

**14 May 2008**

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

**Preliminary results for the year ended 29 February 2008**

Tangent (AIM: TNG) the technology-led digital marketing company, today announces its preliminary results for the year ended 29 February 2008.

**Financial Highlights**

- Revenue up 102% to £17.36m (2007: £8.61m)
- Underlying operating profit up 128% to £2.44m (2007: £1.07m)
- Underlying operating margin up to 14.0% (2007: 12.4%)
- Underlying basic earnings per share up by 31% to 1.24p (2007: 0.95p)
- Diluted earnings per share up 69% to 0.88p
- Operating cash generation doubled to £2.55m (2007: £1.18m)
- Maiden dividend of 0.2p per share proposed
- Underlying operating profit excluding acquisitions up 22%

Underlying figures exclude the non-cash share-based payment charge

**Operational Highlights**

- Signed a two year agreement with Gala Coral Group
- Signed a contract with one of the UK's largest direct marketers
- Launched a data management and data processing team
- Launched a search marketing service responding to contract win
- Launched ZUI, a new business partnership selling business software to corporates

Commenting on the results, Nicholas Green, Joint CEO, said:

"I am pleased to report on what has been a breakthrough year for Tangent. We have made significant progress towards our key objectives and doubled the size of the company. This confidence is reflected in the board's announcement of its proposal for the first ever dividend payment to shareholders."

**Further Enquiries:**

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These interim results can also be viewed on the Tangent Communications plc website: [www.tangentuk.com](http://www.tangentuk.com)

## **Chairman's statement**

Tangent has had an excellent year in terms of profit, cash generation and earnings per share. I am delighted that we are now able to propose our maiden dividend of 0.2p per share. This is covered over 5 times by underlying basic earnings and we intend to have a progressive dividend policy. The board considers that, over the long term, dividends will form an important part of total shareholder return.

Nick Green and Tim Green's joint chief executives' review explains in detail how this has been achieved, and they and Graeme Harris, the finance director, and all our employees deserve considerable commendation.

The management team at Ravensworth, which operate our large digital printing operation, have not only continued to grow their active customer numbers in the residential estate agency services business but have also diversified into new markets. Thus, while it is likely that sales per estate agency customer will be lower this year, the business can continue to prosper.

In January 2008 we made a proposal to acquire TMN Group, an AIM listed company which in stock market terms was about twice the size of Tangent. The combination of Tangent and TMN Group would have produced a powerful force with a full set of digital marketing services with the potential to cross-sell our respective services. However, during the early part of April it became clear to us that we should not pursue the proposal in what appeared to be becoming an auction process. Tangent did not incur any material costs associated with making the proposal. Tangent will continue to look for appropriate acquisition opportunities whilst maintaining investment discipline.

Now looking forward, we have confidence in our future. We are a relatively small company which through hard work, considerable innovative talent and a strong financial base can grow substantially in probably some weaker markets by taking extra increments of marketing budgets, particularly by digital conversion. We don't have expensive offices or extravagant marketing costs and management is rewarded substantially from results not salaries.

Finally, I am pleased to report that Greg Jackson, a founder of C360, which is now Tangent Labs, joins the board today and he will add great insight into our online marketing operation where we see a significant opportunity for growth.

### **Piers Caldecote**

Non-Executive Chairman

14 May 2008

## **Chief executives' review**

### **Performance**

We are pleased to report on what has been a breakthrough year for Tangent. We have made significant progress towards our key objectives and are steadily growing the business. This confidence is reflected in the board's announcement of the company's first ever dividend payment for shareholders.

Tangent doubled in size during the year. Revenue increased by over 100% to £17.36m (2007: £8.61m). Profits grew even more significantly. Underlying operating profit for the year stood at £2.44m compared with £1.07m in the prior year. Tangent remains a strongly cash-generative business. Cash generated from our operations increased to £2.55m (£1.18m) and profits converted in to cash at a rate of 105%.

Profitability is also up significantly. We achieved an operating margin of 14%, 1.6% ahead of the previous year's record performance. Two years ago we were achieving margins of just 9.5%. The steady improvement in profitability is an important indicator of the success of our strategy to increase the percentage of our earnings which come from pure technology sales.

