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ALTERIAN PLC
Audited Results for the year ended 31 March 2009

Strong performance in line with expectations, enlarged Group well positioned for continuing growth

Alterian plc ("Alterian" or "the Company" or "the Group"), the leading international provider of Integrated Marketing Software, announces its audited preliminary results for the year ended 31 March 2009.

FINANCIAL HIGHLIGHTS

	FY09 £'000	FY08 £'000	% Increase/ (Decrease)
Revenue	33,385	19,343	73%
Adjusted Operating profit*	5,995	3,874	55%
Operating profit pre integration costs	5,209	3,728	40%
Adjusted PBT*	6,159	4,161	48%
PBT pre integration costs	5,373	4,015	34%
PBT from continuing operations after integration costs	3,614	4,015	(12%)
EPS fully diluted	11.2p	10.1p	11%
Net Cash at year end	8,628	8,186	5%

**Adjusted, pre integration costs (£1.7m), amortisation of acquired intangibles (£0.8m), and loss on discontinued operations (£0.3m)*

- Revenue up 73% to £33.4m (2008: £19.3m). At constant exchange rates, revenue increased by 60%

- High gross margin of 87% maintained (2008: 87%)

- Operating costs before integration costs and discontinued business increased by 82% to £23.7m (2008: £13.1m) reflecting the costs acquired with Mediasurface in July 2008 as well as investment in product development and distribution. These costs include £0.8m amortisation of acquired intangible assets (2008: £0.1m). Cost management remains a priority

- Operating profit before integration costs and discontinued business increased to £5.2m (2008: £3.7m). Integration costs of £1.7m resulted in reported profit before tax from continuing operations of £3.6m (2008: £4.0m) . Adjusted profit before tax of £6.0m (2008: £4.2m)

- Cash position remains strong at £8.6m (2008: £8.2m) after funding costs and working capital associated with the acquisition of Mediasurface plc

- High customer retention rates and high proportion of revenues expected to recur

- Diluted reported earnings per share 11.2p (2008:10.1p)

OPERATIONAL HIGHLIGHTS

- Acquisition of Mediasurface plc completed on 7 July 2008. Integration completed successfully and benefits coming through as anticipated. Positive response from customers with initial cross sales achieved.

- Strong Sales Momentum and Distribution Channel Growth

  - Strong performance in UK, Europe and Asia Pacific with 123% revenue growth (2008: 29%)

  - North American revenue growth of 27% (2008: 47%) bolstered by strong US dollar. At a constant exchange rate, North American business showed modest growth of 2% (2008: 58%) against a backdrop of difficult market conditions

  - More than 210 new end users

  - 25 new partners including marketing agencies and systems integrators as well as marketing services providers

  - Major partnerships with infoGROUP and Acxiom extended and expanded

  - New clients won following a new master reseller agreement signed in India

- Product Development

  - Launch of the Alterian Integrated Marketing Platform

  - First integrated offering combining Mediasurface and Alterian products released

  - New product propositions released, aiming to capitalise on Alterian's strengths in low total cost of ownership and rapid time to value – particularly relevant to current market conditions

  - Continued investment in new products, particularly in the online marketing space, combining the strengths of Alterian's pre-existing and acquired products

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

"We are pleased with our performance for the year which has seen excellent progress against both our financial and strategic objectives.

Strong revenue growth of 73% helped to drive profit before tax, integration costs and costs of discontinued business of £5.4m. The integration of Mediasurface plc and a cost efficiency programme were implemented during the year with associated integration costs and costs of discontinued business of £2.0m. These programmes are now complete and the benefits are being realised as planned.

The growth strategy of broadening our product platform and distribution channels is progressing well. Our software products now span the rapidly growing online space as well as more traditional off-line marketing, which are all driven from Alterian's powerful analytics software. The integration of online and off-line data and channels, combined with Alterian's powerful analytics capability, enables organisations to better engage with customers; supporting revenue and client retention. During the year, Alterian expects to capitalise on these strengths with further highly differentiated new product releases that meet our clients' changing needs.

At the same time, our distribution channels are broadening to include marketing agencies and systems integrators as well as marketing services providers. Our geographical and market reach has been extended with 25 partners signed in the year, taking the total number of partners to approximately 150.

Alterian's progress in these areas, together with the strong recurring revenue model, an excellent team, ongoing tight cost control and substantial cash reserves positions the Company well for continuing success.

