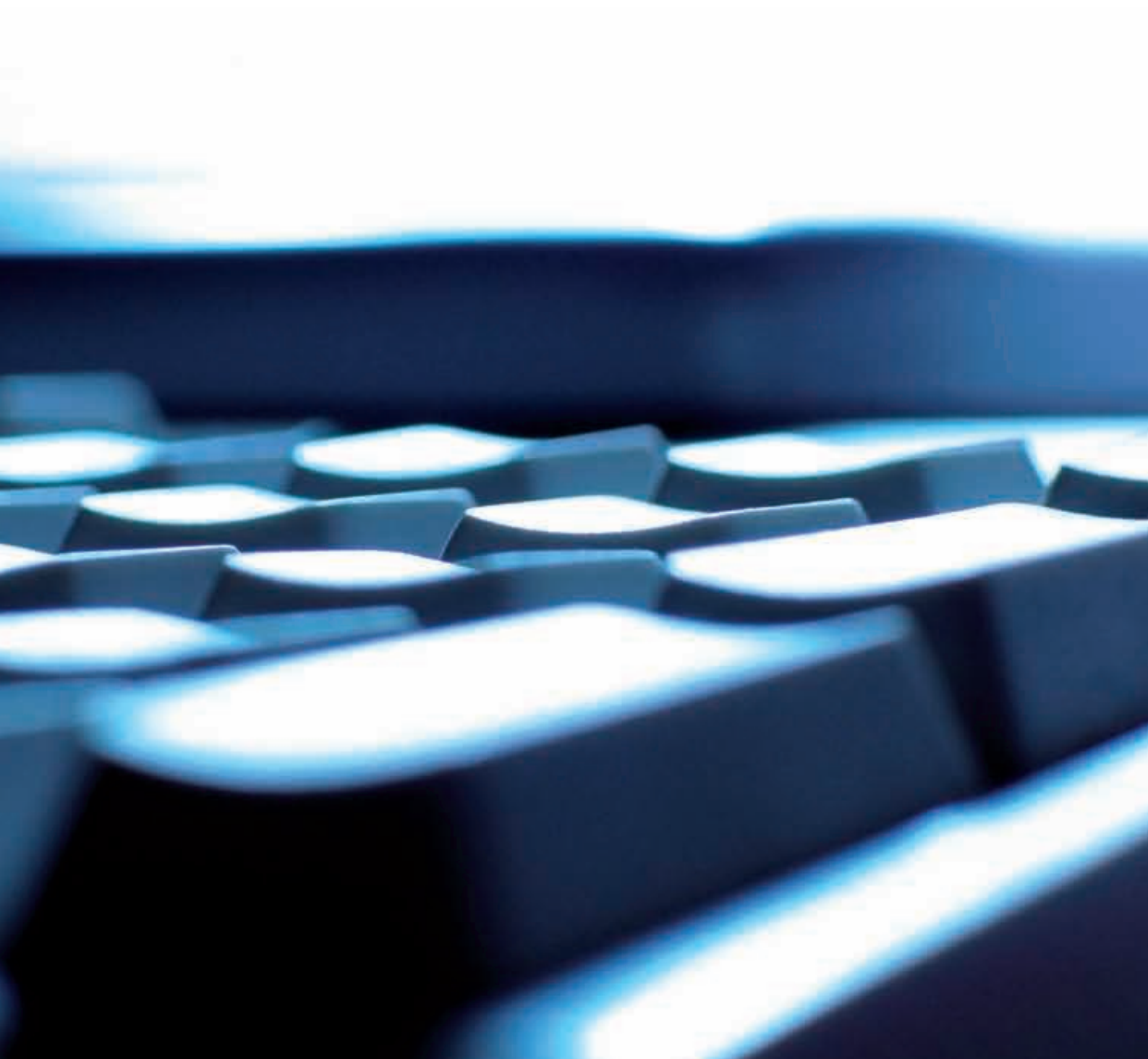




tangent communications plc
annual report 2007



Tangent's vision is to provide our clients with the marketing tools to engage more efficiently and effectively with their customers.

01	highlights
02	chairman's statement
04	chief executives' review
08	technology review
10	financial review
12	directors and advisers
14	directors' report
16	corporate governance statement
18	remuneration report
20	statement of directors' responsibilities
20	statement of disclosures to the auditors
21	independent auditors' report
22	consolidated profit and loss account
22	consolidated statement of recognised gains and losses
23	consolidated balance sheet
24	company balance sheet
25	consolidated cash flow statement
26	notes to the financial statements
36	notice of annual general meeting
37	form of proxy

our services

Toolkit – local level marketing

Toolkit is Tangent's proprietary marketing tool developed for marketers seeking to empower local level branch managers while retaining central core brand values.

The system runs completely online and is hosted, developed and owned by Tangent.

Customers tend to be large organisations that recognise that throughout the UK their customers' habits and buying preferences differ from town to town; however the people who are best positioned to know which product to offer a local audience are often the local managers.

Toolkit allows the central marketing department to retain control around the brand and even the different messages the branch manager can choose from; but ultimately it is the branch manager who chooses from the options available which promotion to run at a local level.

In the year ended February 2007 the volume of orders generated through Toolkit increased by 65% against the same period in the prior year. Orders included point of sale, direct mail, merchandise and email.

Customers include Greene King, Next, Procter and Gamble and Wolseley.

TaoBase – web and technology solutions

Tangent Labs is a creator of database marketing technology, websites and web-based business applications.

TaoBase, its core technology, is hosted, developed and owned by Tangent.

Services encompass specialists in design, project management, client handling, database management and software development.

The business operates under two divisions, Marketing Programmes and Project Development. The Marketing Programmes division conceives, implements and measures marketing plans for clients, whilst the Project Development team work to solve complex issues surrounding database applications and construct sophisticated web and email systems to meet specific client needs.

TaoBase is designed to make marketing measurable, and the Marketing Programmes team is able to use TaoBase's analytics to provide detailed insight.

Every project is built on the ever-growing TaoBase core, meaning that we are able to deliver with dramatically lower costs and shorter timelines than our competitors, as TaoBase reduces the implementation workload for specific projects.

Clients include Harper Collins, the Labour Party, SAP and Ted Baker.

operational highlights

Sales and integration of Ravensworth ahead of budget and schedule

Toolkit launches site for FTSE 100 company

Tangent Labs launches new web creator tool

New client wins continue in current year

financial highlights

Turnover up 30% to £8.61m
(2006: £6.61m)

EBITDA* up 58% to £1.41m
(2006: £0.9m)

Operating profit* up 71% to £1.07m
(2006: £0.63m)

Operating margin* up 2.9% points
to 12.4%

Earnings per share* up 16% to 0.95p
(2006: 0.82p)

Net funds of £1.05m (2006: £0.8m)

*before goodwill amortisation and exceptional items

Tangent Marketing Services – campaign

Tangent has one of the largest suites of digital devices in the UK. We have invested in equipment and know-how in order to provide our clients with optimum quality and range of services.

Our bespoke sales and account management team work with a range of clients to deliver marketing material all of which is produced digitally and exactly according to client requirements, often in very short timeframes.

For the retail market space Tangent provides point of sale digital production, distribution and installation across the UK and Republic of Ireland. For the financial services sector we are providing listing documentation, proposal documents for global organisations on a 24 hours a day service. For the Property Sector we are providing development materials for presentation at design, build and construction stages.

Customers include KPMG, Monsoon and Canary Wharf.

Tangent Marketing Services – direct marketing

Tangent harnesses together multiple digital platforms to offer a complete targeted marketing solution to its clients. Tangent aims to turn insight into more effective campaigns.

Our delivery involves a piece of customised and personalised marketing collateral, ranging from an email, a web page, a SMS message to a digitally printed mail piece.

The creative element is optimised to take the customer data into consideration and varies in content and imagery on a person by person basis. This ensures the campaign is aligned to customer behaviour and is more likely to result in higher conversion and response rates.

Each response can be measured independently, providing insight for future communications. For Sainsbury's the redemption rate increased from 17% to 54% for one campaign when data on previous buying habits was used to optimise the creative process.

Customers include Creston, Sainsbury's, TBWA and Virgin Mobile.

The positive momentum has continued into the current financial year and each area of our business has started the year ahead of budget.



Tangent Labs' sales run rate increased 100% post acquisition

Ravensworth had the busiest month in the company's history in April 2007, the first full month of ownership

Tangent's financial performance in the year ended 28 February 2007 showed strong growth in all the key performance indicators. Adjusted basic earnings per share before exceptional items increased by 16% to 0.95p and net cash inflow from operations more than doubled to £1.18m.

We acquired C360 UK Ltd (now re-named Tangent Labs) in July 2006 which greatly enhanced our ability to provide customised marketing services across the internet, mobile and print media. Since taking ownership, Tangent Labs' sales run rate has increased by over 100% by developing and selling its proprietary technology to an increasing customer base, including Tangent clients. The company now plays a central role in creating the group's value-add and in differentiating our client proposition.