### **The year in focus**

We made good progress towards realising our ambition of building an integrated business with a strong technological infrastructure.

The acquisition of Ravensworth in March 2007 was a very important step in Tangent's development. It created good new revenue streams. It gave us the capability to deliver new outputs and, crucially, it has given us the scale to compete for larger contracts and bigger clients. We are therefore increasing the size of the Newcastle facility by 10,000 sq ft to a total of 25,000 sq ft.

As part of Tangent, the Newcastle facility has had considerable success in attracting new clients with national data-driven digital campaigns. In December Tangent started working with one of the UK's largest direct marketing companies in converting their customer communications from non-personalised to personalised. Although work remains at an early stage the win was only achieved through the demonstration of Tangent's increased scale and digital capabilities.

Tangent is also providing new services in the property arena. From a standing start in June 2007, Tangent is now the UK's third largest supplier of Home Information Packs (HIPs) and we expect to improve on this position during the next quarter.

We have also extended our leadership in online local marketing solutions. With new large corporate accounts added we have more than doubled the number of daily orders received this year. Thousands of local managers are now using Tangent online tools to construct marketing campaigns using point of sale, direct mail, email or SMS. This creates two advantages for local managers, first is the speed to market against their competitors and second is the ability to customise to local conditions. The tools we provide continue to develop and deliver for local branch networks and will provide a sector for growth in 2009.

We emphasise long-term partnerships with our customers. Our approach is not simply to provide products, but to get to grips with our customers' concerns. We then propose innovative solutions that take advantage of the leverage and measurability afforded by technology. We design, build and operate systems to meet specific needs. Our customers know that we will not only give them the tools they need, we

will work with them to maximise their effectiveness and will remain accountable. For example, from building a retail website hosting 1.3 million products we were able to add a fully integrated search and email marketing service.

The ability to measure marketing effectiveness is a key element in what we can offer. Technology and pressure on budgets are driving demands for improved measurability from marketing professionals. Our strength in technology gives us a clear competitive advantage in our core markets as well as generating intellectual property which enables us to move into new markets, for example through our joint venture Zui.

## **Outlook**

We are generally confident about the outlook for the business.

In the year under review we saw uncharacteristic seasonal fluctuation in the business. The property market is traditionally most active in the first half, and our interim profits reflected this. This seasonality is not expected to be repeated in the current year, partly because the contribution from property particulars is down due to the state of the property market, but more significantly because the business has grown into other sectors.

We are seeing growth in our technology-based and online activities and we expect to see this growth offset any decline in our property business. We are experiencing growth in high margin digital services such as e-commerce, websites, search marketing and email delivery. We have gained some important new clients for our local digital solutions.

Tangent is a growing business. We remain alert to opportunities to scale up our activities, through organic growth, by extending the breadth of what we offer and, where relevant, via strategic acquisitions. We continue to focus on growing while remaining a strongly cash-generative business. We expect to see consolidation opportunities arise during the year and we are well placed to take advantage.

We would like to thank all employees for their hard work and excellent contribution during the year and look forward to another year of growth.

**Nicholas Green and Timothy Green**

Joint Chief Executives

14 May 2008

## **Financial review**

### **Overview**

The year ended 29 February 2008 was another year of significant achievement for Tangent. Within a month of the beginning of the year, the acquisition of Ravensworth was completed and it has subsequently performed ahead of expectations.

With further organic growth in our existing business and a high operating cash conversion rate, the board has taken steps to enable Tangent to pay a dividend and we will propose a maiden dividend at the annual general meeting on 24 July 2008.

### **Key performance indicators (KPIs)**

We manage Tangent's business using KPIs which measure underlying performance. For the year under review and the prior year, underlying performance excludes only the share-based payment charge.

We believe that our focus on the KPIs as set out below will in the medium and long term deliver value for shareholders.

