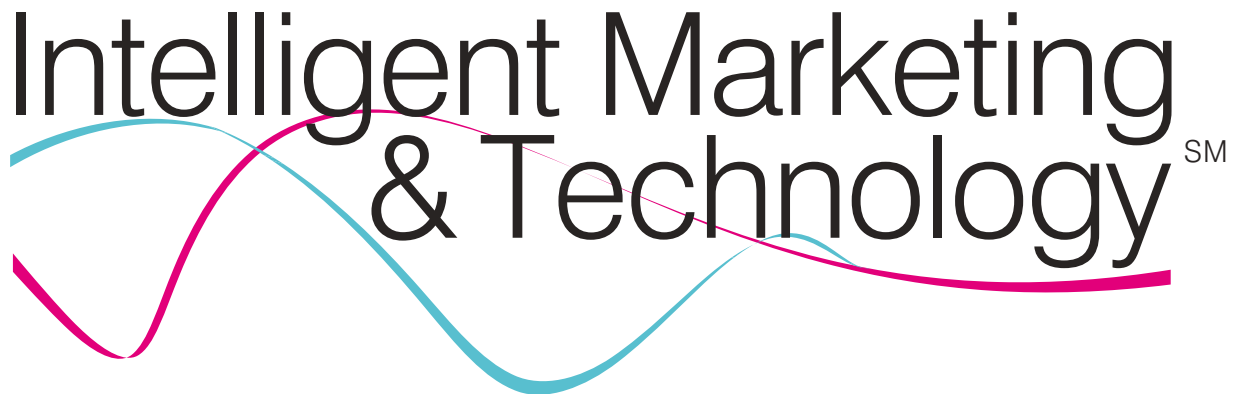


Intelligent Marketing
& TechnologySM



Intelligent Marketing & TechnologySM



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Who we are

Tangent is a leading integrator of technology and marketing strategy.

What we do

We combine leading edge technology with intelligent, data-driven communication strategies to help brands overcome the complex challenges laid down by media fragmentation, diversification and increasingly sophisticated consumers.

How we do it

Our business is built around the twin pillars of technology and multi-channel marketing. This enables us to deliver accuracy and accountability into marketing operations whilst implementing intelligent and integrated communication strategies at new levels of cost-efficiency.

Our technological expertise is backed up by strategic and creative excellence across both online and direct channels and supported by a state of the art 40,000 sq ft fulfilment facility that allows us to combine end to end delivery with fully integrated marketing services.

In an ever-changing and increasingly challenging world, Tangent's platform of intelligent marketing and technology provides the perfect environment for innovative, efficient and accountable communications strategies.

£18.19m

Revenue

£0.64m

Cash from operations

£0.82m

Underlying operating profit

£1.10m

Net funds

Highlights

Financial

- ▶ Revenues **up by 16.5%** to £18.19m (2009: £15.61m)
- ▶ Underlying Operating Profit¹ **£820k** (2009: £848k)
- ▶ Adjusted Earnings Per Share² **0.38p** (2009: 0.35p)
- ▶ Diluted Earnings Per Share ("EPS") **0.16p** (2009: 0.17p)
- ▶ Recommended **dividend maintained** at 0.2p (2009: 0.2p)
- ▶ **Net Funds** at £1.1m

¹ Underlying operating profit is defined as operating profit after share-based payment charges (2010: £0.02m, 2009: £0.23m).

² Adjusted EPS is after share-based payments before restructuring expenses net of tax. (Note tax charges 2010: £nil, 2009: £0.22m).

Operational

- ▶ **The Digital Print Partnership** ("DPP") has grown to represent 6% of print revenues from a standing start
- ▶ Completed the **re-brand of over 100 Halifax Property Services offices to Reeds Rains branches**
- ▶ **Sales increased by 36%** year on year for the second half for Estate Agency services
- ▶ Re-branded and implemented **retail marketing plan** for 147 GalaBingo clubs
- ▶ **Marketing Toolkit** software platform was expanded to include email and SMS alongside its existing market leading direct mail, press and graphic design tools
- ▶ ZUI's contract with business consultancy DVW to design **user interfaces for Heineken** was successfully implemented
- ▶ Delivery of **online stores for SAP Training** and Certification (across 27 countries)
- ▶ Launch of **revolutionary** peer to peer car sharing system: whipcar.com
- ▶ Tangent One's **"intelligent ad banners"** acclaimed by Marketing Week as a "world first" and shortlisted by Revolution Magazine for "Best Use of Online Advertising"

Tangent is underpinned by industry-leading technology.