In March 2007, subsequent to the year end, we acquired Ravensworth Digital Services for £5.85m, mainly funded by the issue of 46.6m shares placed at 13p. Ravensworth is a digital marketing business serving the property sector and has focused on installing its software and web based ordering system within estate agents and providing them with an overnight print and delivery service for their marketing materials. In its financial year ended 31 December 2006, turnover was £6.9m with adjusted operating profits of £1.1m. Based in Newcastle, in a modern, purpose built facility, the Ravensworth management team is quickly demonstrating how its customers and the plant utilisation can benefit from Tangent's technology and marketing. We are currently ahead of budget in achieving anticipated phase one cost savings.

Menu Builder



Tangent Marketing Services continued to grow and in November 2006 we announced the launch of the Wolseley branch marketing Toolkit site which immediately exceeded our usage expectations and continues to expand across a number of other individual brands which use the site.

prospects

The positive momentum has continued into the current financial year and each area of our business has started the year ahead of budget.

As it is the executives and all our employees who deliver the revenues and profits that drive shareholder value, I feel able to congratulate and thank them for a year of excellent achievements and for a lot more hard work below the surface working on potential opportunities.

Finally, following his appointment in March 2007, I would also like to welcome Paul Murray to the board. Paul brings significant corporate experience coupled with a great understanding of the marketing services and technology sectors.

Piers Caldecote
non-executive chairman
16 May 2007

The Menu Builder project enables Greene King pubs to build bespoke menus from a database of menu choices populated by CyberChef.

The data includes the menu title, description, cost price, suggested retail price and the corresponding gross profit margin. Constructed within the tool is an online recipe card illustrating how products should be cooked and what equipment is needed. During the process of building a menu the tool automatically generates hints which offer the publican choices which complement their proposed menu.

Menu Builder also provides a detailed online analysis of the selected menu covering gross profit, which aids the publican when forecasting profits from food sales.



The fastest growing team within Tangent is our programming resource, now with over 20 full time people

Toolkit saw a 65% increase in order volume during the year

In the year ended 28 February 2007, Tangent increased its performance in each of its internal key performance indicators. Turnover increased by 30% to £8.61m, adjusted operating margin increased by 2.9% points to 12.4%, adjusted operating profits increased by 71% to £1.07m and cash flow from operations for the year increased from £0.54m to £1.18m.

technology

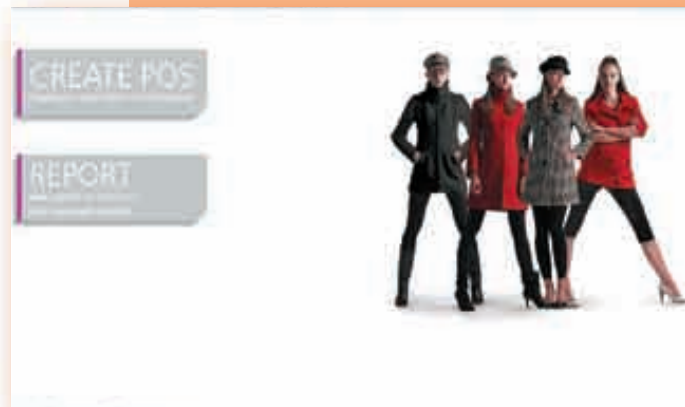
Marketing departments are increasingly looking to technology to improve the effectiveness of their campaigns. However they often do not have the tools to extract information from their databases. This is where Tangent's services come in to play.

Technology sits at the heart of our business strategy and last year we took a significant step in increasing our capabilities through the acquisition of C360 UK (now Tangent Labs) with its proprietary engine TaoBase. Furthermore we continued our investment into Toolkit, our proprietary web tool. Today, through TaoBase and Toolkit we can offer our clients a range of technology-driven services which include:

- database management, construction and integration;
- website design and build;
- build of local marketing applications;
- targeted email marketing with optimising tracking capabilities;
- SMS and MMS marketing services; and
- display, point of sale and direct mail communications.

The group currently employs over 20 full time programmers focused on client requirements and increasing the scope of Tangent's digital services.

New Look



market development

Orders generated via Toolkit, Tangent's proprietary online ordering system increased by 65% year on year and by 225% over a three year period. This is in part due to the increased functionality but primarily due to the increase in customer numbers and willingness to change the way in which marketing collateral is created and used. The retail market is the primary target sector for Tangent's online marketing tool.

Online marketing continues to grow at significant rates. Tangent is now firmly established as a company capable of building complex and innovative web solutions which culminated in April 2007 with Tangent being selected via a competitive pitch to build the new website for the Labour Party. Tangent won against competition with larger, more developed agencies within larger network groups. Tangent believes that its success derives from being a younger, more innovative business, well positioned to participate in technological developments in the market, including the introduction of Web 2.0. The directors believe that this firmly sets the foundation for Tangent to grow this side of our business.

Market researchers predict that marketing applications are one of the fastest growing Customer Relationship Management (CRM) areas in the IT sector and Tangent expects to benefit from the continued migration of marketing budgets from offline to online.

financial control

Margins have now improved each year since Tangent was formed in July 2005. Despite parts of the business operating in what is sometimes perceived as a competitive market place, Tangent's value-add and focus on technology services have allowed the group to increase its margin year on year.

Cash conversion also remains at the heart of our business practice and this year operating cash more than doubled. The group's strong cash position allows it to retain a strong negotiating stance with suppliers, clients and acquisition targets and cash generation will continue to remain a core focus going forward.

In January 2007 Tangent launched a Toolkit site for New Look which provides over 700 stores with an online environment for recruitment.

Emma Conway, New Look Recruitment Manager, explains "Toolkit is a fantastic resource that allows us to be more consistent and up-to-date with our advertising and recruitment materials. It is easy to use, allowing us to send materials to stores at the click of a button – essential when working in the fast paced environment of New Look."

Ravensworth has over 2,500 individual branches using its software to generate digital orders on a daily basis.

Ravensworth



From left to right Kevin Cameron, Suzie Pattison and Ian Gordon



Ravensworth

The acquisition of Ravensworth was completed in March 2007 and brings a significant number of different opportunities to the group.

As a stand alone business Ravensworth's sales grew by 15% last year on a net margin of 16%. Over 365 new clients were won in the last six months of 2006.

Ravensworth is the leading supplier of full colour marketing literature to the UK property sector. The company operates from a purpose built 23,000 sq. ft. digital production facility housing the latest in digital printing equipment. From a client list of over 2,500 estate agency branches, Ravensworth receives over 2,000 orders per day producing over 7m full colour A4 pages a month.

Ravensworth's experience and unique understanding of its core market have led to the continued growth in all areas of business with customer numbers increasing by 24% in the last twelve months. It now accounts for approximately 20% of the UK market and is more than three times the size of its closest competitor.

Having established a market leading position, we are confident in its ability to continue expanding its core market together with offering further value added services to its current customer base.

Tangent's expertise in direct mail represents a great opportunity when applied to the Ravensworth client base. Within Tangent's existing business we have witnessed a great take-up from property clients looking to increase new customers via targeted direct mail. This new approach will be sold by the Ravensworth team to its client base which has not previously used Ravensworth for this service. It is also our intention to launch a web portal which will enable every estate agent in the UK to create, personalise, proof and order online, a targeted direct mail campaign.

It is probable that new government legislation will mean that a Home Information Pack (HIP) will have to be created and produced by the vendor with each property sold via the estate agent. Ravensworth took part in the trials for the creation of HIPs. If the legislation is enacted, we expect Ravensworth to benefit, having signed indicative agreements with most of the HIP providers in the UK. The directors have not included any contribution from this opportunity into the management budget, however if legislation is enacted we believe the opportunity will be significant.

Labour Party



outlook

The new financial year, beginning March 2007, has begun with all group areas ahead of budget. The integration of Ravensworth and transfer of work from London to Newcastle are currently ahead of schedule and the company is on track to realise annual savings of in excess of £100,000. This leaves the company in a strong position to begin examining phase two of the work transfer process. Ravensworth experienced its strongest ever months in March and April 2007 with new client revenue from the wins in 2006 coming through.

In the coming year we will integrate TaoBase with Toolkit, creating a unified technology platform within Tangent, which will provide clients with increased functionality within a central operating environment.

Finally we would like to thank the team for working so hard to help us achieve our objectives. It is their passion, creativity and ability to deliver client exceeding results that continues to fuel Tangent's growth. We look forward to building on Tangent's strong performance in the year ahead.

Nicholas Green
joint chief executive
16 May 2007

Timothy Green
joint chief executive

Tangent provides the Labour Party with a wide range of services, all powered by TaoBase and Toolkit. The services range from Labour's national website to a system for reporting loans and donations from around 700 accounting units to Head Office. We provide a secure intranet system which allows Labour members to converse in a closed environment, or publish their own blogs and websites to the general public. This system integrates with Labour's membership database, to allow members to manage their personal details online, and to allow the party to deliver tailored communications to each member.