- Revenue doubled to £17.36m (2007: £8.61m)
- Underlying operating profit increased by 128% to £2.44m (2007: £1.07m)
- Underlying operating margin improved to 14.0% (2007: 12.4%)
- Underlying basic earnings per share grew by 31% to 1.24p (2007: 0.95p) and
- Operating cash generation increased by 117% to £2.55m (2007: £1.18m) representing a cash conversion rate of 105% (2007: 110%) of underlying operating profit.

### **Trading performance**

The acquisition of Ravensworth in March 2007 made a significant contribution to the more than doubling of revenue and underlying operating profit. Nevertheless, excluding this acquisition, revenue increased by 16% and underlying operating profit grew by 22%.

### **Share-based payment charge**

The share-based payment charge of £0.40m (2007: £0.39m) is for the fair value of options granted and mostly relates to those granted in 2005. This charge has been excluded from underlying operating profit as there is no related cash flow and it results in no reduction in equity attributable to shareholders.

### **Taxation**

The tax charge of £0.55m (2007 £0.09m) equates to 26.4% of profit before tax. After adding back the share-based payment charge, which is excluded from the calculation of taxable profits, the underlying tax rate was 22.1% (2007: 8.0%). The tax charge is significantly lower than the standard corporation tax rate of 30% because the group has the benefit of past tax losses. The increase in the underlying tax rate compared with the prior year arose because profits from acquisitions do not benefit from these tax losses. At the year end the group had £0.7m of tax losses available to offset against future profits.

### **Earnings**

Underlying profit before tax increased to £2.5m (2007: £1.08m). Underlying profit after tax increased to £1.94m (2007: £0.99m) which equates to underlying basic earnings per share of 1.24p (2007: 0.95p) and underlying diluted earnings per share 1.11p (2007: 0.86p).

## **Acquisitions**

On 27 March 2007 Tangent acquired Ravensworth, a digital marketing business, for £6.04m including expenses. The acquisition was completed without any contingent or deferred consideration. To fund the acquisition Tangent issued 50 million new shares, mostly placed with institutional fund managers that invested in Tangent for the first time.

In the period since acquisition, Ravensworth contributed £1.13m to underlying operating profit, which is a 15.3% margin on sales of £7.4m. Cash generation has also been strong with a contribution of £0.88m to net funds since acquisition.

During the year the directors' estimate of the future consideration payable for C360, which was acquired in July 2006, increased by £1 million. Our estimate, reflected in the financial statements, is that the maximum contingent consideration will be payable.

## **Cash flow**

Operating cash flow of £2.55m (2007: £1.18m) was strong and tracked closely to underlying operating profit. Tax payments of £0.59m (2007: £0.03m) were a significant cash outflow for the first time.

Capital expenditure of £0.64m (2007: £0.50m) was mostly spent on new digital equipment.

Over the year, net funds improved by £1.38m to £2.43m (2007: £1.05m).

## **Balance sheet**

The year end net assets were £19.38m compared with £10.23m for the prior year. The main change arises from the consolidation of the Ravensworth balance sheet for the first time and goodwill arising from acquisitions. The £6.47m increase in goodwill includes £5.47m for Ravensworth and £1m for additional future consideration payable for C360.

In January 2008 the capital structure of Tangent was changed at a general meeting, and subsequently confirmed by the High Court, to enable the payment of dividends. The net effect was to increase retained earnings by £20.6m and reduce the share premium reserve by £13.17m and the merger reserve by £7.43m. Net assets were not affected. The cost of the restructuring has been recognised within operating expenses.

## **Dividends**

The board believes that paying a dividend is an important part of providing total shareholder return. We will propose a maiden dividend of 0.2 pence per share at the annual general meeting on 24 July 2008. If approved, the dividend will be paid on 22 August 2008 to shareholders on the register on 25 July 2008. The proposed dividend is covered 5.8 times by underlying earnings.

## **International Financial Reporting Standards (IFRS)**

As required by AIM, the alternative investment market of the London Stock Exchange, Tangent has fully adopted IFRS from 1 March 2007. The prior year comparative numbers are restated as required under IFRS.

The main adjustment on transition to IFRS arose from the revised treatment of goodwill for which a goodwill amortisation charge of £0.39m has been reversed and reinstated on the balance sheet.

