should continue to chair the Audit Committee.

Alterian is committed to high standards of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2006 by the Financial Reporting Council. Throughout the year ended 31 March 2008 the Company has been in compliance with the Code provisions set out in Section 1 of the Code.

Board of Directors

The Board has been constituted to optimise the balance of skills, knowledge and experience required to address the key issues facing the Group. The Company is controlled through the Board of Directors which comprises four executive Directors, including the Chief Executive, David Eldridge, and an experienced Group Finance Director, to ensure compliance and control. There are three non-executive Directors, namely Keith Hamill (Chairman), Hugh McCartney (senior independent non-executive), and Iain Johnston. The Board has reviewed the independence of its members and has concluded that all non-executive Directors are considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board has reviewed the independence of the Chairman and the current Board Committee composition. In view of the Company's size and taking cognisance of the financial expertise and commercial experience of the Chairman, the Board feels it appropriate the Chairman should continue to be a member of each committee.

The independent non-executive Directors contribute objectivity and strong independent judgement in addition to their own knowledge and experience. The balance of four executive and three non-executive Directors and the separation of the roles of Chairman

and Chief Executive provide a desirable balance countering any tendency to dominate the decision making by an individual or small group. All Directors have access to the advice of the Company Secretary and, where required in furtherance of duties, may take independent professional advice at the Company's expense. The Board recognises the need for Directors to receive appropriate training to fulfil their role on the Board. The Chairman ensures that the Directors receive accurate, timely and clear information and the Board is regularly updated on governance and regulatory matters. Under the Company's Articles of Association all Directors will submit themselves for re-election at least once every three years.

The duties of the Board and its committees are set out clearly in formal terms of reference which include a schedule of matters specifically reserved for decision by the Board. It meets regularly to exercise full and effective control over the Group. Its main responsibilities are to agree the overall strategy, to review significant risks, to approve major capital expenditure, development plans, acquisitions and divestments, to monitor performance and ensure that proper internal controls are in place. The Board also considers environmental and employee issues and key appointments.

Board Committees

The Board has established a number of committees and these operate within defined terms of reference. The principal committees are:

Remuneration Committee

The Remuneration Committee comprises Keith Hamill, Hugh McCartney and Iain Johnston, all of whom are independent non-executive Directors. It is chaired by Iain Johnston and meets as necessary to recommend to the Board the level of remuneration, in all its forms, payable to the executive Directors.

Nomination Committee

The Nomination Committee comprises Keith Hamill, Hugh McCartney and Iain Johnston, all of whom are independent non-executive Directors. It is chaired by Keith Hamill and meets as necessary to review Board nominations.

Audit Committee

The Audit Committee comprises Keith Hamill, Hugh McCartney and Iain Johnston, all of whom are independent non-executive Directors. In view of the Company's size and Keith Hamill's previous finance experience, the Board has decided that it is in the Company's best interests for Keith Hamill to continue to chair the Audit Committee. It meets with the auditors twice a year to review matters pertaining to accounting and financial reporting as well as internal control and the scope and effectiveness of the audit. Its primary function is to review the reporting of financial and other information to shareholders, and the systems of internal control and risk management; and also to maintain an appropriate relationship with the Company's auditors and to review the effectiveness and objectivity of the audit process.

On behalf of the Board, the Audit Committee examines the effectiveness of the Group's:

assessment of risk by reviewing the controls and procedures in place;

systems of financial control by reviewing the annual and interim financial statements and a review of the value and scope of the external audit.

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal control and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee keeps under review the independence and objectivity of the external auditors, Deloitte & Touche LLP. The audit fee is negotiated by the Group Finance Director and is subject to the approval of the Committee. An engagement and fee approvals process is in place which requires prior Committee approval for some engagements and excludes others. In some cases, the nature of the advice may make it more timely and cost-effective to select Deloitte & Touche LLP who already have a good understanding of the Group. Deloitte & Touche LLP may also be appointed for consultancy work, but only after rigorous checks, including competitive tender, to confirm that they are the best provider. Deloitte & Touche LLP is also subject to professional standards which safeguard the integrity of the auditing role performed on behalf of the shareholders. Details of this year's fees are given in note 6 on page 56 of the Financial Statements.

The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective audit committee. The Committee has access to the auditors and can seek further professional advice at the Company's expense, if required.

The Audit Committee has reviewed, and is fully aware of, the arrangements in which staff may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters. If matters are identified they would be independently investigated with appropriate follow up action taken.

Terms of reference of the Audit Committee are available for inspection by any person at the Company's registered office during normal business hours.

Operations

In addition, the Chief Executive chairs a number of operational meetings, including a weekly review of operations and quarterly meetings with all line managers, to review the business performance and discuss major initiatives.

The following table sets out the number of meetings of the Board and its committees during the year and individual attendance by Board members at these meetings:

Name	Group Board	Audit Committee	Remuneration Committee
Number of meetings during the year	7	2	2
Executive Directors			
David Eldridge, CEO	7	2 (in attendance)	-
David Cutler	7	2 (in attendance)	-
Michael Talbot	6	-	-
Timothy McCarthy	6	-	-
Non-executive Directors			
Keith Hamill, Chairman	7	2	2
Hugh McCartney	7	2	2
Iain Johnston	7	2	2

Arrangements were made for any Directors who were unable to attend meetings to discuss the agenda items with the Chairman of the meeting in advance.

The Nomination Committee did not meet during the year.

Performance Evaluation

During the year, the Board evaluated its effectiveness. The results of the evaluation were determined at the most recent Board meeting. The Directors concluded that the Board, collectively and individually, operates effectively in matters of setting strategy based on both quality and timely information provided on the business and its markets, the composition of the Board, the Board meeting processes, and the communication of Board decisions. In addition, each individual contributes to the overall effectiveness of the Board.

Shareholder Relations

The Board is committed to ongoing communication with all shareholders and has a well established cycle of communication. The Company holds briefing meetings with analysts and institutional shareholders, usually following the interim and final results announcements, to ensure that the investing community receives a balanced and complete view of the Group's performance and the issues faced by the business. The principal communication with private investors is through the provision of the Annual Report and Financial Statements, the Interim Report and the Annual General Meeting, an occasion which normally is attended by all the Company Directors and at which shareholders are given the opportunity to question the Chairman and the Board.

Regular two-way communication with fund managers, institutional investors and analysts is actively pursued outside close periods and this encompasses issues such as performance, policy and strategy. This gives the Board an understanding of investor priorities and improves investors' knowledge of the Group's business and performance. The Chairman, Group Finance Director and Chief Executive ensure that the views of the shareholders are regularly communicated to the Board and, in particular, the non-executive Directors.

Financial and other information is made available on the Company's website which is updated when required. As recommended by the 2006 FRC Code, the Notice of the Annual General Meeting is being issued at least 21 days before the meeting on 24 July 2008.

Maintenance of a Sound System of Internal Control

The 2006 FRC Code requires that the effectiveness of the system of internal control including financial, operational, compliance and risk management is reviewed by the Board at least annually. The Board fully supports these requirements. In addition, and pursuant to the Turnbull Guidance published in October 2005, the Board confirms that, when necessary, action is taken to remedy any significant failings or weaknesses identified from the review of internal controls.

Maintenance of a Sound System of Internal Control (continued)

Appropriate action plans are established for each area of the business which embed the control culture of the Group throughout its operations. The Chief Executive and the executive Directors review these action plans on a regular basis to ensure that the plans are being implemented and that the outputs of the strategic risk assessments remain relevant to the Group. The action plans and their ongoing review form a process for identifying, evaluating and managing risks faced by the Group. The process is ongoing, is regularly reviewed by the Board, has been in place throughout the period from the start of the year to the date of approval of the Annual Report and is in accordance with Turnbull Guidance.

In addition to the above, the process used by the Board to review the effectiveness of the system of internal controls includes the following:

Control environment

The executive Directors have established an organisation structure with clear operating procedures, lines of responsibility and delegated authority. The executive Directors have delegated to the senior management teams the establishment and implementation of control systems appropriate to the various areas of the business.

Risk control

A review of the significant risks and their potential is made and is regularly updated together with control strategies for mitigating the damage to the Group. This includes a review of controls and procedures to be put in place in respect of a disaster recovery programme including the security of data held on IT systems.

Financial reporting

The Group has established a system for reporting financial information to the Directors. The principal elements of this include a formal review by the Directors of:

detailed budgets prepared by operations and reviewed by the executive Directors before formal adoption by the Board;

monthly management accounts with a comparison against budget; and

financial forecasts which are reviewed on a quarterly basis compared against budget.

Monitoring

The Board, as assisted by the Audit Committee, continues to review regularly the effectiveness of internal controls across the Group. The Audit Committee receives reports from the external auditors identifying any material issues and concerns and monitors the progress of action plans. As noted above, the Board confirms that necessary action is taken, in accordance with Turnbull Guidance published in October 2005, to remedy any significant failings or weaknesses identified from the review of internal controls.

Review of Effectiveness of Internal Control

The Directors recognise that they have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control, and compliance with applicable laws and regulations. However, there are inherent limitations in any system of internal control. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. Steps are continually being taken to embed internal controls and risk management further into the operations of the business and to deal with areas of improvement which come to the attention of management or the Board.