Tangent created personalised, digitally printed postcards which were sent to voters 'from' their local candidates, inviting the voters to give their views on local issues. The candidates each had a login to TaoBase, where they could directly follow up with the voters. TaoBase automatically selected those voters who had not responded and sent them follow up materials. This enabled the Labour Party, at a national level, to provide local campaigners with a customisable campaign, which could be driven both locally and centrally at a much lower cost than traditional campaigns.

technology review

Tangent Labs develops web-delivered applications and supplies personalised websites, email and mobile content using its propriety TaoBase technology. Blending strategic marketing know-how and technical innovation, the Labs team helps clients from Coca Cola to the Labour Party.

From left to right James Eddison, Greg Jackson and Nick Gillet



Customers of Tangent Labs include SAP, the Labour Party and Ted Baker

The solutions we provide are most valuable to clients when they solve 'impossible' problems

Tangent Labs

Marketing departments continue to face the problem of data being in many places, disconnected and unusable. Typically, IT departments are stretched with the needs of the finance and operations departments, as well as fighting off viruses and making sure everyone's PC works.

Tangent Labs' mission is to provide smart technology to solve these problems. More specifically, to deliver quickly and at lower cost. The solutions we provide are most valuable to clients when they solve 'impossible' problems – when the IT department, or another supplier, has told the client that something cannot be done, or will take many months and large sums of money.

Tangent Labs has been developing TaoBase since 2003. It provides a highly flexible database system which:

- connects with other databases easily;
- connects databases to websites;
- handles inbound and outbound email;
- provides inbound and outbound SMS;
- generates personalised digital direct mail through Tangent's Toolkit;
- generates complex websites, including blogging, e-commerce, dynamic content and search optimisation;
- delivers podcasts, news feeds and email bulletins;
- integrates with Microsoft Outlook, Microsoft Word and Adobe;
- provides realtime reporting and analytics; and
- is highly customisable with bespoke modules (eg. web spiders, microformats, communications planning, etc).

All this allows Tangent Labs to provide technology meeting the widest range of needs of a marketing or communications department; quicker than other providers and usually at lower cost. This enables us to focus effort on actually achieving the client objectives to help deliver breakthrough results.

Tangent identified an opportunity to use the internet to create a tool which empowers marketeers to create, proof and order marketing collateral which is tailored to a local audience.

Local level marketing and Toolkit – a perfect partnership

Developed in-house and wholly owned by Tangent is our local level marketing platform, Toolkit. Last year we witnessed a 65% increase in order volume against the prior year. Tangent employs over 20 developers and designers who are responsible for the innovations within Toolkit. We have a dedicated customer service team that supports the thousands of users of our system.

Tangent identified an opportunity to use the internet to create a tool which would empower marketeers to create, proof and order marketing collateral which was tailored to a local audience. Today Toolkit has expanded its role within marketing departments and outlined below are just a selection of the key services it provides to its users:

- a complete solution to provide all marketing products for point of sale, direct mail, local press advertising;
- fully integrated database services to profile, select and filter data selections which improve the quality and accuracy of customer communications from multiple locations;
- merchandise pages for retail channel partners to communicate offers direct through to store level. This allows the Tangent customer to use Toolkit as a market place for suppliers to push products directly to the retail outlet. Retail partners fund these propositions and have direct information on the display and distribution of items sold by the retail partner;
- platform integration to supply partners for real time pricing of offers with the added benefit of margin and profit analysis via suggested retail prices;

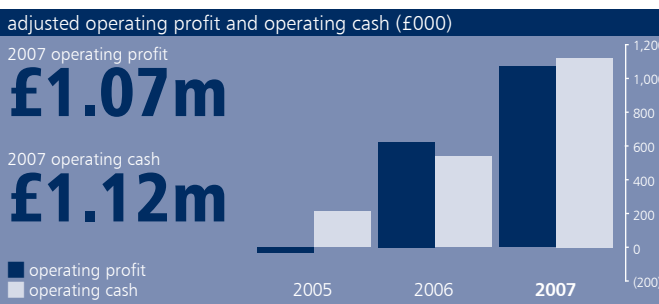
- a complete reporting and tracking interface allowing senior members of marketing departments to monitor and optimise branch marketing spend against sales performance; and
- additional site functionality for search, blogging and internal communication point for best practice management between branch managers.

Toolkit has become the de facto intranet for some retailers, allowing branch communication and branch marketing within one website,

Customers of Toolkit include Greene King, Peugeot, Citroën, Procter and Gamble and Wolseley.

financial review

The Tangent Labs business acquired in July 2006 was integrated quickly and its profits have grown substantially since acquisition.



overview

Tangent achieved growth in turnover, profits, earnings per share and cash balances for the year ended 28 February 2007. The Tangent Labs business acquired in July 2006 was integrated quickly and its profits have grown substantially since acquisition.

trading performance

We run the Tangent business with a focus on turnover, adjusted operating profit, adjusted earnings per share and operating cash generation. Adjustments to operating profits and earnings per share are to exclude amortisation of goodwill and exceptional items. We believe that our focus on these key performance indicators (KPIs) will deliver value for shareholders in the medium and long term.

Tangent performed well against each KPI:

- turnover grew by 30% to £8.61m (2006: £6.61m);
- adjusted operating profit improved by 71% to £1.07m (2006: £0.63m) to give an adjusted operating profit margin of 12.4% (2006: 9.5%);
- adjusted basic earnings per share increased by 16% to 0.95p (2006: 0.82p); and
- operating cash generation more than doubled to £1.18m (2006: £0.54m) representing 110% (2005: 85%) of adjusted operating profit.

goodwill amortisation and exceptional items

Goodwill amortisation increased by £0.2m to £0.39m. The increase arose equally from the acquisition of Tangent Labs during the year and a full year of amortisation for the prior year acquisition.

The operating exceptional item is a £0.39m charge for the fair value of share options in accordance with FRS 20. There is no underlying cash flow or financial liability associated with the charge and it does not reduce shareholders' funds.

The costs associated with Tangent's proposal during the year to make an offer for St Ives have been included within normal administrative expenses because the directors do not consider them to be sufficiently material to be classified as exceptional. The proposal was withdrawn in November 2006.

taxation

The taxation charge of £0.09m (2006: £0.02m) represents 28.2% of profit before tax. After adding back amortisation of goodwill and the share option charge (both are excluded from taxable profits), the taxation rate is 8% (2006: 3.6%). The taxation charge is low because the group has the benefit of past tax losses. The increased tax rate over the prior year is because profits from the businesses acquired during the last two years do not benefit from these tax losses, so profits from these businesses are taxed without the same relief. At the year end the group had £1.16m of tax losses available to offset against future profits.

acquisitions

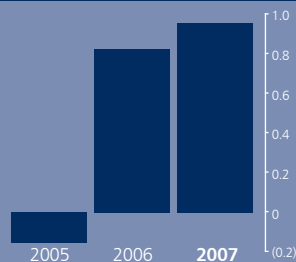
In July 2006 Tangent acquired a marketing technology business C360 UK (now named Tangent Labs) for an initial cost of £2.64m including expenses. The initial cost was funded by issuing 16.67m new shares to the vendors and £0.64m from internally generated cash. A further maximum amount of £2m could be due depending on profit performance and continuing employment of the vendors over the three years following the acquisition. The directors have estimated that £1m of this will become due and have accrued this further amount.

In the period since acquisition Tangent Labs contributed £0.26m to adjusted operating profit, which is a 27.8% margin on sales of £0.93m. The run rates for sales and operating profit are just over three times the levels reported in the last audited accounts prior to acquisition.

adjusted basic eps (p)

2007 adjusted basic eps

0.95p
up 16%

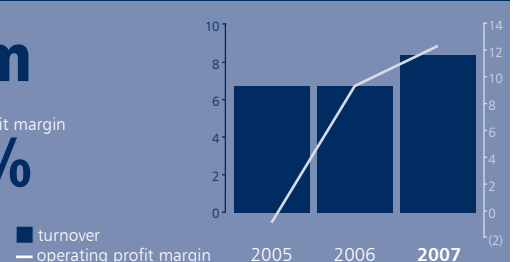
**turnover (£m) and operating profit margin (%)**

2007 turnover

£8.6m

2007 operating profit margin

12.4%

**cash flow and net funds**

Operating cash generation was strong and after insignificant interest and taxation cash flows, there was a net inflow of £1.16m which was applied to £0.44m of net capital expenditure and £0.48 of net payments in respect of the acquisition. Net funds improved by £0.25m to £1.05m (2006: £0.8m).

balance sheet

The year end net assets were £9.84m compared with £6.73m for the prior year. The main change arises from the £3.05m net increase in goodwill resulting from the acquisition of Tangent Labs.

accounting standards

For the year under review Tangent adopted FRS 20 which deals with share-based payments. The fair value of share options granted is spread over the period from grant until the date it is anticipated the options will become exercisable. The prior year comparative figures have been restated in accordance with the new standard. The effect of FRS 20 was to increase administrative expenses for the prior year by £29,000. The group's net assets and cash flow statement were unaffected.