**Treasury, funding and exchange risk**

The group finances its operations through funds raised from shareholders, retained earnings and finance lease borrowings. The funding structure comprises variable rate borrowings and cash balances to maintain a high level of financial flexibility for potential acquisitions and investments. Regular reports on cash balances and borrowings are provided to the board.

The majority of trade is conducted in sterling although a material amount is denominated in euro. The directors monitor exposure and, where possible, match euro-denominated revenue and expenditure or hedge some of the exposure to mitigate the foreign exchange risk.

**Graeme Harris**

Finance Director

14 May 2008

## Consolidated income statement for the year ended 29 February 2008

	Notes	2008 £000	2007 £000
<b>Revenue</b>		<b>17,361</b>	8,605
Cost of sales		<b>(9,277)</b>	(4,515)
<b>Gross profit</b>		<b>8,084</b>	4,090
Operating expenses		<b>(5,646)</b>	(3,020)
<b>Underlying operating profit</b>		<b>2,438</b>	1,070
Share based payment charge	8	<b>(402)</b>	(388)
<b>Operating profit</b>		<b>2,036</b>	682
Finance income		<b>58</b>	8
<b>Profit before tax</b>		<b>2,094</b>	690
Tax		<b>(552)</b>	(86)
<b>Profit for the year</b>		<b>1,542</b>	604
<b>Earnings per share (pence) *</b>	3		
Basic		<b>0.98</b>	0.58
Diluted		<b>0.88</b>	0.52

\* Earnings per share based on underlying profit is shown in note 3 to the preliminary results.

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

## Consolidated balance sheet for the year ended 29 February 2008

	Notes	2008 £000	2007 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets - goodwill	5	14,961	8,487
Property, plant and equipment		1,638	675
		<b>16,599</b>	<b>9,162</b>
<b>Current assets</b>			
Inventories		95	87
Trade and other receivables		4,324	2,268
Cash and cash equivalents		2,664	1,334
		<b>7,083</b>	<b>3,689</b>
<b>Total assets</b>		<b>23,682</b>	<b>12,851</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings		(90)	(70)
Trade and other payables		(3,391)	(1,721)
Current tax liabilities		(296)	(117)
Provisions		(167)	(167)
		<b>(3,944)</b>	<b>(2,075)</b>
<b>Non-current liabilities</b>			
Borrowings		(149)	(215)
Provisions		(166)	(333)
Deferred tax		(39)	-
		<b>(354)</b>	<b>(548)</b>
<b>Total liabilities</b>		<b>(4,298)</b>	<b>(2,623)</b>
<b>Net assets</b>		<b>19,384</b>	<b>10,228</b>
<b>Equity</b>			
Share capital	7	1,660	1,118
Share premium account		-	7,860
Merger reserve		459	7,022
Other reserves		3,108	2,208
Retained earnings/(losses)		14,157	(7,980)
<b>Total equity - attributable to equity shareholders of the company</b>		<b>19,384</b>	<b>10,228</b>

## Consolidated cash flow statement for the year ended 29 February 2008

	2008 £000	2007 £000
<b>Net cash inflow from operations</b>		
Cash generated from operations	2,552	1,177
Interest paid	(29)	(19)
Tax paid	(591)	(27)
<b>Net cash inflow from operating activities</b>	<b>1,932</b>	<b>1,131</b>
<b>Investing activities</b>		
Acquisition of subsidiary, net of cash acquired	(5,479)	(483)
Payment of contingent consideration	(167)	-
Purchase of property, plant and equipment	(635)	(498)
Sale of property, plant and equipment	27	61
Interest received	87	27
<b>Net cash used in investing activities</b>	<b>(6,167)</b>	<b>(893)</b>
<b>Financing activities</b>		
Proceeds from issue of shares, net of costs	5,771	-
Repayment of borrowings	(206)	(144)
New borrowings raised	-	308
Proceeds from exercise of share options	-	10
<b>Net cash inflow from financing activities</b>	<b>5,565</b>	<b>174</b>
<b>Increase in cash and cash equivalents</b>	<b>1,330</b>	<b>412</b>
Cash and cash equivalents at beginning of year	1,334	922
<b>Cash and cash equivalents at end of year</b>	<b>2,664</b>	<b>1,334</b>

