

**Tangent Communications plc**  
("Tangent" or the "Company")

**Results for the half-year ended 31 August 2011**

Tangent, a leading integrator of technology and marketing strategy, with industry leading digital print facilities, today announces interim results for the period March to August 2011.

**Highlights**

- Underlying operating profit<sup>(1)</sup> up by 10.3% to £0.95m (2010: £0.86m)
- Operating profit up 34% to £0.95m (2010: £0.70m)
- Underlying operating margin 8.6% (2010: 7.3%)
- Basic earnings per share up 36% to 0.38p (2010: 0.28p)
- Cash generated from operations £0.89m (2010: £0.56m)
- Launch of printed.com to accelerate online revenues for print products
- Combined Tangent Snowball launches and secures new business with Experian, Pearson and Aston Martin.

<sup>(1)</sup> Underlying operating profit is defined as operating profit after share based payment charges before restructuring costs

Tangent's CEO, Timothy Green commented:

"Improved margins and increased profits have been delivered in the first half, notably at the operating level. We have seen a growing demand, for printed products online and for our web development services. The commercial exploitation of these areas is expected to deliver significant value for the business and will be supported by a growing investment".

For further information, please contact:

**Tangent Communications plc**

Timothy Green 020 7462 6100

**Collins Stewart Europe Ltd**

Matt Goode / Ileana Antypas 020 7523 8350

About the Company: Tangent employs 230 people across four locations in London, Newcastle, Cheltenham and Melbourne and is quoted on AIM (AIM: TNG). For more information please visit [www.tangentplc.com](http://www.tangentplc.com)

## Chief executive's review

### Period Performance

First half operating profits increased by 34%. The strategy set 18 months ago to consolidate and grow the business organically has generated another period of good results. The comparison to 2010-11 performance is particularly positive given that as expected revenues from the General Election project were not repeated.

The sales mix continues to improve with higher margin services replacing high volume work leaving total revenues for the first half lower than 2010-11 by £759k. However, excluding the one-off £1m+ revenues from the General Election campaign in 2010-11, sales would have been marginally higher for the period. With the exception of seasonal fluctuations we now expect the revenue trend to turn upwards, as growth of fee income and online print sales are expected to outstrip any decline from low margin services.

Operating margin improved by 1% as pricing was improved and costs of production were reduced. There is still room for further margin growth as the quality and efficiency of our customer engagements improve.

The launch of printed.com now takes over from our previous online presence. Advertising expenditure for the site has increased to an annual run rate above £300,000, as the next period of growth for the business gains momentum. The costs of acquiring new customers to the site are being recovered by immediate sales but the full potential value is yet to be factored into our forecasts. When a longer period of trading can be analysed, lifetime customer value will be measured and the full return on this investment becomes clearer.

### Segment Performance - Software and Communications (Tangent Snowball)

#### Revenues

Fee income continues to grow and is now above 70% of revenues for this segment. The reduction in revenues has come in print and postage as the £1m in revenue from last year's General Election campaign was not repeated. New business activities have started to pick up pace following the rebranding of Tangent One and Snowball into Tangent Snowball at the end of July 2011. New agreements have been formed with Aston Martin, Experian, Pearson and Richemont showing the high calibre of our customer engagements.

#### E-commerce Platform Investment

Investment has stepped up above an annual run rate of £250,000, as resources are now expended on the development and support for our TaoShop platform. The cost has not been capitalised although we do expect to gain from increasing margins on projects in 2012 / 13 and beyond. The open source nature of the platform allows for more flexible and collaborative resourcing models, generating fast and cost effective solutions. .

#### Outlook

The digital market is competitive yet we continue to win larger budgets from both new and existing customers as the breadth of our offering develops. The consolidation of this business segment into one unit is complete with sales growth and margin benefits set to continue for the remainder of the year and into 2012-13.

### Segment Performance - Design and Print (Ravensworth, printed.com and T/OD)

#### Revenues

Revenues for the segment increased, in aggregate by 3% over the same period in the previous year. Higher revenues through the online print shop were offset by static revenues from the estate agency sector and reduced direct mail sales. The shift in the sales mix to higher value digital print products is set to continue and will be reflected in an improving gross margin for print sales. The dependency on large budgets from single clients will diminish as the volume of customers climbs. Over 500 new customers have been added through the online channel in the first six months of the year and a similar build up is expected over the second half.