For the year ending 28 February 2008 Tangent will adopt International Financial Reporting Standards (IFRS) in accordance with the AIM guidelines. The most significant change will be that goodwill will not be amortised under IFRS.

treasury, funding and exchange risk

The group finances its operations through shareholders' funds, finance lease borrowings and working capital management. 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. The directors monitor exposure to ensure that foreign currency risk is not material to the group.

subsequent events

On 6 March 2007 Tangent agreed a £1m overdraft facility at a rate of 1.25% over base rate secured by cross guarantees and debentures. The overdraft remains undrawn but improves the financial flexibility of the group.

On 27 March 2007 Tangent acquired a digital marketing business Ravensworth Digital Services for consideration of £5.85m plus costs. Completion accounts have not been finalised, although we expect that the net assets acquired exceed £0.6m and net debt on acquisition was below £0.1m, which is significantly lower than the £0.85m limit under the purchase agreement.

To fund the acquisition Tangent issued 50m new shares, mostly placed with institutional fund managers that invested in Tangent for the first time. We consider that the overall broadening of the shareholder base, which has resulted in a 60% free float of Tangent shares, is beneficial for all shareholders.

Graeme Harris
finance director
16 May 2007

directors and advisers

**Piers Caldecote****non-executive chairman (age 60)**

Piers was an associate director at Carlton Communications PLC between 1990 and 2004 covering strategy and mergers and acquisitions. Prior to that, he worked in the city as an investment analyst, latterly for Chase Manhattan Securities.

**Nicholas Green****joint chief executive (age 34)**

Prior to joining Tangent, Nicholas worked at Advertising.com as European sales and marketing director. The company specialises in performance based marketing and was successfully sold to AOL in 2004 for \$439m. Prior to Advertising.com, Nicholas worked at Teletext for seven years in the commercial department.

**Timothy Green****joint chief executive (age 31)**

Prior to joining Tangent, Timothy was a founding partner at Unanimis, which specialises in internet commercial services for clients such as ebay and the BBC. Prior to this Timothy worked at Ask Jeeves in the commercial team.



Graeme Harris

finance director (age 40)

Prior to joining Tangent, Graeme was finance director of Coutts Holdings plc. At Coutts he worked on its initial flotation and on a series of acquisitions in the marketing services sector. He oversaw the successful sale of Coutts to Media Square plc for £22m. Graeme qualified as a Chartered Accountant with Ernst & Young in London.



Paul Murray

non-executive director (age 45)

Paul was Group Finance Director at Carlton Communications PLC between 2001 and 2004. Prior to that he was group finance director at LASMO PLC. He currently sits on the boards of market researcher Taylor Nelson Sofres PLC, where he is the senior independent director and Thomson SA, the CAC40 media technology company.

secretary

Graeme Harris

registered office

Truscott House
32–42 East Road
London N1 6AD

company registration number

3967805

nominated adviser and broker

Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

auditors

UHY Hacker Young LLP
St Alphage House
2 Fore Street
London EC2Y 5DH

registrar

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

bankers

HSBC Bank plc
27–32 Poultry
London EC2P 2BX

solicitors

Rosenblatt
St Andrew House
18–20 St Andrew Street
London EC4A 3AF

directors' report for the year ended 28 February 2007

The directors present their report and audited financial statements of the group for the year ended 28 February 2007.

principal activity and review of the business

The principal activity of the group is the provision of customised marketing services. A review of the business and its future development can be found in the chief executives' review and the financial review.

results and dividends

The consolidated profit for the year amounted to £219,000. The directors do not recommend the payment of a dividend. The company is currently unable to pay a dividend due to the deficit in its distributable reserves. In the medium to long term the board intends to pursue a progressive dividend policy. Further information on the group's results and financial position is included in the financial review.

company listing

The company continues to be listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The market code for the company is TNG.

acquisitions

On 11 July 2006 the company acquired 100% of the share capital of C360 UK Limited (now named Tangent Labs Limited). Maximum total consideration is £4.5m, payable in cash and shares. The initial consideration paid was £2m in shares and £0.5m in cash. Further consideration to a maximum of £2m is payable dependent upon meeting profits targets and continued employment over three years. The directors estimate that £1m of the further consideration will be payable.

changes in share capital

On 11 July 2006, 16,666,667 ordinary shares of 1p each were allotted at 12p per share as part of the consideration for the acquisition of Tangent Labs Limited.

subsequent events

On 6 March 2007 Tangent agreed a £1m overdraft facility at a rate of 1.25% over base rate secured by cross guarantees and debentures.

On 27 March 2007 the company completed the acquisition of Ravensworth Digital Services Limited for a maximum consideration before costs of £5.85m, payable as £5.41m in cash and £0.44m in shares. The acquisition was funded by the issue of 50,011,828 shares of which 46,615,385 shares were placed at 13p per share.

At the date of this report the number of issued ordinary shares is 161,791,835.

employees

The group recognises the benefit of keeping its employees informed of all relevant matters on a regular basis. The group is an equal opportunities employer and all applications for employment are considered fully on the basis of the suitability for the job.

supplier payment policy

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with. At 28 February 2007, the group had an average of 72 days' (2006: 87 days) purchases outstanding in trade creditors.

use of financial instruments

Tangent's financial risk management objectives are to minimise debt, to fund acquisitions through a mixture of equity financing and cash and to ensure sufficient working capital for the group's overhead and capital expenditure commitments. This is achieved by prudent financial management and careful management of the group's cash balances, both short and long term. The financial risk management objectives and policies of the group set out in note 20 of the financial statements include the group's exposure to currency, credit, liquidity and credit risk.

key risks and uncertainties

Outlined below are the key risks to Tangent's business:

Home Information Pack (HIP)

The government is currently planning to introduce Home Information Packs but the legislation has not yet been finalised. There are risks around this product which may influence the performance of Ravensworth short term. If the legislation is passed unamended then in the short term, the number of residential properties that are newly listed on the market may be reduced whilst HIPs are introduced. This may, during this period, affect the contribution to the group from Ravensworth. However, in this circumstance we expect most of the revenue to be delayed rather than lost. The revenue from HIPs long term is expected outweigh any potential shortfall because the group has agreements in place with the major HIP providers.

technology

Technology continues to play an increasing role in Tangent's positioning and client offering. We continue to invest in the programming and development teams but as the business continues to grow and more high profile account work is won, there is a risk that larger companies will become more aware of the innovations that Tangent delivers and apply greater resources to Tangent's market.

paper market

The paper market is concentrated into a few major players and prices have increased in the last twelve months. More price increases may occur and, if it cannot be passed on to clients, this will affect margins. To date most price increases have been passed on to clients.

donations

During the year the group made charitable donations of £1,000 (2006: £1,000) and no political donations.

directors

During the financial year the following directors held office:

Piers Caldecote
 Nicholas Green
 Timothy Green
 Graeme Harris

Paul Murray was appointed as a non-executive director on 26 March 2007.

directors' interests

Subsequent to the year end Paul Murray was appointed to the board and directors participated in a placing of new shares. The directors' shareholdings were as follows:

	Ordinary shares of 1p each		
	16 May 2007	28 Feb 2007	28 Feb 2006
Piers Caldecote	1,000,000	—	—
Nicholas Green	2,730,770	2,500,000	2,500,000
Timothy Green	2,730,770	2,500,000	2,500,000
Graeme Harris	500,000	500,000	500,000
Paul Murray	2,924,998	2,155,767*	85,000*

* shareholding prior to appointment to the board.

substantial shareholdings

The directors are aware of the following shareholdings of 3% or more of the issued share capital of the company at 10 May 2007.

Beneficial holder	Ordinary shares of 1p each	% of issued ordinary share capital
Michael Green	53,076,924	32.8%
Hargreave Hale	10,675,190	6.6%
Nicholas Gillett*	6,875,000	4.3%
Greg Jackson*	6,875,000	4.3%
Merrill Lynch & Co Inc	5,038,000	3.1%

*vendors of Tangent Labs and employees of the group.

The institutional shareholder base was broadened by the share placing in March 2007. Shareholders that had an interest of between 0.5% and 3% following the placing include:

Aberdeen Asset Management
 AXA Framlington Investment Management
 Basso Capital Management
 Bluehone Investors
 Discretionary Unit Fund
 Herald Investment Management
 Invesco Asset Management
 ISIS Equity Partners
 Octopus Asset Management
 Savoy Investment Management
 Singer & Friedlander Investment Management
 Unicorn Asset Management

auditors

On 30 April 2007 the company's auditors, UHY Hacker Young, transferred their business to a limited liability partnership, UHY Hacker Young LLP ("the LLP"), and the office of auditors has passed to the LLP. In accordance with section 385 of the Companies Act 1985, a resolution that UHY Hacker Young LLP be re-appointed as auditors of the company will be put to the annual general meeting.