Internal Audit

The Board has considered the requirement for a separate Internal Audit function and concluded that it is inappropriate at this stage in the Group's development.

Going Concern

After making enquiries the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for unaudited and audited information.

Unaudited Information

Remuneration Committee ('the Committee')

The Board of Directors has delegated responsibility for remuneration policy to the Remuneration Committee.

The role of the Committee is to establish and review the remuneration and terms of employment of the executive Directors including the approval of grants of Executive Share Options. The Committee is comprised of the non-executive Directors, Iain Johnston (Chairman of the Committee), Keith Hamill and Hugh McCartney. The Committee is authorised by the Board to investigate any matters within its terms of reference. None of the Committee has conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the business. The Chief Executive attends meetings of the Committee by invitation and is consulted by it on proposals for the remuneration of the other executive Directors. The Committee has access to professional advice from inside and outside the Company and makes recommendations to the Board. During the year there have been no external consultancies that have materially assisted the committee. No Director plays any part in any discussions about their own remuneration.

Terms of reference of the Remuneration Committee are available for inspection by any person at the Company's registered office during normal business hours.

Remuneration Policy

The Committee and the Board believe that in order to attract and maintain a senior management team of the right calibre who will make a significant contribution to maximising shareholder value, it is necessary to provide a competitive remuneration structure.

The Board's policy for executive remuneration is designed to:

ensure that Directors' rewards are competitive when compared with similar companies;

recognise the growth plans for the Group and align the interests of Directors and shareholders;

give executive Directors the opportunity to increase their earnings by achieving and exceeding key performance objectives; and

ensure that the executive Directors are fairly rewarded for their individual contribution to the overall performance of the Group.

There are four main elements of the remuneration package for executive Directors:

basic annual salary and benefits;

annual performance bonuses;

pension arrangements; and

share option incentives.

Basic Salary

An executive Director's basic salary is reviewed by the Committee to take effect from 1 April of each year and on any change of responsibility. In deciding levels of salary the Committee considers the Group as a whole and relies on objective research from third party surveys. It then considers a salary that will reward, motivate and retain the individual as is appropriate for their experience and level of responsibility.

Other Benefits

Benefits for executives principally comprise a car allowance, international work allowance, fuel, permanent health cover, private medical insurance and a death in service benefit of four times salary.

Annual Performance Bonuses

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate parameters the Committee refers to the objective research on a comparator group of companies. The Committee believes that any incentive compensation awarded should be tied into the interests of the Company's shareholders and that the principal measure of those interests is progress in strategic developments for the business and profitability. The bonuses for 2007/2008 were capped at 75% of basic salary. This cap remains the same for 2008/2009.

Directors' Pension Arrangements/Long Term Incentives

None of the Directors are members of an Alterian pension scheme or long term incentive plan. Each of the executive Directors is entitled to receive a pension contribution equal to 10% of basic salary in lieu of Company contributions.

Employee Share Schemes

The Group operates two employee share option plans and two employee share purchase plans. These schemes are an important part of the performance related remuneration of executive Directors and employees, encouraging them to continue to contribute towards the continuing growth in performance of the Group by participating in the Group's success.

Share Option Plans

The Alterian Share Option Plan is divided into two parts. Part A of the plan has been approved by the Inland Revenue as an employee share scheme under the Income and Taxes Act 1988. As at 31 March 2008, 81,600 options are under grant under Part A. Part B of the plan constitutes an unapproved share option scheme. As at 31 March 2008, 1,278,583 options are under grant to UK employees under Part B of the scheme.

The options granted under this plan for 2007/2008 are subject to the following performance condition which is time limited for attainment:

No option can be exercised until the cumulative undiluted earnings per share for two successive half year periods immediately preceding exercise is not less than 12p per Ordinary share. This condition must be obtained within three years following the year of grant.

For grants made before March 2003 the performance condition was set so that no option can be exercised until positive cumulative undiluted earnings per share for the four quarters immediately preceding exercise has been attained.

For grants made during 2003/2004 the performance condition was increased so that the cumulative undiluted earnings per share for the four quarters immediately preceding exercise should be not less than 2.5p per Ordinary share.

For grants made during 2004/2005 the performance condition was again increased so that the cumulative undiluted earnings per share for the four quarters immediately preceding exercise should be not less than 5p per Ordinary share.

For grants made during 2005/2006 the performance condition was again increased so that the cumulative undiluted earnings per share for the four quarters immediately preceding exercise should be not less than 8p per Ordinary share. This condition must be obtained within three years following the year of grant.

For grants made during 2006/2007 the performance condition was again increased so that the cumulative undiluted earnings per share for two successive half year periods immediately preceding exercise was not less than 10p per Ordinary share. This condition must be obtained within three years following the year of grant.

These options are exercisable at any time between the third and tenth anniversaries of the date of grant subject to the performance measure above, provided that the employees remain employed by the Group.

Part B of the plan extends to the Directors and employees of Alterian, Inc. As such, the plan incorporates a Non-statutory Stock Option Plan ('US NSO Schedule') and a second schedule which is an Incentive Stock Option Plan ('US ISO Schedule') which will normally confer tax relief on US participating employees. As at 31 March 2008, 315,043 options are under grant under the US NSO Schedule and 886,827 under grant under the US ISO Schedule.

In accordance with local market practice in the US, performance conditions were not applied to the exercise of options under either of the US NSO or the US ISO up until March 2004. The options granted under this scheme after March 2004 are now subject to the same performance criteria as described before for Part A of the Alterian Share Option Plan. The Board will determine at its discretion the individual limits to be applied to individuals who are granted options under the US plans. In any event, the aggregate market value of the shares for which one or more options granted to any participant under the US ISO, for the first time become exercisable during any one calendar year, shall not exceed \$100,000. Options will vest at a rate of one-third per annum, commencing on the first anniversary of the date of grant. Options may only be exercised by staff within ten years of the date of grant, provided they remain employed by the Group, otherwise they will lapse.

Enterprise Management Incentives Scheme (EMI Scheme)

The purpose of this scheme is to ensure the continuing success of the Group by aligning the interests of key employees and shareholders and allowing employees to share in the value they create through the grant of share options. There is currently an overriding limit that each Option Holder cannot receive more than £100,000 of any approved options in a three year period from the date of grant of the options that took the Option Holder to the limit. As at 31 March 2008, 1,239,317 options are under grant under the Scheme.

The options granted under this scheme are subject to the same performance criteria as described above for Part A of the Alterian Share Option Plan.

These options are exercisable at any time between the second and tenth anniversaries of the date of grant of that option, subject to the performance criteria above.

Under Schedule 14 of the Finance Act 2000 there is currently an overriding limit to the value of unexercised options of £3m.

Employee Share Schemes (continued)**Share Incentive Plan**

The Board believes that extending and encouraging employee share ownership throughout the Group will encourage all employees to identify more closely with the interests of shareholders and will also give them the opportunity to share in the shareholder value they create in a tax-efficient manner. The Company Share Incentive Plan (SIP) was set up in August 2001 for all UK employees. As at 31 March 2008, the SIP had 67 members holding 511,933 shares through the Trust.

Employee Benefit Trust

The Group has established an Employee Benefit Trust (EBT). The Group has the ability to use the EBT to acquire shares in the Group for the satisfaction of share rights granted to its beneficiaries.

US Restricted Share Plan

This plan will enable the Group to increase its capacity to reward and retain employees of Alterian, Inc. Under this plan, US employees will be awarded restricted shares. Awards are subject to continued employment with certain forfeiture provisions. The Board determines at its discretion the level of award to be made to an individual under this plan. In any event, the aggregate market value of the shares awarded will not exceed the participant's annual salary at the date of award. As at 31 March 2008, 34,018 shares are held under this plan.

Scheme limits

The number of shares which have been issued or may become issuable pursuant to either options granted, shares allocated or shares awarded on any date when added to the number of shares issued and remaining issuable in respect of rights conferred in the previous ten years in any of the share schemes for the Group's employees may not exceed 15% of the numbers of shares in issue immediately before that date. This limit was approved by shareholders at an Extraordinary General Meeting held on 18 July 2001.

Rights of shares and listing

All shares that the Group issues or allots through the plans will rank pari passu with the shares then in issue, except that they shall not rank for dividend or other rights declared by reference to a record date prior to the exercise or issue date. The Group will apply to the UK Listing Authority for any shares issued pursuant to the plans to be admitted to the Official List of the London Stock Exchange.