#### Advertising

Our marketing expenditure is growing, as the cost of attracting new customers to printed.com shifts away from traditional sales methods to PPC (Pay Per Click) and SEO (Search Engine Optimisation). We are experiencing excellent returns on this expenditure and budgets are increasing monthly as we aim to capture a greater share of the market. We are investing in a brand which will increase its share of the expanding market place of printed products ordered via the internet.

#### Production

With control over our own manufacturing, we are able to increase our product range swiftly, placing us at an advantage against some competitors that outsource. As sales for each product in the range builds we will realise increased efficiencies of production and this will result in our margins increasing yet further. This efficiency cycle is yet to be fully developed as the market is new and fast moving, yet we are confident that it represents a greater opportunity for long term returns rather than an immediate challenge.

#### Outlook

Currently we are funding all our growth activities with a view to deliver immediate returns. We will need to move to a longer term strategy to ensure we can build scale and barriers to entry that ensure the print asset in Tangent is both protected and expanded. We are currently reviewing the options available to us to best achieve our objective. We expect to report more fully on the progress of printed.com at the full year and set out our plans for expansion.

## Consolidated statements of comprehensive income

	Notes	Half-year ended 31 August 2011 (unaudited) £000	Half-year ended 31 August 2010 (unaudited) £000	Year ended 28 February 2011 (audited) £000
<b>Revenue</b>		<b>11,057</b>	11,816	22,394
Cost of sales		<b>(5,269)</b>	(5,759)	(11,426)
<b>Gross profit</b>		<b>5,788</b>	6,057	10,968
Operating expenses		<b>(4,842)</b>	(5,199)	(9,617)
<b>Underlying operating profit</b>		<b>946</b>	858	1,351
Group restructuring expense		(-)	(154)	(297)
<b>Operating profit</b>		<b>946</b>	704	1,054
Finance costs		<b>(8)</b>	(2)	(2)
<b>Profit before tax</b>		<b>938</b>	702	1,052
Tax		<b>(283)</b>	(228)	(279)
<b>Profit for the period</b>		<b>655</b>	474	773
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations		<b>6</b>	(1)	4
<b>Total comprehensive income for the period</b>		<b>661</b>	473	777
<hr/>				
<b>Earnings per share (pence)</b>	4			
Basic		<b>0.38</b>	0.28	0.45
Diluted		<b>0.36</b>	0.27	0.43

The results shown above relate to continuing operations and are attributable to equity shareholders of the company.

**Consolidated statements of changes in equity for  
the half-year ended 31 August 2011**

	Share capital £000	Share premium £000	Merger Reserve £000	Other Reserves £000	Retained earnings £000	Total equity £000
<b>Half year ended 31 August 2011</b>						
<b>At 1 March 2011</b>	1,748	12	1,374	2,443	14,508	20,085
<b>Comprehensive income</b>						
Profit for the period	—	—	—	—	655	655
Other comprehensive income	—	—	—	—	6	6
<b>Total comprehensive income</b>	—	—	—	—	661	661
<b>Transactions with owners</b>						
Equity dividend	—	—	—	—	(347)	(347)
Credit to equity for equity-settled share based payments	—	—	—	15	—	15
Shares to be issued	—	—	—	38	—	38
<b>Total transactions with owners</b>	—	—	—	53	(347)	(294)
<b>At 31 August 2011</b>	<b>1,748</b>	<b>12</b>	<b>1,374</b>	<b>2,496</b>	<b>14,822</b>	<b>20,452</b>
<b>Half-year ended 31 August 2010</b>						
<b>At 1 March 2010</b>	1,706	12	917	2,856	14,078	19,569
<b>Comprehensive income</b>						
Profit for the period	—	—	—	—	474	474
Other comprehensive income	—	—	—	—	(1)	(1)
<b>Total comprehensive income</b>	—	—	—	—	473	473
<b>Transactions with owners</b>						
Equity dividend	—	—	—	—	(347)	(347)
Credit to equity for equity-settled share based payments	—	—	—	6	—	6
Issue of shares	42	—	457	(499)	—	—
<b>Total transactions with owners</b>	42	—	457	(493)	(347)	(341)
<b>At 31 August 2010</b>	<b>1,748</b>	<b>12</b>	<b>1,374</b>	<b>2,363</b>	<b>14,204</b>	<b>19,701</b>
<b>Year ended 28 February 2011</b>						
<b>At 1 March 2010</b>	1,706	12	917	2,856	14,078	19,569
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	773	773
Other Comprehensive income	—	—	—	—	4	4
<b>Total comprehensive income</b>	—	—	—	—	777	777
<b>Transactions with owners</b>						
Equity dividend	—	—	—	—	(347)	(347)
Credit to equity for equity-settled share based payments	—	—	—	17	—	17
Shares to be issued	—	—	—	69	—	69
Issue of shares	42	—	457	(499)	—	—
<b>Total transactions with owners</b>	42	—	457	(413)	(347)	(261)
<b>At 28 February 2011</b>	<b>1,748</b>	<b>12</b>	<b>1,374</b>	<b>2,443</b>	<b>14,508</b>	<b>20,085</b>