Our business is spread across Online, Direct Marketing and Property/Print services.

Online

TANGENT / ONE

Digital Communications

Our online offer is built around Tangent One, an award winning, full service, integrated digital agency that creates, executes and manages end-to-end digital communications across e-commerce, websites, email, search, social media and mobile marketing.

At the heart of Tangent One lies Taobase™, a proprietary tool that captures, stores and segments customer data to provide customers with a single customer view across all digital transactions.

For more information on Tangent One visit tangentone.com



Technology

Our renowned technological capability is driven by Tangent Labs, a team of 35 highly skilled developers that delivers consistently innovative and intelligent technical solutions for the challenges of 21st century marketing. These include transactional and business critical systems as well as communication tools that work across email, websites, mobile and social media.

For more information on Tangent Labs visit tangentlabs.co.uk



Partnership

Tangent Labs also provides a range of partnership services that utilise our technical expertise to develop solutions for specific and advanced client needs. These include ZUI, a joint venture with De Villiers Walton, that provides increased productivity for SAP software through the development of highly customised and user friendly interfaces.

For more information on ZUI visit zui.co.uk



To learn more about Tangent and our group of companies log on to tangentplc.com/group_companies

Direct



Data Driven Marketing

Our direct arm, Snowball, is a leading provider of data-driven marketing services and specialises in developing highly targeted and personalised multi-channel communications built around the intelligent integration of customer data, marketing strategy and creative. Snowball's core expertise lies in managing customer databases and identifying critical insights that help brands communicate more effectively with customers and prospects to increase loyalty, retention and frequency of purchase.

Marketing Resource Management

Snowball has pioneered the development of online marketing resource management and played a leading role in making intelligent marketing technology accessible and practical through Marketing Toolkit™.

Marketing Toolkit is one of the most advanced products of its kind, consistently producing, distributing, broadcasting and hosting millions of branded assets across direct mail, point of sale, email, press ads, mobile and websites.

For more information on Snowball visit snowball.co.uk



Property/Print



Full Service Property Marketing and Brand Strategy

We provide industry-leading marketing services to the property sector through Ravensworth. Ravensworth's highly intelligent and intuitive web to print technology, combined with its unrivalled knowledge of the property sector and 40,000 sq ft fulfilment facility enables it to provide bespoke and highly targeted marketing collateral to over 3,000 estate agents across the United Kingdom.

Ravensworth's services cover a comprehensive range of skills for the property sector including marketing strategy, creative, direct mail, press advertising, web, email and bespoke point of sale.

For more information on Ravensworth visit ravensworth.co.uk



Digital Print

Our 40,000 sq ft digital print and fulfilment facility makes us one of the only agencies in the UK with the ability to provide genuine end-to-end services for all of our clients. Our digital print services include Tangent On Demand, for premium, fast turnaround short run requirements, and The Digital Print Partnership, an innovative and market-leading online digital printing service.

For more information on Tangent On Demand and The Digital Print Partnership visit toduk.com digitalprintpartnership.com



Chairman's statement



Piers Caldecote

We have built the business upon a solid backbone of proven technology and multi-channel marketing capability that has provided a robust platform for stability in a challenging market.

Tangent's highly talented team ensures that we regularly punch above our weight, and we continue to supply major household names with high volume and time-critical marketing services through innovative technology. We have built the business upon a solid backbone of proven technology and multi-channel marketing capability that has provided a robust platform for stability in a challenging market. This has allowed our companies to continue to deliver ever greater accuracy and accountability into marketing operations.

In the year ended 28 February 2010, underlying operating profits of £820,000 were ahead of our initial expectations. The recommended dividend of 0.2p is maintained for the year. Although not fully covered after exceptional charges, our financial position remains solid with net cash of £1.1m and prospects for the current year are encouraging. However we did not achieve all our targets for the year, notably in respect of contributions from our latest acquisition where revenues from key accounts continue to disappoint. The integration of Snowball with Tangent Direct's business is progressing to plan and has been able to secure important new client wins, such as the Miele account.