Under the Group's Employee Share Option Schemes employees held options at 31 March 2008 as follows:

Date of grant	Total number under option	Scheme under which shares were granted	Exercise price per share	Option period ending
10/07/00	150,000	Unapproved	200p	10/07/10
18/07/01	23,000	ISO	147p	18/07/11
30/07/01	2,000	ISO	147.5p	30/07/11
06/12/01	571,600	Approved/Unapproved	73.5p	06/12/11
25/02/02	67,370	ISO/NSO	70.5p	25/02/12
30/10/02	85,000	ISO/NSO	26p	30/10/12
18/12/02	65,000	EMI	36p	18/12/12
20/12/02	194,000	EMI	36p	20/12/12
26/06/03	95,000	EMI	53.5p	26/06/13
26/06/03	206,000	Unapproved	53.5p	26/06/13
26/06/03	4,500	ISO	53.5p	26/06/13
01/09/03	2,000	ISO	59p	01/09/13
01/06/04	25,000	EMI	71p	01/06/14
29/11/04	200,000	ISO/NSO	94p	29/11/14
24/02/05	18,000	ISO	104p	24/02/15
30/03/05	10,000	ISO	102p	30/03/15
22/04/05	50,000	NSO	91p	22/04/15
28/07/05	10,000	ISO	112.5p	28/07/15
03/11/05	25,000	NSO	114.5p	03/11/15
01/02/06	38,617	EMI	132p	01/02/16
01/02/06	26,383	Unapproved	132p	01/02/16
25/07/06	408,500	EMI	87.2p	25/07/16
25/07/06	164,500	Unapproved	87.2p	25/07/16
25/07/06	215,000	ISO/NSO	87.2p	25/07/16
19/09/06	79,900	EMI	106p	19/09/16
14/02/07	50,000	EMI	128p	14/02/17
22/03/07	60,000	EMI	131p	22/03/17
22/03/07	15,000	Unapproved	131p	22/03/17
22/03/07	75,000	ISO/NSO	131p	22/03/17
28/08/07	63,300	EMI	143.5p	28/08/17
28/08/07	46,700	Unapproved	143.5p	28/08/17
28/08/07	210,000	ISO/NSO	143.5p	28/08/17
20/12/07	65,000	EMI	116.5p	20/12/17
28/03/08	95,000	EMI	131.5p	28/03/18
28/03/08	180,000	Unapproved	131.5p	28/03/18
28/03/08	205,000	ISO/NSO	131.5p	28/03/18

Total number under option 3,801,370 – Amounting to 8.6% of the issued share capital

Service Contracts

The Company has entered into the following service agreements with the executive Directors:

Director	Date of Agreement	Annual Salary (£) 2008	Annual Salary (£) 2007
David Eldridge	27 June 2000	178,788	173,580
Michael Talbot	27 June 2000	151,970	147,544
Timothy McCarthy	27 June 2000	151,970	147,544
David Cutler	1 January 2001	110,848	107,620

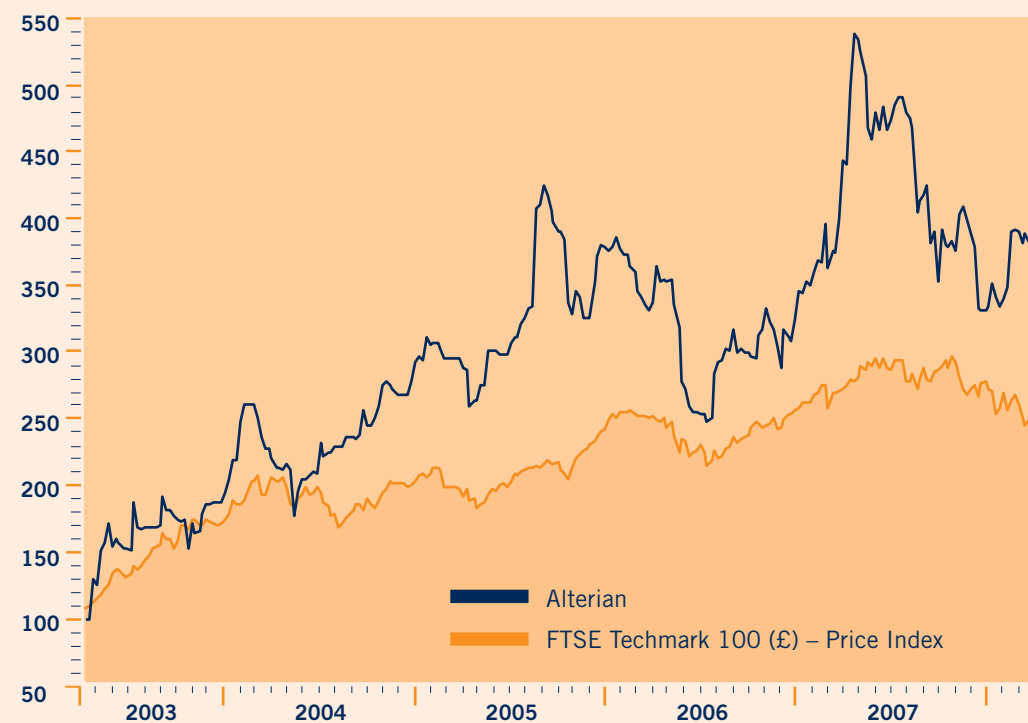
Service agreements for the executive Directors are subject to 12 months' written notice from either party. On serving notice to terminate the employment, the Company may elect to pay a sum equivalent to the executive Director's basic salary for the unexpired portion of the contractual notice entitlement.

Under the terms of their service agreements, each of the executive Directors is entitled to receive a car allowance equal to 7.5% of basic salary, a pension contribution equal to 10% of basic salary, permanent health cover, private medical insurance and a death in service benefit of four times salary. In addition, where it is agreed that any Director is required to spend extended periods abroad, an international work allowance is made available to that Director.

Performance Graph

The following graph shows the Company's performance over the past five years measured by total shareholder return, compared with the performance of the FTSE techMARK 100 index also measured by total shareholder return. The FTSE techMARK 100 index represents the medium and small technology companies excluding the largest companies and has been selected for this comparison as the Directors consider it to be the most suitable comparator.

Alterian Total Shareholder Return Index versus FTSE techMARK 100 Total Shareholder Return Index



Source: Thompson Datastream

Non-executive Directors

As non-executive Directors, Iain Johnston and Hugh McCartney each receive a fee of £25,000 per annum. Keith Hamill receives a fee of £40,000 per annum. Each non-executive's appointment is for a fixed term of 12 months. The appointments are open to renewal by mutual agreement between the non-executives and the Company.

Terms and conditions of the appointment of the non-executive Directors are available for inspection by any person at the Company's registered office during normal business hours.

The Board continues to monitor remuneration issues for non-executive Directors in order to ensure continued good corporate governance.

Audited Information

Aggregate Directors' Remuneration

	2008 £000	2007 £000
Emoluments	1,173	1,220
Gains on exercise of share options	1,320	-
	2,493	1,220

Directors' Emoluments

Emoluments comprise salaries, fees, bonuses and taxable benefits. Individual emoluments for the year were:

	Fees or salary 2008 £000	Bonus 2008 £000	Benefits in kind 2008 £000	Total 2008 £000	Total 2007 £000
Executive Directors					
David Eldridge	230	93	8	331	333
Michael Talbot	199	80	4	283	302
Timothy McCarthy	179	80	3	262	283
David Cutler	132	72	3	207	212
Non-executive Directors					
Keith Hamill	40	-	-	40	40
Iain Johnston	25	-	-	25	25
Hugh McCartney	25	-	-	25	25
	830	325	18	1,173	1,220

Salary includes basic salary, car allowance, pension allowance and international work allowance. In the year, international work allowance paid to David Eldridge was £20,000 (2007: £20,000), Michael Talbot £20,000 (2007: £40,000) and Timothy McCarthy £nil (2007: £20,000).

In the year, pension allowance contributions to David Eldridge were £17,879 (2007: £17,358), Michael Talbot £15,197 (2007: £14,754), Timothy McCarthy £15,197 (2007: £14,754) and David Cutler £11,085 (2007: £10,762).

Directors' Share Options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary shares in the Company granted to or held by the Directors. Details of the options exercised during the year are as follows:

Name of Director	Scheme	Number of options	Exercise price	Market price at exercise date	Gains on exercise
D J Eldridge	Unapproved	400,000	50p	160p	£440,000
M J Talbot	Unapproved	400,000	50p	160p	£440,000
T E McCarthy	Unapproved	400,000	50p	160p	£440,000
					£1,320,000

The interests of the Directors in Company share option schemes are as follows:

Director	Number of options				Exercise price	Date from which exercisable	Expiry date
	1st Apr 07	Granted	Exercised	31 Mar 08			
D J Eldridge	400,000	-	400,000	-	50p	13/06/03	13/06/10
D J Eldridge	122,500	-	-	122,500	73.5p	06/12/04	06/12/11
D J Eldridge	114,500	-	-	114,500	87.2p	25/07/09	25/07/16
D J Eldridge	-	30,000	-	30,000	131.5p	28/03/11	28/03/18
M J Talbot	400,000	-	400,000	-	50p	13/06/03	13/06/10
M J Talbot	122,500	-	-	122,500	73.5p	06/12/04	06/12/11
M J Talbot	114,500	-	-	114,500	87.2p	25/07/09	25/07/16
M J Talbot	-	30,000	-	30,000	131.5p	28/03/11	28/03/18
T E McCarthy	400,000	-	400,000	-	50p	13/06/03	13/06/10
T E McCarthy	122,500	-	-	122,500	73.5p	06/12/04	06/12/11
T E McCarthy	114,500	-	-	114,500	87.2p	25/07/09	25/07/16
T E McCarthy	-	30,000	-	30,000	131.5p	28/03/11	28/03/18
D R Cutler	100,000	-	-	100,000	200p	10/07/03	10/07/10
D R Cutler	163,300	-	-	163,300	73.5p	06/12/04	06/12/11
D R Cutler	194,000	-	-	194,000	36p	20/12/04	20/12/12
D R Cutler	206,000	-	-	206,000	53.5p	26/06/06	26/06/13
D R Cutler	114,500	-	-	114,500	87.2p	25/07/09	25/07/16
D R Cutler	-	30,000	-	30,000	131.5p	28/03/11	28/03/18
K Hamill	50,000	-	-	50,000	200p	10/07/03	10/07/10
	2,738,800	120,000	1,200,000	1,658,800			

The above options are held under both the approved and unapproved Employee Share Option Schemes, and the EMI Scheme. Subject to the conditions noted on pages 34 to 36, the Directors may exercise the options under the approved and unapproved Schemes at any time between the third and tenth anniversaries of the date of grant, and the options under the EMI Scheme at any time between the second and tenth anniversaries of the date of grant.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

No options lapsed during the year. The market price of the Company's shares at 31 March 2008 was 131.5p and the range during the year ended 31 March 2008 was 115.75p to 188.5p.