**Consolidated balance sheet  
at 31 August 2011**

	Notes	31 August 2011 (unaudited) £000	31 August 2010 (unaudited) £000	28 February 2011 (audited) £000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets – goodwill		16,397	15,932	16,234
Other intangible assets		14	49	27
Property, plant and equipment	5	1,746	1,427	1,796
Deferred tax asset		132	—	112
		18,289	17,408	18,169
<b>Current assets</b>				
Inventories		110	98	135
Trade and other receivables		5,866	5,784	5,358
Cash and cash equivalents		2,489	1,505	1,934
		8,465	7,387	7,427
<b>Total assets</b>		26,754	24,795	25,596
<b>Liabilities</b>				
<b>Current liabilities</b>				
Borrowings		(89)	(56)	(112)
Trade and other payables		(4,536)	(4,313)	(4,450)
Dividend payable	6	(347)	(347)	—
Current tax liabilities		(733)	(378)	(432)
Provisions	7	(358)	—	(233)
		(6,063)	(5,094)	(5,227)
<b>Non-current liabilities</b>				
Borrowings		(239)	—	(284)
		(239)	—	(284)
<b>Total liabilities</b>		(6,302)	(5,094)	(5,511)
<b>Net assets</b>		20,452	19,701	20,085
<b>Equity</b>				
Share capital	8	1,748	1,748	1,748
Share premium		12	12	12
Merger reserve		1,374	1,374	1,374
Other reserves		2,496	2,363	2,443
Retained earnings		14,822	14,204	14,508
<b>Total equity – attributable to equity shareholders of the company</b>		20,452	19,701	20,085

**Consolidated statements of cash flows  
for the half-year ended 31 August 2011**

		Half-year Ended 31 August 2011 (unaudited) £000	Half-year ended 31 August 2010 (unaudited) £000	Year Ended 28 February 2011 (audited) £000
	Notes			
<b>Operating activities</b>				
Cash flow from operations	9	891	549	1,827
Interest paid		(8)	(2)	(2)
Tax received/(paid)		—	9	(100)
<b>Net cash inflow from operating activities</b>		<b>883</b>	<b>556</b>	<b>1,725</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(280)	(171)	(903)
Sale of property, plant and equipment		20	6	5
<b>Net cash used in investing activities</b>		<b>(260)</b>	<b>(165)</b>	<b>(898)</b>
<b>Financing activities</b>				
Dividends paid		—	—	(347)
Repayment of borrowings		(68)	(31)	(62)
New finance leases raised		—	—	371
<b>Net cash used in financing activities</b>		<b>(68)</b>	<b>(31)</b>	<b>(38)</b>
<b>Increase in cash and cash equivalents</b>		<b>555</b>	<b>360</b>	<b>789</b>
Cash and cash equivalents at beginning of period		1,934	1,145	1,145
<b>Cash and cash equivalents at end of period</b>		<b>2,489</b>	<b>1,505</b>	<b>1,934</b>

## Notes to the financial information for the half-year ended 31 August 2011

### 1. Basis of preparation

This consolidated half-yearly financial information, which is condensed and unaudited for the half-year ended 31 August 2011, has been prepared in accordance with the accounting policies which the group expects to adopt in its next annual report and is consistent with those adopted in the consolidated financial statements for the year ended 28 February 2011. These accounting policies are based on the EU-adopted International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the group expects to be applicable at that time. This consolidated half-yearly information for the half-year ended 31 August 2011 has been prepared in accordance with IAS 34: Interim Financial Reporting, as adopted by the EU and under the historical cost convention.