By order of the board



Graeme Harris
 secretary
 16 May 2007

corporate governance statement for the year ended 28 February 2007**statement of compliance**

Although AIM listed companies are not required to report on the Combined Code, the directors are committed to proper standards of corporate governance and will continue to keep procedures under review.

board and board committees

During the year the board of directors comprised one non-executive director and three executive directors. A second non-executive director was appointed after the year end. The full board manages overall control of the group's affairs by the schedule of matters reserved for its decision. These include the approval of financial statements, acquisitions and disposals, authority levels for expenditure, and review of monthly and other management reports. The chairman will continue to review the skills and balance of the board as the group grows.

The directors are able to take independent professional advice in the furtherance of their duties at the company's expense and all directors have access to the advice and services of the company secretary.

The board considers its non-executive directors to be independent. An independent director is one who has no relationship with the company or its management which may undermine independence and who is not dependent on the company or its management for his primary source of income, was not within the last three years a senior manager of the company and does not participate in the company's incentive bonus scheme or pension schemes.

The board delegates day-to-day and business management control to the executive directors who are in regular contact with each other. Formal decisions are communicated throughout the group. The executive directors are responsible for implementing group policy, the monitoring and performance of the business, and reporting to the full board thereon.

The company has an audit committee, whose terms of reference cover the points recommended by the Code. Its duties include monitoring internal financial control throughout the group, approving the group's accounting policies and reviewing the interim and annual financial statements before submission to the board. During the year the committee was chaired by Piers Caldecote and the other members were Timothy Green and Graeme Harris. On 26 March 2007 the audit committee was reconstituted to include non-executive directors only. Paul Murray joined the audit committee as its chairman and Piers Caldecote is the other member.

The company has a remuneration committee, which, during the year, was chaired by Piers Caldecote and the other members were Nicholas Green and Graeme Harris. On 26 March 2007 the remuneration committee was reconstituted to include non-executive directors only. Paul Murray joined the remuneration committee as its chairman and Piers Caldecote is the other member.

All executive directors have rolling service contracts with the company terminable on twelve months' notice from the company and by six months notice by the director. Non-executive directors agree a letter of appointment terminable on six months' notice by each party.

Following their first appointment to the board, the terms of the Articles of Association require all directors to retire and stand for re-election at the earliest opportunity. Under the articles of association all directors are required to retire once every three years.

The nominations committee comprises all directors and is chaired by Piers Caldecote.

relationship with shareholders

The directors consider the clear and timely communication of information to shareholders as an important part of their duties. The chief executives' review and financial review provide a summary of the group's trading performance and future outlook. The group's website (www.tangentuk.com) also gives shareholders access to additional information. Furthermore, twice a year, the group's financial results are published, in conjunction with briefings for investment managers and institutional analysts following the company's interim and preliminary full year announcements, and at other ad hoc visits.

The board views the annual general meeting as an opportunity to communicate with both institutional and private investors alike and aims to comply with all the provisions of the Code relating to the constructive uses of annual general meetings. The directors plan to be present and available to answer questions at this year's annual general meeting.

accountability and financial control

The board has overall responsibility for the systems of financial control. Implementation and maintenance of the financial control systems is the responsibility of executive management. The board, through the audit committee, has reviewed the effectiveness of the systems of internal financial control for the accounting year, and the period to the date of approval of the financial statements. It should be understood, however, that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

The company has an established framework of internal financial controls, the key features of which are as follows:

control environment

There are clearly defined organisational responsibilities and the board is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk.

information systems

The group operates a number of separate systems of financial and operational reporting to the board and senior management, based upon an annual budget and regular forecasts. Monthly, weekly and other periodic reports of actual results (financial and non-financial) together with key performance indicators are produced and discussed by the directors.

identification and evaluation of business risks and controls

Management control is exercised at all levels of the group and is regulated by appropriate limits of authority. The directors have considered various areas of business risks and have developed appropriate policies to manage and diffuse those risks. These policies are reviewed in the light of known and perceived changes to the risks.

quality and integrity of personnel

The group attaches high importance to the values of trust, honesty and integrity of personnel in responsible positions and operates a policy of recruitment and promoting suitably experienced personnel with clearly defined accountabilities.

investment appraisal

All major capital expenditure is included in the annual budget and is reported on to the board. In addition, all potential and actual acquisition opportunities are regularly reviewed by the board, both in meetings and by ad hoc reports.

monitoring

Given the size of the group and the close day-to-day involvement of the executive directors in all of the group's locations, no formal internal audit is considered necessary.



Piers Caldecote
director
16 May 2007



Graeme Harris
director

remuneration report for the year ended 28 February 2007

introduction

The policy of the group is to offer competitive remuneration packages that will attract, retain and motivate experienced and talented individuals who will enhance the value of the group. The remuneration packages of the executive directors are reviewed and approved by the remuneration committee on an annual basis. The remuneration policies aim to incentivise and reward both short term financial performance and also shareholder value creation. The remuneration of other employees is the responsibility of the joint chief executives.

remuneration of the directors

Executive directors are paid a basic salary and receive benefits in kind. The remuneration of non-executive directors requires approval by the board. Individual directors are not permitted to participate in decisions concerning their own remuneration.

The structure of executive director remuneration was reviewed during the year and, for the year that commenced on 1 March 2007, the remuneration elements are as follows:

- a base salary and benefits in kind are set at a competitive level and reflect the remuneration packages paid by companies of a similar size and in similar sectors;
- an annual cash bonus of up to 50% of basic salary is payable depending upon achievement of challenging financial performance targets set at the beginning of each financial year. The purpose is to incentivise on the short term financial performance of the group; and
- a long term incentive plan (LTIP) under which shares with value up to 50% of basic salary per year are transferred to directors over a three year period depending upon the achievement of challenging goals based on total shareholder return (TSR) over the period. The purpose is to incentivise delivery of long term value and to align interests with shareholders.

The 2007 LTIP award has not been made as at the date of this report because of regulatory restrictions. The remuneration committee is currently determining the best method of implementing the LTIP with effect from 1 March 2007 or determining an alternative scheme that most closely meets the objectives of the proposed LTIP.

For the year under review, no share options were granted to directors and a discretionary bonus was awarded to each executive director as reward for the increased value delivered to shareholders.

Audited remuneration of directors was as follows:

	Salary £000	Bonus £000	Benefits in kind £000	2007 Total £000	2006 Total £000
Piers Caldecote	20	—	—	20	13
Nicholas Green	95	20	9	124	62
Timothy Green	95	20	9	124	62
Graeme Harris	90	20	1	111	52
Directors who left the board before the start of the financial year	—	—	—	—	252
	300	60	19	379	441

Remuneration disclosed for the prior year is the amount for the part of the year during which each director served. Piers Caldecote, Nicholas Green and Timothy Green were appointed to the board on 11 July 2005 and Graeme Harris was appointed on 17 August 2005.

share options

The company operates three share option schemes by which employees, including executive directors, are able to acquire shares, comprising an Inland Revenue approved scheme, an unapproved scheme, and an enterprise management incentive (EMI) scheme.

At 28 February 2007, 5,000 (2006: 5,000) options had been granted to employees under the approved scheme, 9,057,066 (2006: 9,057,066) under the unapproved scheme and 4,462,934 (2006: 4,747,934) under the EMI scheme.

The share options held by directors who served during the year were as follows:

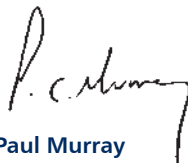
	Note	Exercise price	At 1 Mar 2006 and 28 Feb 2007
Nicholas Green	(a)	1p	2,500,000
	(b)	5p	2,500,000
Timothy Green	(a)	1p	2,500,000
	(b)	5p	2,500,000
Graeme Harris	(a)	5p	1,100,000
	(b)	11.75p	500,000
			11,600,000

All share options held by directors were granted on 27 September 2005.

- (a) Options have vested and are exercisable between 27 September 2008 and 26 September 2015.
- (b) Options will vest and become exercisable between 27 September 2008 and 26 September 2015 depending on the achievement of financial performance and total shareholder return goals and continued service.