There has been no change in the options held since 31 March 2008.

Directors' Interests in Shares

Emoluments comprise salaries, fees, bonuses and taxable benefits. Individual emoluments for the year were:

	Ordinary shares	
	2008 £000	2007 £000
Keith Hamill	110,000	110,000
David Eldridge	1,334,554	1,324,603
Michael Talbot	1,313,137	1,311,351
Timothy McCarthy	990,351	990,351
David Cutler	1,485,617	1,443,305
Iain Johnston	1,384,000	1,584,000
Hugh McCartney	100,000	100,000

The beneficial interests of Iain Johnston include 116,000 Ordinary shares held by his wife.

The beneficial interests of David Cutler include 565,000 Ordinary shares held by SIPPDeal Trustees Limited, 28,117 Ordinary shares held by Computershare Trustees Limited and 871,500 Ordinary shares held by his wife.

The beneficial interests of David Eldridge include 27,167 Ordinary shares held by Computershare Trustees Limited.

The beneficial interests of Timothy McCarthy include 13,351 Ordinary shares held by Computershare Trustees Limited.

The beneficial interests of Michael Talbot include 15,137 Ordinary shares held by Computershare Trustees Limited.

The Directors had no interests in the shares of the Company's subsidiaries.

Policy on External Appointments

It is the Company's policy to allow the executive Directors to hold external appointments and to receive payments provided such appointments are agreed by the Board or Committee in advance, that there is no conflict of interests and that the appointment does not lead to a deterioration in the individual's performance.

By order of the Board

David Cutler
Director

16 May 2008

Independent Auditors' Report to the Members of Alterian plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Alterian plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Consolidated Statement of Recognised Income and Expense and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Review of Operations that is cross referred from the Business Review section of the Directors' Report.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008, and of its profit for the year then ended;

the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2008;

the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

the information given in the Directors' Report is consistent with the financial statements.

**Deloitte & Touche LLP
Chartered Accountants and Registered Auditors**

Bristol, United Kingdom
16 May 2008

Consolidated Income Statement

Year ended 31 March 2008	Note	2008 £000	2007 £000
Revenue	4, 5	19,343	14,037
Cost of sales		(2,542)	(1,567)
Gross profit		16,801	12,470
Distribution costs		(5,805)	(4,476)
Administrative expenses		(7,268)	(6,301)
Operating costs		(13,073)	(10,777)
Operating profit	6	3,728	1,693
Investment revenues	4, 8	287	314
Finance costs	8	-	(1)
Profit before taxation		4,015	2,006
Tax	9	500	411
Profit for the financial year	23	4,515	2,417
Attributable to equity holders of the parent	23	4,515	2,417
Basic profit per Ordinary share	12	10.4p	5.8p
Diluted profit per Ordinary share	12	10.1p	5.5p

There is no difference between the operating profit or the profit for the financial year stated above, and their historical cost equivalents. All trading is derived from continuing operations.

Consolidated Statement of Recognised Income and Expense

Year ended 31 March 2008	Note	2008 £000	2007 £000
Exchange differences on translation of foreign operations	23	(62)	(423)
Net expense recognised directly in equity		(62)	(423)
Profit for the year		4,515	2,417
Total recognised income and expense for the period attributable to equity holders of the parent		4,453	1,994

Consolidated Balance Sheet

At 31 March 2008	Note	2008 £000	2007 £000
Non-current assets			
Goodwill	13	5,499	5,499
Other intangible assets	14	2,321	1,730
Property, plant and equipment	15	970	615
Available for sale investments	16	326	70
Deferred tax asset	20	1,200	650
Total non-current assets		10,316	8,564
Current assets			
Trade and other receivables	17	11,984	8,299
Cash and cash equivalents	17	8,186	7,999
Total current assets		20,170	16,298
Total assets		30,486	24,862
Current liabilities			
Trade and other payables	18	(4,706)	(4,611)
Current tax liabilities		(685)	(542)
Total current liabilities		(5,391)	(5,153)
Net current assets		14,779	11,145
Net assets		25,095	19,709
Equity			
Share capital	21	10,990	10,562
Capital reserves	23	28,352	27,886
Other reserves	23	48	45
Own shares	22, 23	(583)	(557)
Retained earnings	23	(13,712)	(18,227)
Total equity	23	25,095	19,709

These financial statements were approved by the Board of Directors and authorised for issue on 16 May 2008.

Signed on behalf of the Board of Directors

D J Eldridge
Director

Company Balance Sheet

At 31 March 2008			
	Note	2008 £000	2007 £000
Non-current assets			
Fixed asset investments	16	46,944	40,874
Total non-current assets		46,944	40,874
Current assets			
Trade and other receivables	17	887	912
Cash and cash equivalents	17	-	5,095
Total current assets		887	6,007
Total assets		47,831	46,881
Current liabilities			
Trade and other payables	18	(120)	(93)
Total current liabilities		(120)	(93)
Net current assets		767	5,914
Net assets		47,711	46,788
Equity			
Share capital	21	10,990	10,562
Capital reserves	23	33,108	32,642
Other reserves	23	493	428
Own shares	23	(349)	(321)
Retained earnings	23	3,469	3,477
Total equity	23	47,711	46,788

These financial statements were approved by the Board of Directors and authorised for issue on 16 May 2008.

Signed on behalf of the Board of Directors

D J Eldridge
Director

Consolidated Cash Flow Statement

Year ended 31 March 2008					
	Note	2008		2007	
		£000	£000	£000	£000
Net cash from operating activities	24	2,431		971	
Investing activities					
Interest received		287		314	
Interest paid		-		(1)	
Purchases of property, plant and equipment		(621)		(457)	
Purchases of software licences		(105)		-	
Receipts from sales of property, plant and equipment		-		43	
Expenditure on product development		(1,200)		(764)	
Payments in respect of IPR capitalised		-		(340)	
Payments to acquire subsidiaries		(1,239)		(1,667)	
Net overdrafts acquired		-		(6)	
Net cash used in investing activities		(2,878)		(2,878)	
Financing activities					
Purchase of own shares		(177)		(163)	
Proceeds from sale of shares		-		50	
Proceeds from issue of shares		894		-	
Net cash from/(used in) financing activities		717		(113)	
Net increase/(decrease) in cash and cash equivalents		270		(2,020)	
Cash and cash equivalents at beginning of year		7,999		10,113	
Effect of foreign exchange rate changes		(83)		(94)	
Cash and cash equivalents at end of year		8,186		7,999	

Company Cash Flow Statement

Year ended 31 March 2008		2008		2007	
	Note	£000	£000	£000	£000
Net cash used in operating activities	24		(105)		(3,953)
Investing activities					
Interest received		149		295	
Additional investment in subsidiary		(6,033)		-	
Net cash (used in)/from investing activities			(5,884)		295
Financing activities					
Purchase of own shares		-		(107)	
Proceeds on issue of shares		894		-	
Net cash from/(used in) financing activities			894		(107)
Net decrease in cash and cash equivalents			(5,095)		(3,765)
Cash and cash equivalents at beginning of year			5,095		8,967
Effect of foreign exchange differences			-		(107)
Cash and cash equivalents at end of year			-		5,095

Alterian Annual Report 2008

Year ended 31 March 2008

1. General Information

Alterian plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given at the beginning of this document. The nature of the Group's operations and its principal activities are set out in the Review of Operations on pages 16 to 23.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. 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 are required to be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. Accordingly, this report has been prepared using accounting policies consistent with IFRSs.

The financial statements have been prepared on the historical cost basis.

In the current year, the Group has adopted 'IFRS 7 – Financial Instruments: Disclosures' which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to 'IAS 1 Presentation of Financial Statements'. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 19). Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: 'IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies'; 'IFRIC 8 Scope of IFRS 2'; 'IFRIC 9 Reassessment of Embedded Derivatives'; and 'IFRIC 10 Interim Financial Reporting and Impairment'. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

IAS 23, IFRS 8 and IFRIC Interpretations 11, 12, 13 and 14 were in issue but not yet effective as at the year end, and have not been applied in the preparation of the financial statements. The Directors do not anticipate that the adoption in future periods of these standards and interpretations will have a material impact on the financial statements of the Group.