The information relating to the half-years ended 31 August 2011 and 31 August 2010 is unaudited and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. It has, however, been reviewed by the auditors and their report is set out at the end of this document. The comparative figures for the year ended 28 February 2011 have been extracted from the consolidated financial statements, on which the auditors gave an unqualified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The annual report and accounts for the year ended 28 February 2011 has been filed with the Registrar of Companies.

The group's financial risk management objectives and policies are consistent with those disclosed in the 2011 annual report and accounts.

The half-yearly report was approved by the board of directors on 28 October 2011.

The half-yearly report is available on Tangent's website, [www.tangentplc.com](http://www.tangentplc.com), and is being sent to shareholders. Further copies are available at the Tangent's registered office, 84–86 Great Portland Street, London W1W 7NR.

### Going concern

The directors are satisfied that the group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### 2. Operating segments

On 1<sup>st</sup> March 2011 Tangent revised its business segments as follows:-

Software and communications

This segment includes Tangent Snowball and Tangent Labs.

Design and print

This segment includes Ravensworth and Tangent on Demand.

This disclosure correlates with the information that is presented to the group's chief decision maker, the board of directors, which reviews revenues and operating profits by segment but assets at a consolidated level.

The comparative periods below have been amended to reflect the change in business segments as noted above, this change does not have any impact on previously reported operating profits, net assets or earnings per share of the group.

	Software and Communications £000	Design and Print £000	Central £000	Total £000
<b>Half-year ended 31 August 2011</b>				
<b>Revenue</b>	<b>5,403</b>	<b>5,684</b>	<b>—</b>	<b>11,087</b>
Less inter segment sales	—	(30)	—	(30)
Revenue from external customers	<b>5,403</b>	<b>5,654</b>	<b>—</b>	<b>11,057</b>
<b>Results</b>				
Underlying operating profit	<b>578</b>	<b>524</b>	<b>(156)</b>	<b>946</b>
Group restructuring expense	—	—	—	—
Operating profit	<b>578</b>	<b>524</b>	<b>(156)</b>	<b>946</b>
Finance cost	—	(8)	—	(8)
Profit before tax	<b>578</b>	<b>516</b>	<b>(156)</b>	<b>938</b>
Tax				<b>(283)</b>
Profit for the period				<b>655</b>

## 2. Operating segments (continued)

	Software and Communications £000	Design and Print £000	Central £000	Total £000
<b>Half-year ended 31 August 2010</b>				
Revenue	7,494	5,548	—	13,042
Less inter segment sales	(1,187)	(39)	—	(1,226)
Revenue from external customers	6,307	5,509	—	11,816
<b>Results</b>				
Underlying operating profit	510	469	(121)	858
Group restructuring expense	(56)	(40)	(58)	(154)
Operating profit	454	429	(179)	704
Finance cost	—	(2)	—	(2)
Profit before tax	454	427	(179)	702
Tax				(228)
Profit for the period				474
<b>Year ended 28 February 2011</b>				
Revenue	14,804	10,330	—	25,134
Less inter segment sales	(2,650)	(90)		(2,740)
Revenue from external customers	12,154	10,240	—	22,394
<b>Results</b>				
Underlying operating profit	980	629	(258)	1,351
Group restructuring expense	(170)	(69)	(58)	(297)
Operating profit	810	560	(316)	1,054
Finance cost	—	(2)	—	(2)
Profit before tax	810	558	(316)	1,052
Tax				(279)
Profit for the period				773

## 3. Share options and share-based payment charge

The total share-based payment charge for the period was £15,000 (half-year ended 31 August 2010: £6,000 and year ended 28 February 2011: £17,000) and has been included with operating expenses.

The movements in share options and the corresponding weighted average exercise prices ("WAEP") are summarised below:

	Number 000	WAEP Pence
At 1 March 2011	13,967	4.50
Granted	777	1.00
<b>At 31 August 2011</b>	<b>14,744</b>	<b>4.32</b>

For the share options outstanding at 31 August 2011 exercise prices ranged between 1p and 13.25p per share and the weighted average remaining contractual life was 4.23 years.