Piers Caldecote
director
16 May 2007



Paul Murray
director

statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

statement of disclosures to the auditors

So far as the directors are aware, at the time of approval of their directors' report:

- there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

independent auditors' report to the shareholders of tangent communications plc

We have audited the group and parent company financial statements of Tangent Communications plc for the year ended 28 February 2007 which comprise the consolidated profit and loss account, consolidated statement of recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom generally accepted accounting practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the chairman's statement, chief executives' review, financial review, corporate governance statement and the remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

basis of audit opinion

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

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

opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the state of the group's and the parent company's affairs as at 28 February 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

UHY Hacker Young LLP
Chartered Accountants
Registered Auditors
16 May 2007

St Alphage House
2 Fore Street
London EC2Y 5DH

consolidated profit and loss account for the year ended 28 February 2007

	Notes	2007 £000	2006 (Restated) £000
Turnover	2		
Continuing operations		7,672	6,608
Acquisitions		933	—
		8,605	6,608
Cost of sales	3	(4,515)	(3,723)
Gross profit		4,090	2,885
Administrative expenses excluding goodwill amortisation and exceptional items	3	(3,020)	(2,259)
Operating profit before goodwill amortisation and exceptional items			
Continuing operations		811	626
Acquisitions		259	—
		1,070	626
Amortisation of goodwill	11	(385)	(181)
Operating exceptional items	5	(388)	(161)
Total administrative expenses	3	3,793	2,601
Operating profit	4		
Continuing operations		147	284
Acquisitions		150	—
		297	284
Non-operating exceptional items	5	—	(176)
Profit on ordinary activities before interest		297	108
Net interest receivable/(payable)	6	8	(6)
Profit on ordinary activities before taxation		305	102
Taxation	8	(86)	(16)
Profit for the financial year		219	86
Basic earnings per share	10		
Total operations		0.21p	0.12p
Excluding goodwill amortisation and exceptional items		0.95p	0.82p
Fully diluted earnings per share	10		
Total operations		0.19p	0.11p
Excluding goodwill amortisation and exceptional items		0.86p	0.77p

consolidated statement of recognised gains and losses for the year ended 28 February 2007

	Notes	2007 £000	2006 (Restated) £000
Retained profit for the year		219	86
Prior year adjustment (FRS 20)	1	(29)	
Total recognised gains and losses since the last financial statements		190	

consolidated balance sheet at 28 February 2007

	Notes	2007 £000	2006 (Restated) £000
Fixed assets			
Intangible assets	11	8,102	5,051
Tangible assets	12	675	516
		8,777	5,567
Current assets			
Stocks	15	87	98
Debtors	16	2,268	1,656
Cash at bank		1,334	922
		3,689	2,676
Creditors: amounts falling due within one year	17	(1,908)	(1,472)
Net current assets		1,781	1,204
Total assets less current liabilities		10,558	6,771
Creditors: amounts falling due after more than one year	18	(215)	(13)
Provisions for liabilities and charges	19	(500)	(32)
Net assets		9,843	6,726
Capital and reserves			
Called up share capital	21	1,118	951
Share premium account	23	7,860	7,860
Merger reserve	23	7,022	5,189
ESOP reserve	23	(3)	(4)
Other reserves	23	2,211	1,323
Profit and loss account	23	(8,365)	(8,593)
Shareholders' funds – equity interests	24	9,843	6,726

These financial statements were approved by the board of directors on 16 May 2007 and were signed on its behalf by:



Nicholas Green
director
16 May 2007



Graeme Harris
director

company balance sheet at 28 February 2007

	Notes	2007 £000	2006 (Restated) £000
Fixed assets			
Investments	14	10,055	6,419
Current assets			
Debtors	16	17	17
Cash at bank		96	153
		113	170
Creditors: amounts falling due within one year	17	(1,203)	(180)
Net current liabilities		(1,090)	(10)
Total assets less current liabilities		8,965	6,409
Provisions for liabilities and charges	19	(500)	(25)
Net assets		8,465	6,384
Capital and reserves			
Called up share capital	21	1,118	951
Share premium account	23	7,860	7,860
Merger reserve	23	7,022	5,189
ESOP reserve	23	(3)	(4)
Other reserve	23	1,049	161
Profit and loss account	23	(8,581)	(7,773)
Shareholders' funds – equity interests		8,465	6,384

These financial statements were approved by the board of directors on 16 May 2007 and were signed on its behalf by:



Nicholas Green
director
16 May 2007



Graeme Harris
director

consolidated cash flow statement for the year ended 28 February 2007

	Notes	2007 £000	2006 £000
Net cash inflow from operating activities	25	1,177	535
Returns on investments and servicing of finance			
Net interest received/(paid)		8	(6)
Taxation		(27)	(15)
Capital expenditure			
Purchase of tangible fixed assets		(498)	(54)
Receipts from sale of tangible fixed assets		61	10
Net cash outflow from capital expenditure		(437)	(44)
Acquisitions and disposals			
Purchase of subsidiary including costs		(636)	(229)
Cash acquired with subsidiary		153	542
Net cash (outflow)/inflow from acquisitions and disposals		(483)	313
Net cash inflow before financing		238	783
Financing			
Finance lease drawdown		308	20
Finance lease capital repayments		(144)	(86)
Bank loan repaid		—	(9)
Exercise of share options under ESOP		10	152
Net cash inflow from financing		174	77
Increase in cash	27	412	860

notes to the financial statements for the year ended 28 February 2007

1 accounting policies

basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies which the directors have adopted are set out below.

basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings from the date of their acquisition using acquisition accounting principles.

No company profit and loss account is presented as permitted by Section 230 of the Companies Act 1985.

goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets.

Goodwill is capitalised as an intangible fixed asset in the year in which it arises and amortised in equal instalments over its estimated useful economic life, up to a maximum of 20 years. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill. If a subsidiary undertaking is subsequently sold, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit and loss on sale.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life at the following rates:

Leasehold land and buildings:	Over the term of the lease
Plant and machinery:	three to ten years straight line
Fixtures and fittings:	two to ten years straight line
Computer equipment:	three years straight line

investment in own shares and share-based payments

Investment in own shares held by the employee share ownership trust is deducted from reserves in accordance with Urgent Issues Task Force 38 (UITF 38).

From 1 March 2006 the group adopted FRS 20 which deals with share-based payments made for services or goods rendered. The fair value of share options granted is calculated using the Black-Scholes option pricing model. The expense is spread over the period from the date of grant to the date that options vest and are exercisable, based on the company's best estimate of the number of shares that will eventually vest.

The prior year comparative figures have been restated in accordance with the new standard. The effect of FRS 20 was to increase administrative expenses for the year ended 28 February 2006 by £29,000. The group's net assets and cash flow statement were unaffected.

fixed asset investments

Fixed asset investments in subsidiary companies are stated at cost less provision for impairment.

stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowances for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of fixed and variable overheads.

foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences are taken to the profit and loss account, as incurred.

pensions

The group makes contributions to the personal pension plans of certain employees. Contributions are charged to the profit and loss account as they become payable.

operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

finance leases

Assets obtained under finance leases are capitalised as tangible fixed assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance is not discounted.

financial instruments

FRS 13 requires information to be disclosed about the impact of financial instruments on the group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

The group's policies include that no trading in derivative financial instruments shall be undertaken for speculative purposes.

These disclosures have been made in note 20 to the accounts.

2 turnover

Turnover represents the invoiced value of goods and services exclusive of VAT. The total turnover of the group for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

3 cost of sales and administration expenses

Year ended 28 February 2007	Continuing £000	Acquisitions £000	Total £000
Cost of sales	4,364	151	4,515
Administrative expenses – normal	2,497	523	3,020
– goodwill amortisation	276	109	385
– exceptional charge	388	—	388
Total administrative expenses	3,161	632	3,793

Year ended 28 February 2006	Continuing (Restated) £000	Acquisitions £000	Total (Restated) £000
Cost of sales	3,723	—	3,723
Administrative expenses – normal	2,259	—	2,259
– goodwill amortisation	181	—	181
– exceptional charge	161	—	161
Total administrative expenses	2,601	—	2,601

4 operating profit

Operating profit is stated after charging:

	2007 £000	2006 £000
Auditors' remuneration – audit	35	35
– other	5	5
Depreciation on tangible fixed assets	342	270
Amortisation of goodwill	385	181
Operating lease rentals – land and buildings	149	149
– other	22	37

5 exceptional items

	2007 £000	2006 (Restated) £000
Share option charge in accordance with FRS 20	(388)	(161)
Restructuring and integration costs	—	(176)

The share option charge relates principally to the share options granted to directors in September 2005, as disclosed in the remuneration report on page 19.

6 net interest receivable/(payable)

	2007 £000	2006 £000
Interest receivable on deposits	27	15
Interest payable on finance leases	(19)	(14)
Other interest payable	—	(7)
	8	(6)

notes to the financial statements for the year ended 28 February 2007 continued

7 information on employees

	2007 £000	2006 £000
Wages and salaries	2,940	2,336
Social security costs	315	256
Other pension costs – defined contribution scheme	37	33
	3,292	2,625

The average monthly number of employees, including directors, during the year was:

	2007 Number	2006 Number
Production	50	46
Selling and distribution	24	25
Administration	20	11
	94	82

Details of directors' emoluments, including details of share option schemes are given in the report of the remuneration committee on pages 18 and 19. These disclosures form part of the audited financial statements of the group.