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.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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 immediately recognised in the income statement for any amount by which the carrying value of goodwill exceeds its fair value. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Accounting Policies and Basis of Preparation (continued)

Revenue recognition

Revenue represents amounts invoiced to customers (net of value added tax) for goods and services and is recognised as follows:

Licence sales and Partner fees

Revenue from licence sales is recognised upon discharge of the Group's obligation to deliver 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 royalties are earned, through Partners selling products to end users or committing to minimum levels of sales.

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.

Segment reporting

For management purposes the Group is organised into two operating divisions – UK and United States. These divisions are the basis on which the Group reports its primary segment information. Revenues are generated in each geographic segment by a sales force dedicated to that region and these primary costs follow the region in which they arise. Research and Development costs are located and borne in the UK. Product transfers between the segments are accounted for at competitive market prices which take into account the allocation of other technical and central costs. These transfers are eliminated on consolidation.

Cost of sales

The Directors consider that in order to appropriately reflect the operating profile of the business, only the directly variable costs of 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.

Operating profit

Operating profit is stated after charging distribution costs and administrative expenses but before investment income.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the Company and the presentational currency of the consolidated financial statements. 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.

Taxation

The tax credit represents the net sum of tax received and receivable and deferred tax movements.

The tax currently receivable 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 tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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:

computer and office equipment are depreciated over two to three years according to the estimated life of the asset;

fixtures and fittings are depreciated over four to seven years according to the estimated life of the asset.

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 two to six 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 which requires the expenditure to be identifiable, reliably measured and to be likely to generate future economic benefits. These assets are amortised on a straight line basis over their useful lives of not more than three years.

Impairment of tangible and intangible assets excluding goodwill

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 (deducted from equity) at cost less any provision for impairment.

Financial instruments

Short-term debtors and creditors are treated as financial assets or liabilities.

Available for sale investments

Available for sale investments are, if fair value cannot be reliably measured, included in the Group balance sheet at cost less any provision for impairment.

Held to maturity investments

Investments that the Group has the expressed intention and ability to hold to maturity, are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

2. Accounting Policies and Basis of Preparation (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

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 (SIP) 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 Company 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.

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.

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.

As an alternative to the scheme, some UK employees have opted to 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%.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition

In accordance with IAS 18, revenue, even when invoiced, is not recognised to the extent that significant obligations are retained by the Group, such as when training and consultancy services remain to be performed. Revenue is recognised where the Group has met all of its obligations and the customer has accepted the transaction. For Partner fees and minimum royalty arrangements, this is typically at the inception of contracts; for ongoing royalty receipts and the provision of maintenance and training, the date of delivery and hence of recognition is agreed with the customer.

In situations where contract terms allow for delayed payment, a case by case assessment is made of whether this indicates that delivery of goods or services is also delayed, and revenue is deferred as necessary.

The Group's credit risk associated with extended contract terms is discussed more fully in note 19 to the financial statements.

Capitalisation of development costs

In accordance with IAS 38, development project costs are assessed against the key criteria laid down therein. When qualified projects reach a sufficient state of maturity to justify inclusion in the review of capitalisation, the detailed project costs are collated and the projects tested against the probable economic benefits. Only those projects satisfying all six of the IAS 38 criteria are capitalised. All projects are amortised within three years of capitalisation.

Impairment of goodwill

In accordance with IAS 36, goodwill is tested annually in the context of the relevant Cash Generating Unit (CGU). An estimate is made of the future cash flows expected to be derived from the CGU. This is reduced by the time value of money and the risk of variation in timing or amount of the future cash flows which is reflected in the discount rate applied. The impairment test of goodwill made in the year ended 31 March 2008 continues to support the carrying value.

The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for these calculations are those regarding the discount rate (7.5%) and growth rate (nil). The Directors estimated the discount rate using pre-tax rates that reflect current market assessments of time value of money and the risks specific to the goodwill. The zero growth rate has been applied purely for prudence.

4. Revenue

An analysis of the Group's revenue is as follows:

	2008 £000	2007 £000
Software sales	17,314	12,315
Consultancy and support services	2,029	1,722
	19,343	14,037
Investment revenues (see note 8)	287	314
	19,630	14,351

5. Segment Reporting

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.

Geographical segments

Segment information about the geographical markets is presented below:

	UK 2008 £000	US 2008 £000	Elimination 2008 £000	Consolidated 2008 £000
Revenue				
External sales	9,199	10,144	-	19,343
Inter-segment sales	4,053	332	(4,385)	-
Total revenue	13,252	10,476	(4,385)	19,343
Operating profit	3,163	565	-	3,728
Investment revenues				287
Finance costs				-
Profit before tax				4,015
Tax credit				500
Retained profit for the financial year				4,515
	UK 2007 £000	US 2007 £000	Elimination 2007 £000	Consolidated 2007 £000
Revenue				
External sales	7,144	6,893	-	14,037
Inter-segment sales	2,537	25	(2,562)	-
Total revenue	9,681	6,918	(2,562)	14,037
Operating profit/(loss)	1,807	(114)	-	1,693
Investment revenues				314
Finance costs				(1)
Profit before tax				2,006
Tax credit				411
Retained profit for the financial year				2,417

	UK 2008 £000	US 2008 £000	Consolidated 2008 £000
Other Information			
Capital additions	1,848	78	1,926
Depreciation and amortisation	741	224	965

	UK 2007 £000	US 2007 £000	Consolidated 2007 £000
Other Information			
Capital additions	1,358	718	2,076
Depreciation and amortisation	527	132	659

	UK 2008 £000	US 2008 £000	Eliminated 2008 £000	Consolidated 2008 £000
Balance Sheet				
Assets				
Segment assets	39,131	12,007	(20,652)	30,486
Liabilities				
Segment liabilities	(3,400)	(4,103)	2,112	(5,391)

	UK 2007 £000	US 2007 £000	Eliminated 2007 £000	Consolidated 2007 £000
Balance Sheet				
Assets				
Segment assets	34,158	8,605	(17,901)	24,862
Liabilities				
Segment liabilities	(3,318)	(5,698)	3,863	(5,153)

Geographical analysis of turnover by destination	2008 £000	2007 £000
United Kingdom	6,755	5,714
North America	10,205	6,894
Rest of the World	2,383	1,429
	19,343	14,037

6. Operating Profit**Operating profit arrived at after charging/(crediting)**

	2008 £000	2007 £000
Net foreign exchange (gains)/losses	(7)	3
Research and development costs	1,775	1,728
Depreciation of property, plant and equipment	251	237
Amortisation of intangible assets:		
- IPR and other software licences	146	220
- Development costs	568	202
Staff costs (see note 7)	9,707	7,756
Loss/(profit) on sale of property, plant and equipment	10	(43)
Auditors' remuneration (see details below)	68	63
Net operating lease rentals	365	300

The auditors' remuneration for audit and non-audit services is as follows:

	Group	
	2008 £000	2007 £000
Fees payable to the Company's auditors:		
- for the audit of the Company's annual accounts	10	9
- for the audit of the Company's subsidiaries	50	46
Total audit fees	60	55
Other services pursuant to legislation	8	8
Corporate finance services	-	55
Total non-audit fees	8	63

Included in the comparative for corporate finance services are fees of £55,480 which were capitalised as part of the cost of acquisition of Dynamics Direct, Inc and Nvigorate Limited in accordance with IFRS 3.

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on page 30 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. Information Regarding Directors and Employees**Employee costs (including Directors' emoluments) during the year**

	2008 £000	2007 £000
Wages and salaries	8,751	6,974
Social security costs	765	629
Other pension costs (see note 27)	191	153
	9,707	7,756

Average number of persons employed by the Group in the year:

	2008 No.	2007 No.
Product development and testing	71	61
Sales and distribution	37	31
Administration	19	17
	127	109

The average number of persons employed by the Company is 3 (2007: 3). These are the non-executive Directors. There is no Director remuneration in the Company.

Directors' emoluments

Details of Directors' emoluments, share options and pension entitlements are given in the audited section of the Directors' Remuneration Report which begins on page 39.

8. Investment Revenues and Finance Costs

	2008 £000	2007 £000
Interest receivable and similar income	287	314

Finance costs relate to interest charges in respect of overdrafts acquired with subsidiaries.

9. Tax Credit on Profit on Ordinary Activities

Analysis of credit in year:

	2008 £000	2007 £000
Overseas tax: current year	73	45
Research and development tax credit: prior year	(23)	(56)
	50	(11)
Deferred tax (see note 20)	(550)	(400)
	(500)	(411)

Factors affecting tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2007: 30%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2008 £000	2007 £000
Profit on ordinary activities before tax	4,015	2,006
Tax on profit on ordinary activities at standard rate	1,205	602
Non-deductible expenditure	43	90
Non-taxable income	(55)	(101)
Tax effect of share options exercised	(557)	(40)
Research and development credit: prior year	(23)	(56)
Current year research and development uplift	(410)	(293)
Tax effect of tax losses not previously recognised	(550)	(400)
Tax effect of current year short-term timing difference not recognised	(211)	(258)
Overseas tax: current year	73	45
Tax effect of rate change on short-term timing differences	(15)	-
Tax credit for year	(500)	(411)

Factors affecting future tax charges

Other than tax on UK investment income, the Group does not anticipate that tax will arise on profits within the immediate future due to the availability of tax losses of £10.1m (2007: £9.6m) in the UK and £6.5m (2007: £7.4m) in the US as at 31 March 2008.