We have also not yet been able to take a bigger step up in size which means that overhead costs as a proportion of revenue remain higher than we would like. However I am confident we can improve performance, both immediately through our own efforts and through increased activity from a number of market segments. We will also work harder on building scale.

Our **financial position remains solid** and prospects for the current year are encouraging.

We have implemented a new management structure with Timothy Green taking on full responsibility as Chief Executive.

Our newly formed Consumer division, built on the success of the Digital Print Partnership, will be driven by Nicholas Green, who will also continue to focus on corporate activity and key clients. Greg Jackson will continue to head up the online division with his technology skills.

Kevin Cameron took over as Group Financial Controller in February 2010 following Graeme Harris' departure. I am pleased to announce that Kevin now joins the board as Finance Director and Company Secretary. He has managed group finances since June 2009 and he brings many years' experience from within the Ravensworth business to the board. Graeme had been with Tangent as Finance Director since the flotation in 2005 and gave us excellent service. I am sure he will be a great asset in his next position.

The new management team's key challenge will be to work across our businesses to sell the benefits of our extensive range of Marketing and Production Services throughout our client base. Tangent's responsibility is to provide clients with a truly end-to-end service, enable real time campaign data analysis and react rapidly to constantly changing market conditions.

I would like to thank all of our employees for their hard work throughout the last twelve months in demanding market conditions, many of whom have worked through the night to support our clients.

It is probably not usual to compliment a Non-executive Director, but Paul Murray has, as always, been exceptional in overseeing compliance, audit and remuneration matters. A small company has to cover the same bases as much bigger businesses but without their depth of support, and Paul has been instrumental in making this possible. We also welcome Alan Smith to the board as Non-executive Director. His tremendous experience will be welcome in the coming period and specifically his history of working with public companies and the retail sector will assist both the business and executive team as they look to grow the Tangent business.

Finally, my thanks to our shareholders for continuing to support Tangent.



Piers Caldecote
Non-executive Chairman
21 June 2010

Chief Executive's statement



Timothy Green

Tangent is increasingly well positioned to **pick up revenue in growth markets**, particularly technology, data insight and digital marketing.

Performance for 2010 from our core business units was substantially above management expectations set out at the start of the year. However as a result of some underperformance from our latest acquisitions, the overall results were only in line with the higher expectations anticipated at the interim stage. Going forward we remain cautious and have factored into our 2011 budgets some, but not substantial, growth from key markets or from recent acquisitions.

Second half revenues increased to a record high of £9.67m giving a full year figure of £18.19m, ahead of management expectations. Contributions through the acquired business assets of Snowball, the sales generated from VLM and Lateral.net customer lists and growth from the core business gave rise to a significant sales increase in a period of economic challenge. Underlying operating margin for the second half was up to 5.0% from 4.0% in the first half. We do not anticipate adding further to the current cost base and would expect to see margins continue to rise as revenues increase and the sales mix continues to return favourably.

The last six months have shown an increase in core revenue streams across the Tangent business and the first two months of the current financial year have generated significant profits. Whilst it is too early at this stage to forecast into the second half of the year when the full impact of legislative, tax and economic changes may be felt, we are confident that our first half performance will be strong in comparison to last year.

Tangent is increasingly well positioned to pick up revenue in growth markets, particularly technology, data insight and digital marketing. Continued investment in our proprietary technology platforms – TaoBase and Marketing Toolkit – has positioned us at the forefront of our field with market-leading software and services, enabling our Insight and Online experts to take advantage of the shifting market. With increasing returns from our market-leading Estate Agency service, all Tangent business streams should provide a significant contribution to profits and cash-generation this year.

Continued media fragmentation and an increasing need for greater effectiveness and accountability has encouraged many marketing services companies to start investing in technology, insight and e-services. Tangent has been ahead of the curve, investing significantly for some time now and is ideally placed to take full advantage of this change and make significant steps in a growing market. We have already secured an impressive new contract win with Miele and the UK launch of Whipcar.com, and our extended remits with GalaCoral, the Labour Party and Homeserve should underpin a solid year of growth ahead.