Since the year end, we have continued to trade in line with our expectations and, whilst continuing to monitor market conditions closely, the Board views the outlook for the year with confidence."

- ends –

Alterian plc

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About Alterian

Alterian (LSE: ALN) empowers organizations to create relevant, effective and engaging experiences with their audience that help build value and reinforce commitment to their brand, through the use of the Alterian Integrated Marketing Platform. Alterian drives the transformation of marketing and communications, making it practical and cost-effective for companies to orchestrate multichannel engagement with the individual.

Alterian's unprecedented integration of analytics, content and execution through industry leading tools, such as the Dynamic Messenger email platform and the award winning Content Management solutions, enables companies to build integrated communication strategies which create a true picture of the individual.

Alterian works with marketing services partners, system integrators and agencies who recognize the need to plan and deliver coordinated customer engagement services in partnership with their clients.

For more information about Alterian, products within the Alterian Integrated Marketing Platform or Alterian's Partner Network, visit www.alterian.com or the Alterian blog at www.this-is-marketing.com.

OVERVIEW

Alterian's performance was in line with expectations.

For the year ended 31 March 2009 Alterian achieved revenues of £33.4m, which represented growth of 73% compared to the prior year (2008: £19.3m). At constant exchange rates, reported revenue would have increased by 60% compared to the prior year. The revenue increase includes revenue resulting from the acquisition of Mediasurface plc, which has been fully integrated with Alterian.

Revenue in the UK, Europe and Asia Pacific increased by 123% to £20.5m (2008: £9.1m). In North America revenue was £12.9m, an increase of 26% (2008: £10.2m). This was bolstered by the strong US dollar. At constant currencies, the North American business showed modest growth of 2%.

North American revenue growth was impacted by difficult market conditions, and did not benefit materially from the acquisition of Mediasurface plc which had very little business or sales infrastructure in the region.

The quality of revenue continues to be high. In its organic business, Alterian maintained its long term average of approximately 65% of the revenue generated in the period being expected to recur in the next financial year, and customer retention rates remained high at over 90%. Gross margins remained high at 87% (2008: 87%) in spite of difficult economic conditions.

Operating costs of £23.7m before integration and discontinued business costs were 82% higher than the prior year (2008: £13.1m) as a result of the acquisition of Mediasurface plc and Alterian's continued investment in product development and distribution. While investment in growth areas for the business is continuing there remains a strong focus on cost management.

The operating costs for 2009 and 2008 include amortisation of acquired intangible assets of £0.8m and £0.1m respectively. Excluding the amortisation of acquired intangible assets operating costs before integration and discontinued business costs increased 78% to £22.9m (2008: £12.9m).

Investment income of £0.2m was achieved on Alterian's cash balances (2008: £0.3m).

A combination of increased revenues, continued high gross margin and strong control of costs resulted in a profit before tax, integration and discontinued business costs of £5.4m, an increase of 34% compared to the prior year (2008: £4.0m).

Integration costs of £1.7m and costs of discontinued business of £0.3m relating to the Pepperio division of Mediasurface were incurred, in line with expectations, giving a profit before tax and after integration and discontinued business costs of £3.4m (2008: £4.0m).

Fully diluted earnings per share were 11.2p (2008: 10.1p).

Cash & Cash Equivalents

At 31 March 2009, the net cash position remained strong at £8.6m (31 March 2008: £8.2m). Alterian also has bank committed overdraft facilities of £2.0m available.

Net cash generated from operating activities before acquisition and integration items for the period was £4.5m (2008: £2.4m) after having funded the broadening of distribution channels and the increase in working capital associated with the substantial increase in revenue. Total operational cash generated was £1.7m (2008: £2.4m) after funding an immediate working capital requirement of £0.8m acquired with the Mediasurface acquisition, a further £1.7m of integration costs and £0.3m in respect of the discontinued business.

The cash of £8.6m, the healthy pipeline and the strong cash flow from receipts under long term contracts and renewals gives management confidence that the continued organic growth of the business can be funded from the Company's existing financial resources.

OPERATIONAL REVIEW

In addition to the strong financial performance, Alterian has seen good progress in all areas of the business over the past year and significant momentum in terms of new customer wins.