A reduction in the mainstream UK tax rate to 28% from 1 April 2008, is unlikely to impact on the Group's future effective tax rate.

10. Profit of Parent Company

As permitted by Section 230 of the Companies Act, the Income Statement of the Parent Company is not presented as part of these accounts. The Parent Company's loss for the financial year amounted to £8,000 (2007: profit of £63,000).

11. Statement of Recognised Income and Expense of the Parent Company

There is no difference between the loss for the year of £8,000 (2007: profit of £63,000) and the amount of income attributable to equity holders of the Company. Consequently, no separate Statement of Recognised Income and Expense has been presented.

12. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders for the year ended 31 March 2008 of £4,515,000 (2007: £2,417,000) by the weighted average number of Ordinary shares in issue during the year of 43,579,731 (2007: 41,892,495).

	2008 £000	2007 £000
Basic and diluted profit attributable to equity holders of the Parent	4,515	2,417
	No.	No.
	000	000
Weighted average number of Ordinary shares for the purposes of basic earnings per share	43,580	41,892
Effect of dilutive potential Ordinary shares: - share options	1,177	1,729
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	44,757	43,621
Basic earnings per share	10.4p	5.8p
Diluted earnings per share	10.1p	5.5p

In calculating diluted earnings per share there were 2,172,900 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 (2007: 1,693,660 options).

13. Goodwill

The Group	TOTAL £000
Cost	
At 1 April 2006	1,119
Recognised on acquisition of subsidiaries	4,380
At 1 April 2007 and 31 March 2008	5,499

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The key assumptions in reviewing for impairment are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial budgets and extrapolates cash flows for the following ten years based on estimated rates of growth. The rate used to discount the forecast cash flows is 7.5% and the growth rate used is nil. The Directors estimated the discount rate using pre-tax rates that reflect current market assessments of time value of money and the risks specific to the goodwill. The zero growth rate has been applied purely for prudence.

14. Other Intangible Assets

The Group	Development costs £000	IPR and other software licences £000	Total £000
Cost			
At 1 April 2006	405	1,835	2,240
Exchange movements	-	(4)	(4)
Disposals	-	(508)	(508)
Additions	764	486	1,250
On acquisition of subsidiary	-	344	344
At 1 April 2007	1,169	2,153	3,322
Additions	1,200	105	1,305
At 31 March 2008	2,369	2,258	4,627
Accumulated amortisation			
At 1 April 2006	-	1,681	1,681
Exchange movements	-	(3)	(3)
Disposals	-	(508)	(508)
Charge for the year	202	220	422
At 1 April 2007	202	1,390	1,592
Charge for the year	568	146	714
At 31 March 2008	770	1,536	2,306
Carrying amount			
At 31 March 2008	1,599	722	2,321
At 31 March 2007	967	763	1,730

Intangible assets represent intellectual property rights and other software licences, and development costs. Intellectual property rights and other software licences are amortised over their estimated useful lives of two to six years, and development costs are amortised over their estimated useful lives of not more than three years. There are no intangible fixed assets in the balance sheet of the Company.

The anticipated life of intangible assets is regularly reviewed in accordance with IAS 38 'Intangible Assets'.

15. Property, Plant and Equipment

The Group	Computer and office equipment £000	Fixtures and fittings £000	Total £000
Cost			
At 1 April 2006	1,174	559	1,733
Exchange movements	(47)	(29)	(76)
Additions	112	345	457
Acquisition of subsidiary	24	1	25
Disposals	-	(41)	(41)
At 1 April 2007	1,263	835	2,098
Exchange movements	(4)	(5)	(9)
Additions	68	553	621
Disposals	(29)	(200)	(229)
At 31 March 2008	1,298	1,183	2,481
Accumulated depreciation			
At 1 April 2006	926	403	1,329
Exchange movements	(43)	(20)	(63)
Charge for the year	139	98	237
Acquisition of subsidiary	20	1	21
Disposals	-	(41)	(41)
At 1 April 2007	1,042	441	1,483
Exchange movements	(3)	(1)	(4)
Charge for the year	145	106	251
Disposals	(29)	(190)	(219)
At 31 March 2008	1,155	356	1,511
Carrying amount			
At 31 March 2008	143	827	970
At 31 March 2007	221	394	615

There is no property, plant and equipment in the balance sheet of the Company.

16. Investments Held as Fixed Assets

The Group	Available for sale investments £000	
Cost		
At 1 April 2007		70
Additions		256
At 31 March 2008		326

This investment does not have a quoted market price in an active market, and its fair value cannot be reliably measured. It has been measured at cost and the value reviewed for impairment.

The Company	Fixed asset investments	
	2008 £000	2007 £000
Carrying amount		
At 1 April	40,874	10,032
Additions	-	11,842
Additional preference shares issued	6,000	-
Transfer from Group company	70	19,000
At 31 March	46,944	40,874

The investments of the Company and Group are unlisted.

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 29.

17. Financial Assets**Trade and other receivables: The Group**

The Group	2008 £000	2007 £000
Amount receivable for the sale of goods	11,623	7,676
Allowance for doubtful debts	(122)	(66)
	11,501	7,610
Other debtors	22	63
Prepayments	461	626
	11,984	8,299

The average credit period taken on sales of goods is 93 days (2007: 69 days). No interest has been charged on the receivables.

The Group has reviewed all receivables and has specifically provided for debts that are estimated as irrecoverable.

Included in the Group's trade receivable balances are debtors with a carrying amount of £1,714,000 (2007: £748,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 64 days (2007: 83 days).

Ageing of past due but not impaired receivables

	2008 £000	2007 £000
30-60 days	1,184	358
60-90 days	183	106
90+ days	347	284
	1,714	748

Movement in the allowance for doubtful debts

	2008 £000	2007 £000
Balance at the beginning of the period	66	109
Impairment losses recognised	262	47
Amounts written off as irrecoverable	(206)	(90)
Balance at the end of the period	122	66

Ageing of impaired trade receivables

	2008 £000	2007 £000
60-90 days	52	-
90-120 days	51	9
120+ days	19	57
	122	66

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Trade and other receivables: The Company

At the balance sheet date trade and other receivables comprise prepayments and amounts receivable from the fellow Group companies of £887,000 (2007: £912,000).

Amounts owed by Group companies includes £867,000 (2007: £897,000) falling due within one year. These loans had no fixed repayment date.

There are no impairments or bad debt provisions in the Company.

Cash and cash equivalents

These comprise in cash in hand, deposits held at call with banks, and other short-term highly liquid investments. The carrying amount of these assets approximates to their fair value.

18. Financial Liabilities**Trade creditors and other payables**

The Group	2008 £000	2007 £000
Trade creditors and other payables	2,770	2,763

The Company	2008 £000	2007 £000
Trade creditors and other payables	41	43

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases for the Group is 47 days (2007: 63 days), for the Company is 58 days (2007: 38 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

19. Financial Instruments**Categories of financial instruments**

	Carrying value	
	2008 £000	2007 £000
Financial assets		
Loans and receivables (including cash and cash equivalents)	19,709	15,672
Available for sale investments	326	70
Financial liabilities		
Trade and other payables	(2,770)	(2,763)

The Group does not trade in financial instruments. Short-term trade receivables and payables are disclosed in notes 17 and 18.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company is not exposed to this risk.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group does not undertake any transactions to hedge against foreign currency monetary assets or liabilities.

The Company is not exposed to this risk.

Foreign currency sensitivity analysis

Alterian's material currency sensitivity is to the US dollar due to the fact that just over half of the Group's revenues now emanate from the United States. No other territory or currency has a material impact on the Group's results. Currently a 10% movement in the US dollar against sterling impacts revenues by approximately 5% and profit by approximately 12%. The Group's sensitivity to the US dollar is increasing as a greater proportion of the Group's revenues are denominated in that currency.

Approximately 30% of the Group's monetary assets may be US dollar denominated at any one time and a 10% movement in the US dollar may give rise to a movement in net assets approximately equivalent to 10% of current profits.

Interest rate management

The Group is exposed to interest rate risk as entities in the Group invest funds at both fixed and floating interest rates.

The Company is not exposed to this risk.

Interest rate sensitivity analysis

The Group's exposure to interest rate movements is mainly determined by movements in UK short-term rates as it affects the returns on the Group's cash and cash equivalents.

A 100 basis point movement for the year gives rise to a sensitivity of under 2% of profits.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company is not exposed to this risk.

19. Financial Instruments (continued)**Capital risk management**

The Group and the Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders. The capital structure of the Group consists of cash and cash equivalents and equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 23.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The Company is not exposed to this risk.

Significant accounting policies

Details of the significant accounting policies and methods adopted are disclosed in note 2 to the financial statements.