With the new management structure in place, I look forward to working closely with the many outstanding individuals across the business to accelerate growth and enhance Tangent's positioning as a leading provider of Intelligent Marketing and Technology.

Timothy Green
Chief Executive
21 June 2010

CASE STUDY



PITCHER & PIANO

Tangent works with leading bar operator Pitcher & Piano to provide a through the line marketing strategy that integrates both in-bar and CRM messaging. Together we have developed a compelling and consistent brand experience for

customers across web, email, mobile and direct mail helping to generate increased brand awareness and loyalty.

Each promotion generates a unique voucher and code which is linked into Pitcher & Piano's national EPOS system, and enables all redemptions to be accurately tracked across the branch network. This data provides valuable information

on the types of offers that customers are most responsive to, and what messaging is most engaging offline and online.

Our work has enabled Pitcher & Piano to significantly increase its marketing database and offer personalised communications that are relevant to each bar and customer. The net effect is greater levels of loyalty through targeted messages based on unique customer purchasing behaviour.

Business review

Tangent

Intelligent Marketing and Technology lies at the core of Tangent. It symbolises our ability to combine leading edge technology with brand communications to overcome the complex challenges laid down by media fragmentation and diversification. Above all, we have developed a technology platform that is both practical and accessible in terms of cost, speed to market and ease of use.

At the heart of our approach lies Taobase, a pioneering technology driven environment that allows creativity and strategy to be applied at scale across multiple communications channels. By investing in and developing such leading edge technology ahead of the curve, we have built a business in tune with the market and well placed to leverage the inevitable growth in the adoption of marketing services technology. The recession has accelerated the demand for increased accountability and efficiency in marketing services, bringing the market to a tipping point that Tangent is ideally positioned to take full advantage of.

Market demand

We have developed three revenue models designed around the most profitable opportunities available to us:

1. Enterprise Model – through which we provide our services direct to enterprises.
2. Partnership Model – enabling us to cater for the increasing need of intermediaries to provide automated marketing services to their clients through the licensing of our product.
3. Open Model – the next frontier for our technology and gateway to the consumer market.

Exploring new opportunities – The consumer proposition

In line with our commitment to develop new revenue streams, we are now looking to extend into the consumer market. The technical and creative capability of Tangent's platform combined with its scalability and speed to market presents a significant opportunity to leverage growing consumer demand for automation. We have already developed Wholesale and Partnership models through the Digital Print Partnership and are confident that we will be able to make significant progress in this area.

Management priorities

We set out with the following performance expectations at the start of 2010:

1. Estate agency: maintain our status as the leading provider of marketing materials to

the estate agency sector, albeit through a shared and reduced cost base.

2. Online integration: integrate Tangent One and Lateral and create a full service digital marketing business.
3. Financial consolidation: consolidate our Finance department resources.
4. Direct: position the business to attract a greater proportion of data and higher margin consultative revenues.

Below is how we responded to these challenges:

1. Estate agency: we increased our overall market share but still have work to do in reducing our cost base. This is because, although our client base was less active, we retained a high number of clients and the resource required to support them needed to be maintained. However, we were able to engage with our customers to lessen the seasonal cost impact when order volumes are low and consolidation is more difficult.
2. Online integration: we successfully integrated Tangent One and Lateral, although this took longer than expected. The combination of Lateral's award winning creative with Tangent's proven technology platform has added a new dimension to our applications helping to improve results for our clients and strengthen our full service proposition.
3. Financial consolidation was completed by June 2009. However our Finance Director Graeme Harris has since moved on and Kevin Cameron has been appointed from within. Administrative and central costs have been reduced with savings of £180,000 expected in 2011.
4. Direct: the acquisition of Snowball significantly strengthened our data and consultative capabilities.

We now put forward the following priorities for 2011:

1. To launch a corporate (retail) version of DPP by August 2010.
2. To extend the positioning of Ravensworth to a broader range of marketing services for the estate agency sector by bringing in digital and data expertise from within the group and reducing the dependency on single product contracts.
3. To extend the high profile online creative wins for Boots and Mothercare secured through our creative director Simon Crab, one of the most awarded creatives in the digital industry.