Alterian's distribution channel, customer base, product range and team have all been significantly strengthened. In addition, the principal achievement of the period has been the successful completion of the Mediasurface plc acquisition and its rapid integration of the organisation which has led to successful new product offerings.

The Market Environment

Overall demand for Alterian products remained robust and performance from UK, Europe and Asia Pacific as well as online products was strong. However, the market environment was challenging during the year. In particular, Alterian saw a lengthening of sales cycles for new business in North America during the second half, although the region achieved a creditable result in severely adverse market circumstances.

Alterian products support measurable, targeted communication with individuals increasingly through online channels. This area is of growing importance and the ability to track and measure the return on investment achieved supports continuing investment where other areas of marketing spend are being reduced more aggressively.

Alterian products also have a strong track record of delivering substantially lower total cost of ownership than competing technologies.

In light of the general economic circumstances, the Company took action during the year to reduce operating costs, increase pipeline coverage and launch new propositions to highlight Alterian's strength in lower total cost of ownership. New propositions, included Alterian Acquire, which provides large national prospecting organisations principally in North America, with a cost-effective alternative to current high cost approaches. These new products are being well received and are expected to contribute material revenue in the first half of this current financial year.

Market Requirements

Alterian's strategy is to broaden its product range to form an integrated marketing platform that underpins marketers' activities in delivering increasingly relevant and measurable communication to individual customers and prospects across multiple channels – including outbound channels such as direct mail or email and inbound channels such as accessing an organisation's web site.

This integrated approach is increasingly important as customers now tend to use multiple channels, including the internet, to interact with organisations. In addition, customer expectations around relevant and timely communication are increasing and customers' willingness to accept intrusive marketing channels is declining.

In a May 2009 survey of approximately 70 senior executives from marketing service providers and marketing agencies conducted by Alterian, 74% of respondents said that their clients understand the value of "Engagement" - allowing companies to have one-on-one conversations with their customers and prospects. When asked what they most often hear from clients as being the key driver of change in their activity today, 65% said "Increasing use of the web to research, engage and transact by their customers and needing to respond to this" and 28% said "Marketing becoming a two way conversation – needing to embrace social media".

Alterian is in a strong position to address these requirements through its long standing and powerful analytics capability that allows business users to interrogate and learn from all of their data irrespective of the channel, and having the capability to execute highly targeted communications across multiple channels delivering appropriate content to specific customers. In addition, our substantial channel of over 150 marketing services providers, marketing agencies and systems integrators that are skilled in implementing and supporting Alterian technology is also a significant advantage both through scale and market reach. Marketers can be more successful in implementing new solutions and strategies with the expert assistance which Alterian together with our business partners provides.

Alterian's Product Range & Development Activity

Alterian's product development activity, which addresses these trends, is supported by continuing investment in Research & Development, amounting in the period to approximately £4.2m (2008: £3.0m) and where appropriate, targeted acquisitions of technology companies or intellectual property in high growth areas.

The Company completed the acquisition of Mediasurface in the period enabling it to expand further into the rapidly growing market for online marketing software and to expand its distribution channels to include marketing agencies and systems integrators as well as its geographical footprint.

Shortly after completion of the acquisition of Mediasurface, Alterian announced the first integrated product set combining the acquired web content management products with Alterian's pre-existing email marketing products. This allows users to send emails using the content stored in the web content management products, streamlining processes and improving efficiency for users. This product has already been sold to several existing web content management customers as well as being a key differentiator in new web content management client wins.

Alterian's Research & Development effort has also produced new versions of existing products. These included a new release of Alterian Content Management – Corporate Edition (formerly Immediacy – a Mediasurface product) on general release and a major new release of Alterian's database engine which allows for scaling to the largest prospect databases in the US as well as reducing the total cost of ownership for smaller databases.

Alterian is continuing an aggressive new product development plan which will provide further opportunities for growth in the coming year. During the new financial year, Alterian expects to release further highly differentiated products to capitalise on the growing use of customer focused web behavioural data in marketing analytics, and delivery of targeted relevant content in real-time via the web.

Customer Base & Distribution Channel

Over 210 new end user customers were added during the year. These came from a broad spread of industries and geographies and demonstrate the continuing demand for Alterian's product offering, even in difficult market conditions.

In North America, new end user sales included two major software companies, a utilities company, a credit card company, a hotel group, several online retailers, a white goods manufacturer, a pharmaceuticals company, a casino and several not for profit organisations.