## 4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

	Half-year ended 31 August 2011 £000	Half-year Ended 31 August 2010 £000	Year ended 28 February 2011 £000
Profit attributable to shareholders	655	474	773

#### 4. Earnings per share (continued)

	Number 000	Number 000	Number 000
<b>Weighted average number of shares:</b>			
For basic earnings per share	<b>173,264</b>	169,467	173,264
Adjustment for options outstanding	<b>4,924</b>	3,652	3,814
Adjustment for contingent shares	<b>1,753</b>	—	1,126
For diluted earnings per share	<b>179,941</b>	173,119	178,204
	<b>Pence per share</b>	Pence per share	Pence per share
<b>Earnings per share:</b>			
Basic	<b>0.38</b>	0.28	0.45
Diluted	<b>0.36</b>	0.27	0.43

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Tangent has two categories of dilutive potential ordinary shares: share options and shares contingently issuable as consideration for an acquisition.

A calculation is performed for the share options to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares from this calculation is compared with the number of shares that would have been issued assuming the exercise of the options and the difference is deemed to be the number of dilutive shares attributable to share options.

The estimated number of shares that will be issued in the future as purchase consideration for current subsidiaries is deemed to be the number of dilutive shares issuable as consideration for acquisitions.

#### 5. Property, plant and equipment

During the period the group spent £278,195 on additions to plant, equipment and computers to upgrade production facilities and enhance client services.

#### 6. Dividends

Amounts recognised as distributions to equity holders in the period:

	Half-year ended 31 August 2011 £000	Half-year ended 31 August 2010 £000	Year Ended 28 February 2011 £000
Dividend for the year ended 28 February 2011 of 0.2p per share	<b>347</b>	347	—

The Tangent employee share ownership trust holds 1,428,340 shares and it has waived its right to receive dividends.

The dividend for the year ended 28 February 2011 was approved by shareholders at the annual general meeting on 30 August 2011 and paid on 21 September 2011 it has therefore been recognised as a liability at 31 August 2011.

#### 7. Provisions

Provisions are for the cash consideration payable for the acquisition of the entire share capital of The DDG Network Limited together with the business and assets of Double D Management LLP.

#### 8. Share Capital

##### Allotted and fully paid

	Number of ordinary 1p shares		
	31 August 2011 000	31 August 2010 000	28 February 2011 000
Bought forward	<b>174,692</b>	170,534	170,534
Issued in the period	<b>—</b>	4,158	4,158
<b>Carried forward</b>	<b>174,692</b>	174,692	174,692

## 8. Share Capital (continued)

	31 August 2011 £000	Nominal value	
		31 August 2010 £000	28 February 2011 £000
Brought forward	1,748	1,706	1,706
Issued in the period	—	42	42
<b>Carried forward</b>	<b>1,748</b>	<b>1,748</b>	<b>1,748</b>

## 9. Cash flow from operations

	Half-year Ended 31 August 2011 £000	Half-year ended 31 August 2010 £000	Year Ended 28 February 2011 £000
	Profit before tax for the period	938	702
Depreciation and amortisation of non-current assets	341	348	732
Profit on sale of plant and equipment	(20)	(5)	(3)
Net interest charge	8	2	2
Net foreign exchange gain/(loss)	6	(1)	4
Share-based payment charge	15	6	17
	1,288	1,052	1,804
<b>Movements in Working Capital</b>			
Decrease/(increase) in inventories	25	8	(29)
Increase in trade and other receivables	(508)	(498)	(72)
Increase/(decrease) in trade and other payables	86	(13)	124
Cash generated from operations	891	549	1,827

## 10. Analysis of net funds

	1 March 2011 £000	Cash flows £000	31 August 2011 £000
	Cash at bank and in hand	1,934	555
Finance Leases	(396)	68	(328)
Net funds	1,538	623	2,161

## **Independent review report by the auditors for the half-year ended 31 August 2011**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the half-year ended 31 August 2011 which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union.

### **Our responsibility**

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

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2010: Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the half-year ended 31 August 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

### **UHY Hacker Young LLP**

#### ***Chartered Accountants***

Quadrant House  
4 Thomas More Square  
London E1W 1YW

28 October 2011

### **Notes**

1. The maintenance and integrity of the Tangent Communications plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half-yearly report or the auditors' review report since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.