CASE STUDY



REVIEW OF THE YEAR/

TRAILFINDERS

“Snowball’s work has been fantastic – their technological expertise and intelligent marketing has had a significant impact on the relevance and efficiency of our direct marketing.”

Louise Breton
Director
Trailfinders

Snowball’s work with Trailfinders is a perfect example of intelligent marketing and technology combining to deliver greater relevance, efficiency and accountability into marketing operations. Our end to end service includes data management, profiling and segmentation through to the design, printing and distribution of highly personalised direct mail packs.

We use variable data to create digitally printed mailers that are specifically relevant to each recipient. For example, the

mailer might refer to the last hotel stayed at or mention potential destinations based on previous booking activity. Where a customer hasn’t booked a holiday for a while, the message will focus on the brand’s core offering but still be tailored to previous spending habits.

Trailfinders has worked closely with Snowball to develop increasingly intelligent, data driven communications strategies that have improved the relevancy and impact of their campaigns.

Business review continued**CASE STUDY**

Reeds Rains

The Estate Agent

When Reeds Rains, one of the UK's leading estate agency chains, acquired 100 new offices that needed to be re-branded and assimilated with the rest of the branch network, they worked with Ravensworth to integrate and launch the new offices.

It's all part of a comprehensive range of services provided to Reeds Rains by Ravensworth including creative, marketing, direct mail, press advertising, email and bespoke point of sale material.

In addition, each branch is able to localise its own campaign material and order through an online system that allows bespoke messaging and accurate customer targeting across all sectors of the housing market.

Ravensworth's flexibility allows Reeds Rains to communicate highly relevant marketing messages to their customers with optimum efficiency. This is no small advantage over their competitors and has helped contribute towards Reeds Rains bucking the recent downsizing trend of rival networks. Instead, during the period of Ravensworth's collaboration, Reeds Rains has almost doubled its branch network.

Management priorities (continued)

4. To extend our technology reach by finding more partners and exploring the opportunity to open-source key components whilst developing industry-leading processes in deployment, testing and recruitment.
5. To extend further the Customer Relationship Management (CRM) capability within Snowball so that the sales mix reflects a greater proportion of higher margin, value-added consultancy revenues.
6. To maintain the market-leading position of Snowball's Marketing Toolkit.
7. To consolidate all costs, excluding those solely arising from the company's market quotation, into the revenue generating units to ensure central overheads are supported by the business segments.

Management structure

A refined management structure has already been implemented with Damian Bentley, Ian Gordon and Greg Jackson heading up Snowball, Ravensworth and Tangent One respectively. They are supported by group resources, Kevin Cameron for Finance and Andy Wheatley for Marketing ensuring a strong platform for collaborative workflow and swift delivery of our end-to-end services.

Business review by revenue stream

Tangent's businesses are united by a central belief in technology as the key enabler of 21st century marketing. Our strapline, Intelligent Marketing and Technology, underpins the Tangent brand and reflects our unique ability to combine leading edge technology with data-driven communication strategies to help brands meet the complex challenges laid down by media fragmentation and diversification.

Direct

This division contains two principal revenue streams: Snowball (represented by the combined contribution from the acquired Snowball business and the historic Tangent Direct business) and Ravensworth.

Overall trading performance

Sales increased year on year by 9% to £13.94m (2009: £12.73m). Sales in Snowball represented 64% of Direct sales and increased year on year by 19%. Sales by Ravensworth to the property market represented 36% of Direct sales, down 4% on the previous year.

Underlying operating profit from Direct was down 4% for the full year to £0.99m (2009: £1.04m). In the second half of the year profits of £0.61m were 59% higher than the first half

and represent a significant increase over profits of £0.02m generated in the same period in the prior financial year.

The reduced margin was due to a combination of increased postage sales which carry no margin and more of the sales mix coming from volume digital direct mail than in previous years. With a more balanced sales mix in the second half and higher revenues, underlying operating margin grew from 5.9% in the first half to 8.2%. We would expect this upward trend to be sustained as the sales mix continues to be more favourable. The first few months of the year have shown this to be the case although the normal seasonal variation, where performance tends to be first half weighted, means that the second half is expected to provide greater challenges.