In the UK, Europe and Asia Pacific, new end user sales included a cable TV operator, an investment bank, several high street and online retailers, several local authorities, police forces and universities, a major publishing group, two car manufacturers, a major hotels group, a premier league football club, an insurance company and a mobile phone company.

Substantial progress was also seen in developing Alterian's channel worldwide. 25 new partners were signed in the period, including a new master reseller in India, which will promote Alterian technology in the region in the same way as the existing successful master reseller in Spain.

Alterian is widely accepted as a core offering for database marketing services providers. A recent analysis of the UK Database Marketing Services market published in May 2009 by Forrester Research identified that seven of the top eight providers have standardised on Alterian technology to provide advanced marketing solutions. Alterian has a similar penetration of Database Marketing Services providers in North America, with ten of the twelve top providers identified by Forrester Research using Alterian technology.

Demonstrating the value achieved by these marketing services providers and their clients, Alterian signed extended and expanded relationships with infoGROUP and Acxiom, which is announced separately today, during the period.

Integration of Mediasurface plc

Following completion of the acquisition of Mediasurface plc on 7 July 2008, a rapid integration plan has been implemented. This was completed by October 2008 and included:

- Cost reductions achieved in the areas of central costs, duplicated staffing, office costs and duplicated marketing in line with the acquisition business plan
- Identifying initial cross-selling opportunities

- Delivery and sale of the first integrated product set, Alterian Engage – integrated Web Content Management and Email Marketing
- Integration of all teams
- The integration of financial systems and implementation of Alterian's financial controls
- The acceleration of Web Content Management promotion in North America
- Full rebranding of Mediasurface and its trading businesses to the Alterian brand

The business is now fully integrated and the benefits are coming through as planned. All products are available to all sales teams and channels as part of the Alterian Integrated Marketing platform. As was stated at the time of the acquisition, the Board continues to expect the acquisition of Mediasurface to be earnings enhancing, before amortisation and after expected cost savings, in the year ending 31 March 2010.

Team

In addition to the strong team that has joined through the Mediasurface acquisition, Alterian has continued targeted recruitment in Research & Development and globally to support the broadening of the distribution channel. Recent recruitment includes further Research & Development resource to add to the already successful operation in India that Mediasurface had developed.

At the same time, cost efficiencies have been gained through the removal of duplicated roles, or roles no longer required, following the integration of Mediasurface.

At 31 March 2009, Alterian had 311 staff (31 March 2008: 127 staff, 30 September 2008: 304 staff).

Recurring Revenues

The business has a strong recurring revenue base underpinned by contracts which run for up to five years and the extent to which its products are embedded in customer systems.

In its organic business, Alterian maintained its long term average of approximately 65% of the revenue generated in the period being expected to recur in the next financial year, and customer retention rates remained high at over 90%.

Mediasurface typically sold perpetual rather than annual licences which reduces the recurring revenue as a percentage of any one year's revenue. Alterian has recently introduced an annual licensing model alongside the perpetual model to address this and provide additional flexibility to clients.

Alterian expects recurring revenue in the new financial year for the enlarged Group to represent approximately 60% of total revenue achieved in the year to 31 March 2009.

OUTLOOK

The growth strategy of broadening Alterian's product platform and distribution channels is progressing well. The Alterian Integrated Marketing Platform now spans the rapidly growing online space as well as more traditional off-line marketing, which are all driven from Alterian's powerful analytics software. The integration of online and off-line data and channels, combined with Alterian’s powerful analytics capability, enables companies to engage more effectively with customers; supporting revenue growth and retention. During the year, Alterian expects to capitalise on these strengths with further highly differentiated new products.

Alterian’s distribution channels are broadening to include marketing agencies and systems integrators as well as marketing services providers and the Company’s geographical and market reach has been extended with 25 partners signed in the year, taking the total number of partners to approximately 150.

Alterian’s progress in these areas, together with the strong recurring revenue model, an excellent team, ongoing tight cost control and substantial cash reserves, positions the enlarged Company well for continuing success.

Since the year end, Alterian has continued to trade in line with our expectations and, whilst continuing to monitor market conditions closely, the Board views the outlook for the year with confidence.