20. Deferred Taxation

A deferred tax asset of £1,200,000 (2007: £650,000) has been recognised in respect of tax losses and £550,000 (2007: £400,000) has been credited to the Income Statement during the year.

Unrecognised deferred tax assets at 31 March 2008 are £3,507,000 (2007: £5,427,000) relating to short-term timing differences, share-based payments and tax losses. These will be realised as and when they reverse against suitable future taxable profits.

At the balance sheet date the Group has unused tax losses of £16.6m (2007: £17.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £4.3m (2007: £2.2m) of such losses. No deferred tax asset has been recognised in respect of the remaining £12.3m (2007: £15.7m) as the Group is in the early stages of emerging into profitability and it would be imprudent to assume the amount and timing of further future profit streams for this purpose at this time. Included in unrecognised tax losses are losses of £6.5m (2007: £7.4m) that may expire between 2022 and 2028.

Other losses may be carried forward indefinitely.

21. Share Capital

The Group and the Company	No.	£000
2008		
Authorised		
Ordinary shares of 25 pence each	60,840,000	15,210
Allotted, called up and fully paid		
Ordinary shares of 25 pence each	43,961,418	10,990

2007**Authorised**

Ordinary shares of 25 pence each	60,840,000	15,210
Allotted, called up and fully paid		
Ordinary shares of 25 pence each	42,248,518	10,562

Date of share issue	Ordinary shares issued	Issue Price
11 June 2007	1,200,000	50p
12 July 2007	462,900	59.62p
23 July 2007	50,000	36p
	1,712,900	

The Company has one class of Ordinary shares which carry no right to fixed income.

22. Own Shares

The Group	2008 £000	2007 £000
Balance		
At 1 April	557	209
Additions in the year	177	374
Other movements in the year	(111)	11
Charged to Income Statement in the year	(40)	(37)
At 31 March	583	557

Interests in own shares held represent the cost of shares in the Company held by the trustee of the Employee Benefit Trust (EBT) and the trustee of the Share Incentive Plan (SIP). As at 31 March 2008 the EBT held 404,003 shares with a market value of £531,264, and the trustee of the SIP held 511,933 shares with a market value of £673,192. There was also £4,736 of cash held by the EBT.

The trusts are discretionary trusts for the benefit of employees of the Group. Under the terms of the trusts, the trustees are empowered to purchase shares in the Company with funds contributed by companies within the Group. The trustees will use any shares acquired for the benefit of employees especially in conjunction with employee share schemes operated by the Company.

All costs of the trusts are charged to the Group Income Statement as they accrue.

23. Combined Reconciliation of Movements in Shareholders' Funds and Statement of Charges in Equity

The Group	Share capital £000	Capital reserves £000	Other reserves £000	Own shares £000	Retained earnings £000	2008 £000	2007 £000
At the beginning of the period	10,562	27,886	45	(557)	(18,227)	19,709	16,546
Issue of new shares	428	466	-	-	-	894	1,570
Profit attributable to members of the Group	-	-	-	-	4,515	4,515	2,417
Movement in the year	-	-	65	(26)	-	39	(401)
Foreign exchange translation differences	-	-	(62)	-	-	(62)	(423)
At the end of the year	10,990	28,352	48	(583)	(13,712)	25,095	19,709

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

Other reserves comprise adjustments for share options made in accordance with IFRS 2 'Share Based Payments' £493,000 (2007: £428,000), and exchange reserves arising on translation of Alterian, Inc. £(445,000) (2007: £(383,000)).

Own shares (see note 22) 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.

23. Combined Reconciliation of Movements in Shareholders' Funds and Statement of Charges in Equity (continued)

The Company	Share capital £000	Capital reserves £000	Other reserves £000	Own shares £000	Retained earnings £000	2008 £000	2007 £000
At the beginning of the period	10,562	32,642	428	(321)	3,477	46,788	45,497
Issue of new shares	428	466	-	-	-	894	1,570
Movement in the year	-	-	65	(28)	-	37	(342)
(Loss)/profit attributable to members of the Company	-	-	-	-	(8)	(8)	63
At the end of the year	10,990	33,108	493	(349)	3,469	47,711	46,788

Other reserves represent the costs to the Company of satisfying share options exercised by employees during the year.

Own shares represents the cost of unallocated shares in the Company held by the trustees of the Company's Employment Benefit Trust.

24. Notes to the Cash Flow Statement

Reconciliation of operating profit to net cash from operating activities

The Group	2008 £000	2007 £000
Operating profit	3,728	1,693
Adjustments for:		
- Depreciation of property, plant and equipment	251	237
- Amortisation of intangible assets	146	220
- Amortisation of development costs	568	202
- Loss/(profit) on sale of property, plant and equipment	10	(43)
- Employee benefit charges	40	37
- IFRS 2 share-based payment charge	114	163
- Payments on exercise of options	-	(229)
Operating cash flows before movements in working capital	4,857	2,280
Increase in receivables	(3,913)	(954)
Increase in payables	1,496	659
Cash from operations	2,440	1,985
Tax credit received	64	164
Tax paid	(73)	(45)
Net cash from operating activities before acquisition items	2,431	2,104
Acquisition items	-	(1,133)
Net cash from operating activities	2,431	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 2007 there was an immediate working capital outflow of £1,133,000 representing the settlement of overdue creditors and loans. This outflow is included in the comparatives above.

The Company	2008 £000	2007 £000
Operating loss	(157)	(232)
Operating cash flows before movements in working capital	(157)	(232)
Decrease/(increase) in receivables	25	(2,957)
Increase/(decrease) in payables	27	(764)
Net cash used in operating activities	(105)	(3,953)

25. Operating Lease Arrangements

At 31 March 2008 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

The Group as lessee	2008 £000	2007 £000
Within one year	238	199
Between two and five years	1,711	639
Over five years	21	13
	1,970	851

The Company has no operating lease arrangements.

26. Share-Based Payments**Equity settled share option plan**

The Group plans provide for a grant price equal to the average quoted price of the Group shares for the three days before date of grant. The vesting period is generally three to five years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding under IFRS 2 during the year and prior year are as follows:

	2008		2007	
	Options	Weighted average exercise price (in pence)	Options	Weighted average exercise price (in pence)
Outstanding at the beginning of the year	2,885,227	79p	2,137,457	63p
Granted during the year	865,000	135p	1,248,770	97p
Forfeited during the year	(290,760)	96p	(102,000)	72p
Exercised during the period	(557,067)	55p	(399,000)	52p
Outstanding at the end of the year	2,902,400	99p	2,885,227	79p
Exercisable at the end of the year	2,037,400	83p	1,376,567	58p

The weighted average share price at the date of exercise for share options exercised during the period was 168 pence. The options outstanding at 31 March 2008 had a weighted average exercise price of 99 pence, and a weighted average remaining contractual life of 8.5 years.

Details of the range of exercise prices are provided within the Directors' Remuneration Report.

During the year to 31 March 2008, options were granted on 28 August 2007, 20 December 2007 and 28 March 2008. The aggregate of the estimated fair value of the options granted on those dates which were still outstanding at 31 March 2008 was £354,399. In the year to 31 March 2007, options were granted on 25 July 2006, 19 September 2006, 14 February 2007 and 22 March 2007. The aggregate of the estimated fair value of the options granted on those dates which were still outstanding at 31 March 2007 was £388,947.

The input into the Black-Scholes model are as follows for options granted and still outstanding at each year end:

	2008	2007
Weighted average share price	135p	97p
Weighted average exercise price	135p	97p
Expected volatility	30%	26%
Expected life	5 years	5 years
Risk free rate	4.5%	4.5%
Expected dividends	N/A	N/A

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years prior to each date of grant.

The Group recognised total expenses of £114,000 (2007: £163,000) related to equity-settled share-based payment transactions.

There is no share-based payment in the Company.

27. Retirement Benefit Schemes

The Group operates a defined contribution pension scheme covering its permanent UK employees. Scheme funds are administered by trustees and are independent of the Group's finances. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

The Group has contributed 5.5% of members' gross salaries to the scheme since 1 October 2001. The pension cost charge represents contributions payable by the Group to the fund and amounted to £150,000 (2007: £119,000).

Some UK employees receive an enhancement to salary of between 5% and 10% of gross pay in lieu of Company contributions. This amounted to £82,000 (2007: £85,000).

US employees contribute to a 401k scheme. They receive an additional 25% of their contribution. This amounted to £41,000 (2007: £34,000).

28. Related Party Transactions**The Group**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

The Company	Amounts owed by related parties	
	2008 £000	2007 £000
Alterian Technology Limited	867	897
Alterian, Inc	-	-
	867	897

Remuneration of key management personnel – the Group and the Company

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 39 to 41.

	2008 £000	2007 £000
Short-term employee benefits	1,173	1,220
Share-based payment (gains on exercise of share options)	1,320	-
	2,493	1,220

29. Principal Subsidiary Undertakings

The principal subsidiary undertakings at 31 March 2008 are shown below. All subsidiary undertakings are wholly owned and prepare accounts to 31 March each year.