Snowball – direct communications, insight and marketing software

Snowball, the combined division of the historic Tangent Direct business and the Snowball business acquired in September 2009, provides direct communications strategy and marketing software at an enterprise level. Key account growth during the year was excellent given the market conditions and demonstrated that our focus on efficient marketing with clear return on investment has been successful. Key account diversification has also been achieved with broader service engagements most notably in data management and data consultancy. We have increased our intake of analysts and developed a core competency in data insight that now plays a key role in our new business strategy. Print services still make up the majority of the sales mix but we expect this to move towards a more balanced mix of consultancy, insight and technology in 2011 as Snowball's profile and reputation continues to grow.

Snowball's software proposition to marketing departments, Marketing Toolkit, has accelerated in growth once again. Orders processed are now above 10,000 a month and over 40 million items were generated during the general election campaign period. Most significantly the software has evolved and the technical architecture has expanded to include a full range of media services including:

1. Direct Mail
2. Point of Sale
3. Website Content
4. Email
5. SMS
6. Data Capture/Management
7. Media Planning

Business review continued

Snowball – direct communications, insight and marketing software (continued)

All products are licensed to our customers typically for a period of one to three years and are available both directly to enterprise and through re-sellers. The re-seller model has started to perform particularly well as marketing agencies strive to provide technology to their clients in the form of automated marketing products such as Marketing Toolkit. We are looking at potential open source models where we will be able to provide access to our tools through the internet across markets and expand our international reach.

In September 2009, Tangent acquired The DDG Network LTD together with the business and assets of Double D Management LLP, collectively known as Snowball. The performance of the acquisition has been disappointing and, as a result of the majority of the purchase price being structured as earn out, the overall consideration expected to be paid will reduce. As a result of market conditions, key clients have reduced marketing activity resulting in a significant impact on earnings. However, client relationships continue to be strong and our services are still contracted and retained by them and important new clients, such as Miele, are being secured. As the economy recovers and client confidence grows, we expect levels of client marketing activity to improve and for the historic business to provide a more significant contribution as a result.

In the meantime, new business wins will compensate and we are hopeful that the Miele account will provide a platform for a return of earnings growth. The business has been fully integrated and Damian Bentley has taken the position of Managing Director of the amalgamated Snowball brand (formerly Snowball and Tangent Direct). The new Snowball division has already been recognised by Marketing Week as a Top 30 Direct Marketing service provider in the UK and one of “10 suppliers you need to know”.

Ravensthorpe – property marketing design and production; digital print services

Ravensthorpe's estate agency services business had a mixed year with the first six months providing the lowest return for more than four years. We managed to retain and hold on to much of our expert staff over this period but the contribution to Tangent's performance was minimal. Since August 2009 the market has begun to return, ending a twelve month period during which sales had declined by almost 40% and we have now out-performed year on year by a minimum of 20% each month with some months

achieving levels as high as 40%. Our key metrics of live branches and activity per account have similarly returned to levels of 2008.

Whilst Home Information Packs (“HIPs”) represented an opportunity to generate additional print volumes, the contribution has always been small with low margins. We do not anticipate upcoming legislation which is expected to eliminate HIPs to have any material impact. Instead the estate agency community, who welcome the removal of the legislation, suggests that the marketing of properties should become quicker and simpler and may result in an increase in the number and circulation of particulars, a key driver for our business.

Print revenues

Non-property services – Tangent is developing new revenue lines. The Ravensthorpe site offers unique scale in the digital print sector which attracts trade business.