ALTERIAN PLC

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2009

	Note	Year ended 31 March 2009 £000 Audited	Year ended 31 March 2008 £000 Audited
Continuing operations			
Revenue	1, 2	**33,385**	19,343
Cost of sales		**(4,430)**	(2,542)
Gross profit		**28,955**	16,801
Operating costs before integration costs		**(23,746)**	(13,073)
Integration costs		**(1,759)**	-
Operating costs		**(25,505)**	(13,073)
Operating profit before integration costs		**5,209**	3,728
Integration costs		**(1,759)**	-
Operating profit		**3,450**	3,728
Investment revenues		**169**	287
Finance costs		**(5)**	-
Profit before taxation		**3,614**	4,015
Tax	3	**2,704**	500
Profit for the period from continuing operations		**6,318**	4,515
Discontinued operations			
Loss for the period from discontinued operations		**(253)**	-
Profit for the period		**6,065**	4,515
Attributable to equity holders of the parent		**6,065**	4,515
Basic earnings per ordinary share	4	**11.3p**	10.4p
Diluted earnings per ordinary share	4	**11.2p**	10.1p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
YEAR ENDED 31 MARCH 2009

	Year ended 31 March 2009 £000 Audited	Year ended 31 March 2008 £000 Audited
Exchange differences on translation of foreign operations	**2,402**	(62)
Profit for the period	**6,065**	4,515
Total recognised income and expense for the period attributable to equity holders of the parent	**8,467**	4,453

ALTERIAN PLC
CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2009

	Note	At 31 March 2009 £000 Audited	At 31 March 2008 £000 Audited
Non current assets			
Goodwill		**22,236**	5,499
Other intangible assets		**8,778**	2,321
Property, plant and equipment		**1,089**	970
Available for sale investments		**785**	326
Deferred tax asset		**4,300**	1,200
Total non-current assets		**37,188**	10,316
Current assets			
Trade and other receivables		**21,608**	11,984
Cash and cash equivalents		**8,628**	8,186
Total current assets		**30,236**	20,170
Total assets		**67,424**	30,486
Current liabilities			
Trade and other payables		**(12,750)**	(4,706)
Tax liabilities		**(1,408)**	(685)
		(14,158)	(5,391)
Net current assets		**16,078**	14,779
Non-current liabilities			
Deferred tax liability		**(1,560)**	-
Total non-current liabilities		**(1,560)**	-
Net assets		**51,706**	25,095
Equity			
Share Capital	5	**14,321**	10,990
Capital reserves	5	**43,079**	28,352
Other reserves	5	**2,583**	48
Own shares	5	**(630)**	(583)
Retained earnings	5	**(7,647)**	(13,712)
Total equity		**51,706**	25,095

ALTERIAN PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2009

	Note	**Year ended 31 March 2009 £000 Audited**	Year ended 31 March 2008 £000 Audited
Net cash from operating activities before integration costs and acquisition item	6	**4,509**	2,431
Integration costs		**(1,759)**	-
Discontinued business		**(253)**	-
Acquisition item		**(816)**	-
Net cash from operating activities after integration costs and acquisition item		**1,681**	2,431
Investing activities			
Interest received		**169**	287
Interest paid		**(5)**	-
Purchases of property, plant & equipment		**(276)**	(621)
Purchases of software licences		**(58)**	(105)
Expenditure on product development		**(2,216)**	(1,200)
Payments to acquire subsidiary before cash and cash equivalents acquired		**(12,096)**	(1,239)
Cash & cash equivalents acquired		**1,339**	-
Payments to acquire subsidiary after cash and cash equivalents acquired		**(10,757)**	(1,239)
Payments to acquire Available for sale investments		**(459)**	-
Net cash used in investing activities		**(13,602)**	(2,878)
Financing activities			
Repayment of loan acquired		**(1,443)**	-
Purchase of own shares		**(63)**	(177)
Proceeds from sale of shares		**12,626**	894
Net cash from financing activities		**11,120**	717
Net (decrease)/increase in cash and cash equivalents		**(801)**	270
Cash and cash equivalents at beginning of year		**8,186**	7,999
Effect of foreign exchange rate changes		**1,243**	(83)
Cash and cash equivalents at end of year		**8,628**	8,186

ALTERIAN PLC
NOTES TO THE ACCOUNTS

The audited preliminary results for the twelve months ended 31 March 2009 were approved by the Board of Directors on 2 June 2009.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 March 2008 or 2009. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditor's reports on both the 2008 and 2009 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s.498(2) or (3) of Companies Act 2006 or equivalent preceding legislation.