8 taxation

	2007 £000	2006 £000
UK corporation tax on profits of the year	86	2
Deferred taxation	—	14
	86	16

	2007 £000	2006 (Restated) £000
Reconciliation of current year tax charge		
Profit on ordinary activities before taxation	305	102
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2006: 30%)	91	31

Factors affecting charge:

Non-deductible expenses	247	127
Short term timing difference	3	(8)
Depreciation in excess of capital allowances	(22)	24
Utilisation of tax losses	(233)	(172)
Current tax charge	86	2

The group has tax losses available to carry forward against future profits amounting to £1,158,000 (2006: £1,888,000).

9 loss attributed to parent company

The loss dealt with in the financial statements of the parent company was £817,000 (2006 restated: £256,000).

10 earnings per share

Earnings per share have been calculated by dividing the earnings available to ordinary shareholders by the weighted average number of shares in issue during the year after excluding the shares owned by the employee share ownership trust. Diluted earnings per share take into account the potentially dilutive effect of share options.

	2007 £000	2006 (Restated) £000
Earnings excluding goodwill amortisation and exceptional items	992	590
Exceptional items net of tax	(388)	(323)
Goodwill amortisation	(385)	(181)
Basic and diluted earnings	219	86
	Number	Number
	000	000
Weighted average number of ordinary shares in issue	104,278	71,561
Effect of dilutive share options	11,637	5,211
Diluted weighted average number of shares in issue	115,915	76,772

11 intangible fixed assets

group	Goodwill £000
Cost	
At 1 March 2006	5,591
Addition	3,436
At 28 February 2007	9,027
Amortisation	
At 1 March 2006	540
Charge for the year	385
At 28 February 2007	925
Net book value	
At 28 February 2007	8,102
At 28 February 2006	5,051

The additional goodwill in the year arose from the acquisition of Tangent Labs Limited (formerly C360 UK Limited) as set out in note 13. This goodwill is being amortised over 20 years.

The goodwill brought forward from prior years is being amortised over five and 20 years.

12 tangible fixed assets

group	Short leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 March 2006	41	1,650	107	1,798
Additions	18	480	—	498
Acquired with subsidiary	—	8	—	8
Disposals	—	(284)	—	(284)
At 28 February 2007	59	1,854	107	2,020
Depreciation				
At 1 March 2006	21	1,197	64	1,282
Charge for the year	11	308	23	342
Disposals	—	(279)	—	(279)
At 28 February 2007	32	1,226	87	1,345
Net book value				
At 28 February 2007	27	628	20	675
At 28 February 2006	20	453	43	516

Included within net book value of plant and machinery is £298,000 (2006: £196,000) in respect of assets held under finance leases. Included within the depreciation charge for the year is £68,000 (2006: £103,000) in respect of assets held under finance leases.

notes to the financial statements for the year ended 28 February 2007 continued

13 acquisitions

On 11 July 2006 the company acquired the entire issued share capital of Tangent Labs Limited (formerly C360 UK Ltd). Details of the acquisition are as follows:

Net assets acquired	£000
Tangible fixed assets	8
Debtors	148
Cash at bank	153
Other creditors	(109)
Book and fair value of net assets	200
Goodwill (note 11)	3,436
Total consideration for acquisition	3,636

Satisfied by:

	£000
Issue of shares at market value (12p)	2,000
Cash paid	500
Costs of acquisition	136
Estimated future consideration	1,000
	3,636

The maximum future consideration payable under the purchase agreement for Tangent Labs Limited is £2,000,000 comprising £500,000 in cash and 12,500,000 new ordinary shares with a contractual valuation of 12p each. Potential future payments are dependent on performance of the Tangent Labs business and the continuing employment of the vendors over the three years to 31 July 2009. The directors estimate that future consideration will be £1,000,000 comprising £500,000 in cash and 4,166,667 new ordinary shares.

The summarised profit and loss account for Tangent Labs Limited from the beginning of its financial year, 1 November 2005, until the date of acquisition, 11 July 2006, is shown below:

	£000
Turnover	493
Operating profit	164
Interest receivable	2
Profit before taxation	166
Taxation	(26)
Profit for the period	140

The profit after taxation for the previous financial year was £102,000.

14 investments

company	Subsidiary undertakings £000
Cost	
At 1 March 2006	6,683
Additions (note 13)	3,636
At 28 February 2007	10,319
Provision for impairment	
At 1 March 2006 and 28 February 2007	264
Net book value	
At 28 February 2007	10,055
At 28 February 2006	6,419

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

14 investments continued

Subsidiary undertakings

The company's subsidiary undertakings are as follows:

name	Principal activity	Interest in ordinary share capital
Tangent Marketing Services Limited	Marketing services	100%
Tangent Labs Limited	Marketing services	100%
Documedia Solutions Limited	Dormant	100%
Ctrlp.com Limited	Dormant	100%
Crestlands Limited	Dormant	80%
Documedia Sales Limited	Dormant	100%
Fingerprint Digital Limited	Dormant	100%
The Fingerprint Group Limited	Dormant	100%
London Digital Printing Company Limited	Dormant	100%
London Digital Printing Group Limited	Dormant	100%
London Digital Art Limited	Dormant	100%
SMS Solutions Limited	Dormant	100%

All companies are incorporated in England and Wales. The results of the above companies have been consolidated in these financial statements.

15 stocks

	group		company	
	2007 £000	2006 £000	2007 £000	2006 £000
Raw materials	72	79	—	—
Work in progress	15	19	—	—
	87	98	—	—

16 debtors

	group		company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	2,063	1,430	—	—
Other debtors	13	24	17	17
Prepayments	192	202	—	—
	2,268	1,656	17	17

17 creditors – amounts falling due within one year

	group		company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade creditors	949	799	8	29
Finance leases	70	108	—	—
Corporation tax	117	2	—	—
Other taxes and social security	377	210	—	—
Amounts owed to subsidiary undertakings	—	—	1,192	148
Other creditors	59	45	3	3
Accruals	336	308	—	—
	1,908	1,472	1,203	180

notes to the financial statements for the year ended 28 February 2007 continued

18 creditors – amounts falling due after more than one year

	group		company	
	2007 £000	2006 £000	2007 £000	2006 £000
Finance leases	215	13	—	—

All finance leases are repayable within five years.

19 provisions for liabilities and charges

group	£000
At 1 March 2006	32
Paid in the year	(21)
Provided for in the year	500
Released during the year	(11)
At 28 February 2007	500

The nature of the provisions is as follows:

	2007 £000	2006 £000
Provision for deferred cash consideration on the acquisition of Tangent Labs Limited	500	—
Provision for deferred consideration on the acquisition of The Fingerprint Group Limited	—	25
Provision for onerous lease on former premises of The Fingerprint Group Limited	—	7
	500	32

company

Provision for deferred consideration on acquisitions:

	£000
At 1 March 2006	25
Paid in year	(14)
Provided for during the year	500
Released during the year	(11)
At 28 February 2007	500

20 financial instruments

The group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors that arise directly from its operations.

The main risk arising from the group's financial instruments is interest rate risk. The group monitors its interest rate risk primarily through monthly cash flow forecasting.

short term debtors and creditors

Short term debtors and creditors have been excluded from the financial instruments disclosures.

interest rate risk

The group finances its operations through shareholder equity, working capital, finance leases and accumulated cash balances. Throughout the year the group's exposure to interest rate fluctuations was on its cash deposits and finance leases.

foreign currency risk

Throughout the year the group was not exposed to a material currency risk.

20 financial instruments continued

interest rate risk profile of financial assets and liabilities

The interest rate profile of the group's financial assets and liabilities was:

	Fixed rate financial liabilities	Floating rate financial assets/ (liabilities)	Fixed rate financial liabilities	Floating rate financial assets/ (liabilities)
	2007 £000	2007 £000	2006 £000	2006 £000
Cash balances	—	1,334	—	922
Finance leases	—	(285)	(103)	(18)
	—	1,049	(103)	904

Interest on cash is based on floating rates linked to money market rates. The average rate of interest on floating rate liabilities is 0.88% above bank base rate.

fair value of financial instruments

The group's financial instruments, which comprise cash and short term deposits and variable rate finance leases, are carried at cost, which is also considered to be equivalent to their fair value.

21 share capital

	2007 £000	2006 £000
Authorised		
142,670,000 (2006: 142,670,000) ordinary shares of 1p each	1,427	1,427
Allotted and fully paid		
111,780,007 (2006: 95,113,340) ordinary shares of 1p each	1,118	951

On 11 July 2006 16,666,667 ordinary shares of 1p each were allotted at 12p per share as part consideration for the acquisition of Tangent Labs Limited (formerly C360 UK Limited).