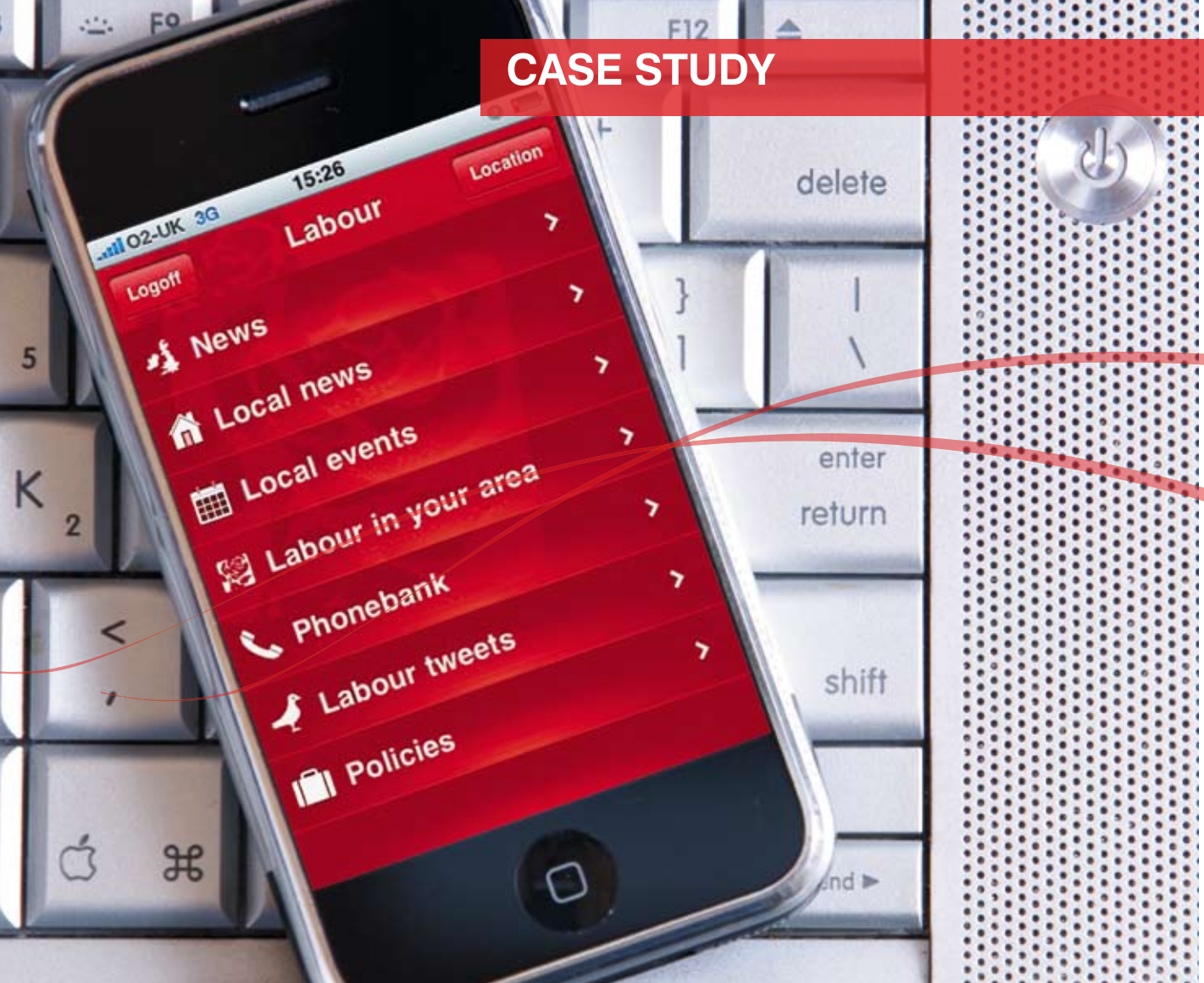
The Digital Print Partnership (“DPP”) – Tangent's wholesale online print ordering business. Since launch, this new business has generated revenues in excess of £500,000. Further investment in the site, functionality and product offering (all in-house) has allowed for the efficient delivery of thousands of orders. With an average order value of over £40 and rising, the range of products and offers has been well received by DPP customers. The main costs of the business are marketing where we will continue to re-invest. The market opportunity for this area is estimated to be substantial.

Online

Overall trading performance

Sales for 2010 increased by 50% to £4.31m (2009: £2.88m) as a result of the Lateral.net sales contribution and new contract wins. Sales generated by ZUI (£0.34m), our joint venture, and in Australia (£0.49m) were also significant in the year. Underlying operating profit reduced to £0.73m from £1.01m in 2009. Developing operational procedures to manage the expanding business, which now includes a growing creative team, together with support for our Australia and ZUI ventures, has meant a significant reduction in the margins from the business. The 2009 operating margins of 35% were perhaps not sustainable and a period of re-alignment with continued investment in our development pool and the transfer of Lateral staff into Tangent One has been required. Underlying operating profit margins for the second half of the year continued to decline from 21% in the first half to 14% in the second half. For 2011 we expect the first half to continue at these levels and the second half to begin a return to increasing margins.