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

Basis of preparation
While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2009.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

After carefully reviewing the anticipated future cash flows of the Group and assessing the risks specific to the business, and also in the context of the global economic downturn, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: 'IFRIC 11 IFRS 2 Group and Treasury Share Transactions and IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

IAS 1 (revised 2007), IAS 23 (revised 2007), IAS 27 (revised 2008), IAS 32 (amended), IAS 39 (amended July 2008 and November 2008) IFRS 1 (amended), IFRS 2 (amended), IFRS 3 (revised 2008), IFRS 8 and IFRIC Interpretations 12, 15, 16, 17 and 18 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 except for:

Additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

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.

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/ROW and North America 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 Sterling, which is the Group's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

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

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

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

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

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 will be 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 2 to 3 years according to the estimated life of the asset;
- fixtures and fittings are depreciated over 4 to 7 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.

Customer relationships and brands
The intellectual property assets of customer relationships and brands acquired are held at cost and are amortised on a straight line basis over their estimated useful lives of up to seven years.

Computer software
Computer software licences and other intellectual property assets acquired are held at cost and are amortised on a straight line basis over their estimated useful lives of 2 to 6 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Research and development costs
Research costs are expensed as incurred. Expenditure arising from development (or from the development phase of an internal project) is capitalised if it satisfies the specified criteria within IAS 38 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 3 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.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, 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 Company 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, and other employees receive Company contributions to other defined contribution schemes. The costs of all schemes are charged to the income statement as incurred. US employees receive an enhancement to their 401k pension scheme contribution of 25%.

2. SEGMENTAL INFORMATION

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

Geographical analysis of revenue by origin	**Year ended 31 March 2009 £000**	Year ended 31 March 2008 £000
United Kingdom / Rest of the World	**20,478**	9,138
North America	**12,907**	10,205
	33,385	19,343

3. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

Analysis of credit in year:	**2009 £000**	**2008 £000**
Overseas tax – current year	114	73
Research and development tax credit – prior year	-	(23)
	114	50
Deferred tax	(2,818)	(550)
	(2,704)	(500)

Factors affecting tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2008: 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:

	2009 £000	**2008 £000**
Profit on ordinary activities before tax	3,361	4,015

	2009 £000	**2008 £000**
Tax on profit on ordinary activities at standard rate	941	1,205
Non deductible expenditure	42	43
Non taxable income	(63)	(55)
Tax effect of share options exercised	-	(557)
Research and development credit – prior year	-	(23)
Current year research and development uplift	(531)	(410)
Tax effect of losses not previously recognised	(2,698)	(550)
Tax effect of current year short-term timing differences not recognised	(509)	(211)
Overseas tax – current year	114	73
Tax effect of rate change on short-term timing differences	-	(15)
Current tax credit for the year	(2,704)	(500)

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 £10.0m (2008: £10.1m) in the UK and $13.2m (2008: $12.8m) in the US as at 31 March 2009.

4. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders for the year ended 31 March 2009 of £6,065,000 (2008: £4,515,000) by the weighted average number of ordinary shares in issue during the year of 53,707,961 (2008: 43,579,731).

	2009 £000	**2008 £000**
Basic and diluted profit attributable to equity holders of the parent	6,065	4,515
	No. '000	**No. '000**
Weighted average number of ordinary shares For the purposes of basic earnings per share	53,708	43,580
Effect of dilutive potential ordinary shares: Share options	373	1,177
Weighted average number of ordinary shares For the purposes of diluted earnings per share	54,081	44,757
Basic earnings per share	11.3p	10.4p
Diluted earnings per share	11.2p	10.1p

In calculating diluted earnings per share there were 4,107,470 options that have not been included as they are anti-dilutive for the period presented (2008: 2,172,900).