Subsidiary	Activity	Country of Incorporation registration and operation	Portion of Ordinary shares and voting rights held
Alterian Technology Limited*	Database Analysis Software Supplier	England	100%
Alterian Holdings Limited	Holding Company	England	100%
MarkIT Information Services Limited*	Dormant Company	England	100%
Nvigorate Limited*	Dormant Company	England	100%
Alterian, Inc*	Database Analysis Software Supplier	Illinois, USA	100%
Alterian LLC*	Database Analysis Software Supplier	California, USA	100%

All subsidiaries are included within the consolidated financial statements.

*subsidiaries marked are not directly owned by Alterian plc

30. Post Balance Sheet Event

On 16 May 2008 the Group announced a cash and share offer for Web Content Management software company, Mediasurface plc (LSE: MSR), for a total consideration of £18.12m, with an associated placing and open offer for £13m, fully underwritten by Investec Bank (UK) Limited.

Five Year Summary Year Ended 31 March 2008

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Results					
Revenue	19,343	14,037	10,629	7,806	5,668
Profit/(loss) from operations	3,728	1,693	451	(1,194)	(3,639)
Profit/(loss) before tax	4,015	2,006	889	(649)	(3,232)
Profit/(loss) attributable to equity holders of Alterian plc	4,515	2,417	1,369	(162)	(2,744)
Assets employed					
Non-current assets	10,316	8,564	2,402	594	853
Current assets	20,170	16,298	17,342	15,831	15,723
Current liabilities	(5,391)	(5,153)	(3,198)	(2,040)	(2,221)
Net assets	25,095	19,709	16,546	14,385	14,355
Financed by					
Equity	25,095	19,709	16,546	14,385	14,355
Key statistics					
Earnings per share	10.4p	5.8p	3.4p	(0.4)p	(7.1)p
Diluted earnings per share	10.1p	5.5p	3.2p	(0.4)p	(7.1)p

This table summarises the performance and financial position of the Group for the last five financial years.

The amounts disclosed for 2004 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.

Notice is hereby given that an Annual General Meeting of Alterian plc will be held at The Spectrum Building, Bond Street, Bristol, BS1 3LG, UK on 24 July 2008 at 10.00 am for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1-6 will be proposed as Ordinary Resolutions and resolutions 7-9 will be proposed as Special Resolutions for the following purposes:

1. To receive and consider the financial statements for the year ended 31 March 2008 and the Reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2008.
3. To re-elect Mr M Talbot as a Director.
4. To re-elect Mr T McCarthy as a Director.
5. To re-appoint Deloitte & Touche LLP as Auditors of the Company and resolve that their remuneration be agreed by the Directors.

As **special business**, to consider and, if thought fit, pass the following Resolutions which paragraph 6 will be proposed as an Ordinary Resolution and paragraphs 7 and 8 proposed as Special Resolutions.

6. That the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80, Companies Act 1985 to allot, or to grant any right to subscribe for, or convert any security into, Ordinary shares in the Company up to an aggregate nominal value of up to £3,663,451, at any time or times during the period from the date of the passing of this resolution up to and including the day preceding the next Annual General Meeting of the Company or 15 months from the date of passing of this resolution whichever comes first, on which date this authority shall expire and this authority shall allow the Company to make an offer or agreement before the expiry of the authority which would or might require shares to be allotted, or rights to subscribe for, or convert any security into shares to be granted, after the expiry of the authority.
7. That the Directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash as if sub-section (1) of Section 89 did not apply to any such allotment, provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of shareholders where the equity securities respectively attributable to the interests of all

such shareholders are proportionate (as nearly as may be) to the respective number of shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements; and

- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities having an aggregate nominal value of £549,518 (being approximately five per cent of the nominal value of the Ordinary Share Capital of the Company in issue immediately following the date of this resolution) and shall expire on the day preceding the next Annual General Meeting of the Company or 15 months from the date of passing of this resolution whichever comes first, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8. That in accordance with the Articles of Association of the Company and Section 166 of the Companies Act 1985, the Company be and is hereby granted general and unconditional authority to make market purchases (as defined in Section 163 of the Companies Act 1985) of any of its own shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine provided that the authority conferred by this resolution shall:
 - (a) be limited to the number of Ordinary shares having an aggregate nominal value of £549,518;
 - (b) not permit the payment per share of more than five per cent above the average middle market quotation of an Ordinary share of the Company on the London Stock Exchange as derived from the Daily Official List on the five dealing days immediately prior to the date of purchase or less than 25p (in each case exclusive of expenses); and
 - (c) expire on the date falling 15 months after the passing of this resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier, except in relation to purchases of shares the contract for which was concluded before the expiration of the said period and which may be executed wholly or partly after such date.

9. That the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board

D R Cutler
Company Secretary

11 June 2008

Registered Office: The Spectrum Building,
Bond Street, Bristol, BS1 3LG, UK

Notes

1. The register of the Directors' interests in the Share Capital of the Company maintained under Section 325 of the Companies Act 1985 will be available for reference at the place of meeting from 8.30 am on the date of the meeting until its conclusion.
2. Copies of the following documents will be available for inspection at the Registered Office of the Company during normal business hours on each business day from the date of this notice until the date of the meeting, and at the place of the meeting from 8.30 am on the date of the meeting until its conclusion:
 - (i) the executive Directors' service agreements;
 - (ii) letters of appointment of the non-executive Directors; and
 - (iii) a copy of the proposed new Articles of Association of the Company, together with a copy of the existing Articles of Association of the Company marked to show the changes being proposed.
3. Any member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Forms of proxy, to be valid, must be received by the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. You can only appoint a proxy using the procedures set out in these notes and in the form of proxy. Please refer to the form of proxy for full details on the appointment of a proxy.
4. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company as at 6.00 pm on 22 July 2008 shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of

Members after 6.00 pm on 22 July 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
 - (i) if a corporate member has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

6. As at 11 June 2008, the Company's issued share capital comprised 43,961,418 Ordinary shares of 25 pence each. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11 June 2008 is 43,961,418.
7. You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

Explanatory Notes**Resolution 1 – Report and Accounts 2008**

The Directors will present the Directors' Report and the audited financial statements of the Company for the year ended 31 March 2008 to shareholders.

Resolution 2 – Approval of Remuneration Report 2008

The Directors will seek approval for the Directors' Remuneration Report for the year ended 31 March 2008. Please refer to pages 33 to 41 of the Annual Report for the full text.

Resolutions 3 to 4 – Re-election of Directors retiring by rotation

One-third of the Directors must retire each year, though they may offer themselves for re-election.

This year Michael Talbot and Timothy McCarthy are retiring and seeking re-election. Please refer to page 25 of the Annual Report for biographical details. Michael Talbot is the Chief Technical Officer and Timothy McCarthy is the Research Director.

Resolution 5 – Re-appointment of Auditors

The Directors will seek approval for the re-appointment of Deloitte & Touche LLP as the Company's Auditors.

Resolution 6 – Authority to allot shares

An Ordinary Resolution will be proposed to give the Directors authority to allot part of the unissued Ordinary Share Capital of the Company. In accordance with Institutional Shareholders' Committee guidelines, any such authority should be limited by reference to the issued Ordinary Share Capital of the Company. In broad terms, such authority should be limited in amount equal to one third of the existing issued Ordinary Share Capital of the Company.

Resolution 7 – Disapplication of pre-emption rights

A Special Resolution will be proposed to empower Directors to allot securities of the Company up to a specified amount in connection with rights issues without having to obtain prior approval from shareholders on each occasion and also to allot a small number of these for cash without first being required to offer such shares to existing shareholders. In accordance with Institutional Shareholders' Committee guidelines, the number of Ordinary shares which may be issued for cash under the latter authority should not exceed five per cent of the Ordinary Share Capital of the Company in issue immediately following the date of the resolution.

Resolution 8 – Market purchase of shares

Under the Company's Articles of Association and Section 162 of the Companies Act 1985, the Company is empowered to purchase its own shares. Resolution 8 is proposed as a Special Resolution to enable the Company to purchase, for cancellation and/or for holding in treasury, Ordinary shares in the market for the period until the conclusion of the Company's Annual General Meeting to be held in 2008, upon the terms set out in the resolution up to a maximum number of 2,198,070 Ordinary shares (representing approximately five per cent of the issued Ordinary Share Capital of the Company).

Resolution 9 – Change to Articles of Association

It is proposed in resolution 9 to adopt new Articles of Association (the New Articles) in order to update the Company's current Articles of Association (Current Articles) primarily to take account of changes to English company law brought about by the Companies Act 2006. The principle changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature, and also some minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. The New Articles, showing all the changes to the Current Articles, are available for inspection as noted in Note 2 on page 73.

Explanatory Notes of Principal Changes to the Company's Articles of Association**1. Form of Resolution**

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

2. Variation of Class Rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

3. Convening Extraordinary and Annual General Meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an Extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

4. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

5. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

**Corporate
Headquarters**

The Spectrum Building
Bond Street
Bristol
BS1 3LG
UK

Telephone

+44 (0)117 970 3200

Fax

+44 (0)117 970 3201

**North American
Headquarters**

35 East Wacker Drive
Suite 200
Chicago
IL 60601
USA

Telephone

+1 312 704 1700

Fax

+1 312 704 1701

Contact

info@alterian.com
www.alterian.com