## Consolidated statement of changes in equity for the year ended 29 February 2008

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Retained earnings/ (losses) £000	Total equity £000
At 1 March 2006	951	7,860	5,189	1,319	(8,593)	6,726
Share-based payment charge	-	-	-	388	-	388
Issue of shares	167	-	1,833	-	-	2,000
Contingent consideration	-	-	-	500	-	500
Release of funds on share distribution	-	-	-	1	9	10
Retained profit for the year	-	-	-	-	604	604
At 28 February 2007	1,118	7,860	7,022	2,208	(7,980)	10,228
Share-based payment charge	-	-	-	402	-	402
Issue of shares	542	5,594	867	(501)	-	6,502
Share issue costs	-	(289)	-	-	-	(289)
Contingent consideration	-	-	-	999	-	999
Capital restructuring	-	(13,165)	(7,430)	-	20,595	-
Retained profit for the year	-	-	-	-	1,542	1,542
<b>At 29 February 2008</b>	<b>1,660</b>	<b>-</b>	<b>459</b>	<b>3,108</b>	<b>14,157</b>	<b>19,384</b>

## **Notes to the preliminary results**

### **1. Basis of preparation**

Tangent Communications plc is listed on AIM, the Alternative Investment Market of the London Stock Exchange, and has the TIDM code TNG and it is incorporated in England.

On 1 March 2007, in accordance with the rules of the AIM Market, the group adopted International Financial Reporting Standards as adopted by the European Union ("IFRS").

The group's consolidated financial statements for the year ended 29 February 2008, from which this financial information has been extracted, and for the comparative year ended 28 February 2007 are therefore prepared on a going concern basis and in accordance with IFRS, and in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

As this is the first year in which the group has prepared its financial statements under IFRS, the comparatives have been restated from UK Generally Accepted Accounting Practice ("UK GAAP") to comply with IFRS.

The financial information contained in this report does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures are extracted from the audited financial statements for the year ended 29 February 2008 which will be filed with the Registrar of Companies, sent to shareholders and will be available on Tangent's website at [www.tangentuk.com](http://www.tangentuk.com).

The comparative figures for the year ended 28 February 2007 are not the statutory financial statements for that year. Those accounts, which were prepared under UK GAAP, have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The changes on the transition to IFRS, the reconciliations of the comparative year information to the financial statements as published in UK GAAP, and the significant accounting policies are set out in Tangent's interim report dated 7 November 2007 which is available on Tangent's website at [www.tangentuk.com](http://www.tangentuk.com).

## 2. Continuing and acquired operations

	2008 Continuing £000	2008 Acquired £000	<b>2008 Total £000</b>	2007 Total £000
<b>Revenue</b>	9,959	7,402	<b>17,361</b>	8,605
Cost of sales	(5,058)	(4,219)	<b>(9,277)</b>	(4,515)
<b>Gross profit</b>	4,901	3,183	<b>8,084</b>	4,090
Operating expenses	(3,594)	(2,052)	<b>(5,646)</b>	(3,020)
<b>Underlying operating profit</b>	1,307	1,131	<b>2,438</b>	1,070
Share based payment charge	(402)	-	<b>(402)</b>	(388)
<b>Operating profit</b>	905	1,131	<b>2,036</b>	682

On 27 March 2007 Tangent acquired Ravensworth Digital Services Limited and further details are set out in note 6 below.

### 3. Earnings per share

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

	<b>2008</b>	2007
	<b>£000</b>	£000
Profit attributable to shareholders	<b>1,542</b>	604
Share based payments	<b>402</b>	388
Underlying profit attributable to shareholders	<b>1,944</b>	992

<b>Weighted average number of shares:</b>	<b>Number 000</b>	Number 000
For basic earnings per share	<b>156,996</b>	104,278
Adjustment for options outstanding	<b>9,417</b>	8,972
Adjustment for contingent shares	<b>8,325</b>	2,665
For diluted earnings per share	<b>174,738</b>	115,915

<b>Earnings per share:</b>	<b>Pence per share</b>	Pence per share
Basic	<b>0.98</b>	0.58
Underlying basic	<b>1.24</b>	0.95
Diluted	<b>0.88</b>	0.52
Underlying diluted	<b>1.11</b>	0.86

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.