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

	Called up share capital £000	**Capital reserves £000**	**Other reserves £000**	**Own shares £000**	**Profit and loss account £000**	**31 March 2009 £000**	**31 March 2008 £000**
At the beginning of the year	10,990	28,352	48	(583)	(13,712)	25,095	19,709
Issue of new shares	3,331	14,727	-	-	-	18,058	894
Profit attributable to members of the group	-	-	-	-	6,065	6,065	4,515
Movement in the period	-	-	133	(47)	-	86	39
Foreign exchange translation differences	-	-	2,402	-	-	2,402	(62)
At the end of the year	14,321	43,079	2,583	(630)	(7,647)	51,706	25,095

6. NOTES TO THE CASH FLOW STATEMENT

	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000
Operating profit	**5,209**	3,728
Adjustments for:		
Depreciation of property, plant and equipment	**431**	251
Amortisation of intangible assets	**786**	146
Amortisation of development costs	**1,065**	568
Loss on sale of property, plant and equipment	**-**	10
Employee benefit charges	**48**	40
IFRS 2 share based payment charge	**164**	114
Operating cash flows before movements in working capital	**7,703**	4,857
Increase in receivables	**(5,382)**	(3,913)
Increase in payables	**2,302**	1,496
Cash from operations	**4,623**	2,440
Tax credit received	**-**	64
Tax paid	**(114)**	(73)
Net cash from operating activities before Integration costs and acquisition item	**4,509**	2,431
Integration costs	**(1,759)**	-
Discontinued business	**(253)**	-
Acquisition item	**(816)**	-
Net cash from operating activities	**1,681**	2,431

As anticipated in agreeing the transaction, following the acquisition of Mediasurface there was an immediate outflow of working capital of £816,000 representing the settlement of overdue creditors.

7. ACQUISITION OF SUBSIDIARY

On 7 July 2008 the Group acquired 100% of the issued share capital of Mediasurface plc. The total cost of acquisition was £17.529m. This transaction has been accounted for by the purchase method of accounting. As part of the consideration 4,526,998 shares, with a fair value of £5.432m, were issued. The fair value was calculated as the market value of the shares as at the date of acquisition.

The carrying amount of each class of Mediasurface's assets before combination is set out below:-

	Book Value £000	**Fair Value Adjustments £000**	**Acquisition Adjustments £000**	**Fair Value £000**
Intangible assets	6,653	(6,653)	6,000	6,000
Tangible assets	250	(19)	-	231
Trade and other receivables	1,984	(74)	-	1,910
Cash and cash equivalents	1,348	(9)	-	1,339
Trade and other payables	(4,893)	(1,074)	-	(5,967)
Bank loans	(1,443)	-	-	(1,443)
Deferred tax asset	-	402	-	402
Deferred tax liabilities	(929)	929	(1,680)	(1,680)
Net assets acquired	2,970	(6,498)	4,320	792
Goodwill arising on acquisition				16,737
Consideration				**17,529**
Satisfied by:-				
Cash consideration				10,868
Costs of acquisition				1,229
Issue of shares				5,432
				17,529

The cash consideration paid by Alterian on completion of £10.868m and costs of acquisition of £1.229m were satisfied out of the net proceeds of a rights issue of 8,796,928 shares placed at 150p raising £13.195m before costs.

The goodwill arising on the acquisition of Mediasurface plc is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Intangibles arising on acquisition comprise intellectual property rights £3.8m, customer relationships £2.0m and brand £0.2m which will be amortised over the useful life of the assets being 7 years.

If the acquisition of Mediasurface plc had been completed on the first day of the financial year, Group revenues for the period would have been £35.340m and Group profit attributable to equity holders of the parent would have been £2.748m.

The business of Mediasurface plc was fully integrated into the Alterian Group within 3 months of acquisition. It is therefore impracticable to extract an accurate amount of the acquiree's profit or loss for the period.

Integration costs

In the period since the acquisition of Mediasurface, the Group has incurred the following costs in respect of integrating the business into the Group:

	£000
Contract terminations	194
Product integration & launch costs	862
Staff termination payments	703
Total	**1,759**

Discontinued operations

The discontinued operations include a product range that does not fit with the Group's development plans. A buyer has been sought for the assets and operations of this division and the results have been excluded from day to day continuing business.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	£000
Revenue	57
Gross loss	(153)
Other operating costs	(157)
Net loss attributable to discontinued operations	**(253)**

8. DIVIDEND

The Company has not declared a dividend in the year to 31 March 2009.

9. DISTRIBUTION

The annual report will be sent to shareholders in June 2009 and will be available to members of the public from the Company's registered office: The Spectrum Building, Bond Street, Bristol, BS1 3LG. The Annual General Meeting will be held on 23 July 2009.