22 share options

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

	Number 000	Weighted average exercise price
At 1 March 2006	13,810	4.34p
Exercised for cash	(200)	4.67p
Granted	265	11.75p
Lapsed	(350)	4.89p
At 28 February 2007	13,525	4.44p

For the share options outstanding at 28 February 2007 exercise prices ranged between 1p and 11.75p per share and the weighted average remaining contractual life was 8.5 years.

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

The fair value of share options granted in the year was calculated using a Black-Scholes option pricing model. The exercise price and share price of options granted in the year were 11.75p. The volatility, measured as the standard deviation of expected share price return, is based on statistical analysis of the FTSE Support Services Index over the past four years which resulted in an assumed volatility of 14%. The risk free interest rate has been assumed as 4.55%.

The total share option charge for the year was £388,000 (2006 restated: £161,000) in accordance with the requirements of FRS 20 on share-based payments. The charge relates principally to the share options granted to directors in September 2005, as disclosed in the remuneration report on page 19.

notes to the financial statements for the year ended 28 February 2007 continued

23 reserves

group	Share premium account £000	Merger reserve £000	ESOP reserve £000	Other reserve £000	Profit and loss account £000
At 1 March 2006	7,860	5,189	(4)	1,294	(8,564)
Prior year adjustment (FRS 20)	—	—	—	29	(29)
At 1 March 2006 as restated	7,860	5,189	(4)	1,323	(8,593)
Premium on issue of shares	—	1,833	—	—	—
Release of funds on distribution of shares	—	—	1	—	9
Share option charge (FRS 20)	—	—	—	388	—
Deferred consideration	—	—	—	500	—
Retained profit for the year	—	—	—	—	219
At 28 February 2007	7,860	7,022	(3)	2,211	(8,365)

company	Share Premium account £000	Merger reserve £000	ESOP reserve £000	Other reserve £000	Profit and loss account £000
At 1 March 2006	7,860	5,189	(4)	132	(7,744)
Prior year adjustment (FRS 20)	—	—	—	29	(29)
At 1 March 2006 as restated	7,860	5,189	(4)	161	(7,773)
Premium on issue of shares	—	1,833	—	—	—
Release of funds on distribution of shares	—	—	1	—	9
Share option charge	—	—	—	388	—
Deferred consideration	—	—	—	500	—
Retained loss for the year	—	—	—	—	(817)
At 28 February 2007	7,860	7,022	(3)	1,049	(8,581)

employee share ownership trust

At 28 February 2007 the employee share ownership trust held a total of 1,448,340 (2006: 1,648,340) ordinary shares in Tangent Communications plc, with a market value of £192,000 (2006: £165,000).

24 reconciliation of movements in shareholders' funds

group	2007 £000	2006 (Restated) £000
Profit for the financial year	219	86
Issue of shares	2,000	5,739
Deferred equity consideration	500	—
Share option charge (FRS 20)	388	161
Disposal of own shares held by ESOP	10	152
Net increase in shareholders' funds	3,117	6,138
Opening shareholders' funds	6,726	588
Closing shareholders' funds	9,843	6,726

25 reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2006 £000
Operating profit	297	284
Share option charge (FRS 20)	388	161
Non-operating exceptional items	—	(176)
Amortisation of goodwill	385	181
Depreciation charge	342	270
Profit on disposal of fixed assets	(56)	(3)
Decrease in stock	11	7
(Increase)/decrease in debtors	(464)	383
Increase/(decrease) in creditors and provisions	274	(572)
Net cash inflow from operating activities	1,177	535

26 analysis of net funds

	At 1 March 2006 £000	Cash flows £000	At 28 Feb 2007 £000
Cash at bank	922	412	1,334
Finance leases	(121)	(164)	(285)
Net funds	801	248	1,049

27 reconciliation of net cash flow to movement in net funds

	2007 £000	2006 £000
Increase in cash	412	860
Cash (inflow)/outflow from (increase)/decrease in debt	(164)	95
Change in net funds resulting from cash flows	248	955
New finance leases	—	(20)
Finance leases acquired with subsidiary	—	(110)
Movement in net funds in the year	248	825
Opening net funds	801	(24)
Closing net funds	1,049	801

28 financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2007 Group		2006 Group	
	Property £000	Other £000	Property £000	Other £000
Operating leases which expire:				
within one year	23	—	—	—
between two and five years	110	29	149	18
	133	29	149	39

29 related party transactions

There were no related party transactions in the year or prior year.

30 post balance sheet events

On 27 March 2007 the company completed the acquisition of Ravensworth Digital Services Limited, a digital marketing business based in Newcastle, serving the property sector.

The consideration was £5.85m, before costs, satisfied by £5.41m in cash and the issue of 3.4m ordinary shares of 1p at 13p per share. There is no deferred consideration. To fund the acquisition the company placed a further 46.6m new ordinary shares at 13p per share, raising gross proceeds of £6.06m.

notice of the annual general meeting

Notice is hereby given that the 2007 annual general meeting of the company will be held at the offices of Rosenblatt Solicitors, St Andrew House, 18–20 St Andrew Street, London EC4A 3AF on 13 July 2007 at 10 am for the following purposes:

As ordinary business:

1. To receive the financial statements for the year ended 28 February 2007 and the report of the directors and auditors on those statements.
2. To re-appoint UHY Hacker Young LLP as auditors of the company and to authorise the board to determine their remuneration.
3. To re-elect Timothy Green who retires from office pursuant to the articles of association of the company as a director of the company.
4. To re-elect Paul Murray who retires from office pursuant to the articles of association of the company as a director of the company.

By order of the board



Graeme Harris
secretary
16 May 2007

registered office:
Truscott House
32–42 East Road
London N1 6AB

notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.
2. To be valid the enclosed form of proxy for the annual general meeting together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited by 10 am on 11 July 2007 at the offices of the Company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD.
3. Returning the form of proxy will not prevent you from attending and voting in person.
4. The company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company as at 6 pm on 11 July 2007 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6 pm on 11 July 2007 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the company in respect of the relevant joint holding.

form of proxy

I, (name),
of (address),
being a member of Tangent Communications plc (the "company") hereby appoint:

the chairman/..... (see note 4)

as my proxy to attend for me at the annual general meeting of the company and at any adjournment of such general meeting (whenever held) and to vote on my behalf on the resolutions set out in the notice of general meeting as follows and, on any other resolutions, as he thinks fit:

Annual general meeting on 13 July 2007 at 10 am at the offices of Rosenblatt Solicitors, St Andrew House, 18–20 St Andrew Street, London, EC4A 3AF.

RESOLUTION	FOR	AGAINST
1. To receive the financial statements for the year ended 28 February 2007.		
2. To re-appoint UHY Hacker Young LLP as auditors.		
3. To re-elect Timothy Green as a director.		
4. To re-elect Paul Murray as a director.		

Dated: 2007

Signature:

Please return to the company's registrars:

Capita Registrars
Proxy Processing Centre
Telford Road
Bicester OX26 4LD

notes:

- To be valid this form, duly completed, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof, must be deposited at the offices of the company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD by 10 am on 11 July 2007. The form must be signed. If someone else signed the form on your behalf, you or that person must send the power of attorney or other written authority under which it is signed to the offices of the company's registrars, Capita Registrars.
- A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer, attorney or other person duly authorised in writing.
- This form enables you to instruct your proxy how to vote in the event of a poll on the resolutions to be proposed at the general meeting. Please indicate with an 'X' how you wish to vote. If you do not indicate how you wish to vote, the proxy will vote or abstain from voting as he or she thinks fit.
- The appointment of the chairman as proxy has been included for convenience. If you wish to appoint any other person or persons as proxy or proxies delete the words "the chairman" and add the name and address of the proxy or proxies appointed. A proxy need not be a member of the company. If you do not delete such words and you appoint a proxy or proxies, the chairman shall not be entitled to vote as proxy. Any alteration must be initialled. If you appoint more than one person to act as proxy the number of shares in respect of which each is to vote must be specified. In the absence of any specific direction, a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.
- In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the shares.
- Returning the form of proxy will not prevent you from attending the general meeting and voting in person.
- The company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6 pm on 11 July 2007 or, in the event that the general meeting is adjourned, in the register of members 48 hours before the time of any adjourned general meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6 pm on 11 July 2007 or, in the event that the general meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned general meeting, shall be disregarded in determining the rights of any person to attend or vote at the general meeting.



Business Reply
Licence Number
RRHB-RSXJ-GKCY

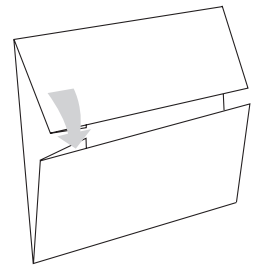
third fold and tuck in



Capita Registrars
Proxy Processing Centre
Telford Road
Bicester OX26 4LD

second fold

first fold





tangent communications plc
Truscott House
32-42 East Road
London N1 6AD
www.tangentuk.com