#### 4. Dividend

	<b>2008</b>	2007
	<b>£000</b>	£000
Proposed final dividend for the year of 0.2 pence per share	<b>337</b>	-

The proposed final dividend is subject to approval by shareholders at the 2008 annual general meeting and has not been included as a liability in these financial statements. If approved it will be the first dividend payable by the company.

The Tangent employee share ownership trust, which holds a total of 1,428,340 ordinary shares, has agreed to waive all dividends. The directors estimate that a further 4,166,666 new shares will be issued before the record date for the dividend and so the dividend will be payable on approximately 168.7 million ordinary shares.

#### 5. Intangible assets - goodwill

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	£000
<b>Cost and net book value</b>		
At 1 March	8,487	5,051
Additions	6,473	3,436
At 29 February	14,961	8,487

Additions to goodwill in the year ended 28 February 2007 arose on the acquisition of C360 UK Limited in July 2006. Additions to goodwill in the year ended 29 February 2008 comprise £5,474,000 on the acquisition of Ravensworth Digital Services Limited (note 6) and an additional £999,000 of contingent equity consideration that the directors estimate will be payable on the acquisition of C360 UK Limited.

No further consideration is payable for the acquisition of Ravensworth Digital Services Limited. The financial statements provide for the payment of the maximum contingent consideration under the agreement to purchase C360 UK Limited.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount for impairment testing is determined based on value in use calculations, using cash flow projections based on budgets and forecasts approved by the board. Cash flows beyond five years are extrapolated using a growth rate of 3%. A discount rate of 10% has been applied to the projected cash flows. The directors have concluded that the value of goodwill has not been impaired.

## 6. Acquisition

On 27 March 2007 Tangent acquired the entire share capital of Ravensworth Digital Services Limited (“Ravensworth”), a digital marketing business based in Newcastle, principally serving the property sector. The assets and liabilities arising from the acquisition are as follows:

	<b>Book values £000</b>	<b>Fair value adjustments £000</b>	<b>Fair values £000</b>
Property, plant and equipment	963	(139)	824
Inventories	32	-	32
Trade and other receivables	1,867	(56)	1,811
Cash and cash equivalents	120	-	120
Borrowings	(159)	-	(159)
Provisions for liabilities and charges	(39)	-	(39)
Trade and other payables	(1,805)	-	(1,805)
Current tax liabilities	(234)	17	(217)
Net assets	745	(178)	567
Goodwill			5,474
Total consideration			6,041
Total consideration was paid as follows:			
Cash			5,408
Issue of shares (3,396,443 shares at 13p)			442
Acquisition costs			191
			6,041
Net cash outflow arising from the acquisition was as follows:			
Purchase consideration settled in cash			5,408
Acquisition costs			191
Cash paid for acquisition			5,599
Cash and cash equivalents in subsidiary acquired			(120)
Cash paid, net of cash and cash equivalents in subsidiary acquired			5,479

No deferred or contingent consideration is payable as part of the acquisition of Ravensworth. The fair value of the equity consideration was determined by reference to the price of the placings of Tangent shares on 26 and 27 March 2007.

## 6. Acquisition (continued)

From 1 March 2007 until its acquisition on 27 March 2007, Ravensworth operated under a higher cost structure which included costs for directors who departed on acquisition. If the results of Ravensworth had been consolidated from the beginning of Tangent's financial year, instead of from the date of acquisition, group revenue would have increased by £678,000 and group profit before tax would have increased by £6,000.

## 7. Share capital

Authorised	Number of shares		Nominal value	
	2008 000	2007 000	2008 £000	2007 £000
At 1 March	142,670	142,670	1,427	1,427
Increase on 23 March 2007	82,330	-	823	-
Increase on 17 January 2008	743,016	-	7,430	-
Decrease on 17 January 2008	(743,016)	-	(7,430)	-
At 29 February	225,000	142,670	2,250	1,427

### Allotted and fully paid

a)	Number of ordinary 1p shares		Nominal value	
	2008 000	2007 000	2008 £000	2007 £000
At 1 March	111,780	95,113	1,118	951
Issued in the year	54,187	16,667	542	167
At 29 February	165,967	111,780	1,660	1,118

b)	Number of deferred 1p shares		Nominal value	
	2008 000	2007 000	2008 £000	2007 £000
At 1 March	-	-	-	-
Issued on 17 January 2008	743,016	-	7,430	-
Cancelled on 17 January 2008	(743,016)	-	(7,430)	-
At 29 February	-	-	-	-

## 7. Share capital (continued)

On 26 and 27 March 2007 a total of 50,011,828 ordinary shares of 1 pence each were allotted at 13 pence per share, of which 46,615,385 shares were placed for cash and 3,396,443 were allotted as part consideration for the acquisition of Ravensworth Digital Services Limited.

On 17 January 2008 Tangent undertook a capital restructuring to enable it to pay dividends. At a general meeting held on that date the authorised capital was increased, deferred shares were issued and then immediately cancelled and the authorised capital was reduced so it was the same as at the beginning of the meeting. The share capital of the company was thus changed for less than an hour before reverting to the same as it had been at the beginning of the meeting.

On 19 February 2008 4,175,000 ordinary shares of 1 pence each were allotted at 12 pence per share as part of the contingent consideration for the acquisition of C360 UK Limited.

## 8. Share-based payment charge

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

	<b>Number 000</b>	<b>2008 WAEP Pence</b>	<b>Number 000</b>	<b>2007 WAEP pence</b>
At 1 March	13,525	4.44	13,810	4.34
Granted	1,540	9.63	265	11.75
Exercised for cash	-	-	(200)	4.67
Cancelled on 17 January 2008	(194)	(11.98)	(350)	(4.89)
At 29 February	14,871	5.19	13,525	4.44

For the share options outstanding at 29 February 2008 exercise prices ranged between 1 pence and 13.25 pence per share and the weighted average remaining contractual life was 7.5 years.

For the options exercised in the prior year the weighted average share price at exercise was 11 pence.

## 8. Share-based payment charge (continued)

### Fair values

The fair value of share options granted in the year was calculated using a Black-Scholes option pricing model with the following inputs:

Weighted average share price	13.27 pence
Weighted average exercise price	9.63 pence
Expected volatility	20%
Expected life	5-10 years
Risk free rate	5.3%
Expected dividend yield	1.5%

The expected volatility, measured as the standard deviation of expected share price return, is based on a statistical analysis of the Tangent share price since July 2005.

The total share option charge for the year was £402,000 (2007: £388,000) in accordance with the requirements of IFRS 2 on share based payments. The charge relates principally to the share options granted to directors in September 2005.

## 9. Reconciliation cash from operations

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Profit before tax for the year	2,094	690
Depreciation	487	342
Profit on sale of plant and equipment	(18)	(56)
Net interest income	(58)	(8)
Share based payment charge	402	388
Decrease in inventories	24	11
Increase in trade and other receivables	(243)	(464)
(Decrease)/increase in trade and other payables	(136)	274
Cash generated from operations	<b>2,552</b>	<b>1,177</b>

## 10. Net funds analysis

	<b>At 1 March 2007 £000</b>	<b>Acquisition £000</b>	<b>Cash Flows £000</b>	<b>At 29 February 2008 £000</b>
Cash	1,334	120	1,210	<b>2,664</b>
Bank borrowings	-	(52)	52	-
Finance leases	(285)	(108)	154	<b>(239)</b>
<b>Net funds</b>	<b>1,049</b>	<b>(40)</b>	<b>1,416</b>	<b>2,425</b>

## 11. Annual report

Tangent's annual report will be posted to shareholders in June 2008 and available from the website [www.tangentuk.com](http://www.tangentuk.com). Further copies will be available on request from the registered office: Truscott House, 32-42 East Road, London N1 6AD.