CASE STUDY



“Tangent has helped to transform our communications activities and inform strategy at the highest level.”

Alicia Kennedy
Deputy Secretary General
Labour Party

Tangent runs MembersNet, the official communications infrastructure for over 250,000 members of the Labour Party. In 2010, as part of an all-encompassing range of tools and services designed to leverage digital technology, Tangent produced iCampaign, the party's first iPhone application.

iCampaign allows members to contact constituents across the UK from any location and provides opportunities to drive offline activity, such as using GPS to find local events and sign up to attend in one click, or volunteer with their local party.

Response was excellent, with thousands of downloads within the first few weeks and a second, updated version has already been released with new functionality. Labour's unique animated manifesto videos were made playable in the app, and the official Policy Guide was added allowing activists to consult while on the road.

iCampaign was one of the first products of its kind and was reviewed positively against the other parties' competing applications. For Labour it has been instrumental in facilitating peer to peer communication and empowering activists.

Business review continued**CASE STUDY**

**THE
DIGITAL PRINT
PARTNERSHIP**

“One of the main reasons we like DPP is the simplicity of the online ordering – many online ordering systems are complex, but this one couldn’t really be easier. The pricing is fantastic, and the quality of the finished product is top notch too.”

Steve Rushton
Managing Director
SR Print Management Ltd.
(DPP Member)

The Digital Print Partnership (DPP) is Tangent’s wholesale online print ordering business. DPP allows companies to sell digitally printed products to their own customers without having to invest in expensive digital print presses.

Joining DPP is free of charge and users benefit from a simple and easy to use interface from which they can order a comprehensive range of digitally printed products including calendars, greeting cards, newsletters, flyers, posters, business cards

and letterheads. Once ordered, all orders are printed, finished and dispatched to any destination in the UK within 48 hours.

DPP has been an outstanding success. During its first twelve months of operation, it has generated revenue in excess of £500,000 with an average order value of £40 and rising.

Tangent One – strategy, creative, user interfaces, e-commerce, and software development

Tangent One, supported by the Tao team in Tangent Labs, is the Online and technology arm of Tangent and offers a full service digital proposition. Performance over the year has been mixed. The first six months experienced continued growth and contribution from key accounts but the closure of Borders (UK) in December 2009, some bad debts and lower than expected revenues from the Lateral acquisition have impacted in the second half.

This area of our business has gone through four continuous years of rapid growth and we intend to consolidate our position in the market. This year we introduced “3A”, a new methodological framework that provides greater strategic depth to our offer and that has already contributed to a number of new business wins. The work coming out of this division is award winning and, with new levels of creativity meeting technology excellence, we feel the proposition is ready for introduction to an elevated position in the digital strategy marketplace.

Award-winning creative combined with award-winning technology provides a dynamic that most competitors are starting to recognise and invest in. However, Tangent One is already positioned in this space through extensive investment in the skills needed to provide online strategy to its growing number of major blue chip clients that have embraced our extensive search and social media capabilities.

The investment in human capital to position our Online business in order to compete and be ahead of the market opportunities has been substantial, and is a strategy our cash-generating units will continue to support. We now have a creative digital strategy team that is recognised by industry peers for its excellence and a broadened cutting edge technical architecture overseen by Technical Director James Eddison. This offering will take time to develop but the collective skills now assembled are expected to credibly place Tangent One in a unique market position of bespoke creative development.

To accelerate growth Tangent One is implementing a structured new business strategy. This includes investment in external new business capabilities along with a strategic PR programme focusing on key marketing and business titles. The ongoing PR activity will continue to build awareness of Tangent One, its clients, key spokespeople and expertise within important business sectors.

Australia: our Australian office was established to develop e-commerce and other online business in the rapidly growing Asia Pacific market. This year our Australian venture has brought significant contribution from a standing start. We now have a multi-skilled team covering strategy, creative and technical architecture supported by our London team. Significant market opportunities are under development with the launch of ebooks to be announced shortly. Further client opportunities are being secured with a full PR and local marketing effort led by principal Simon McEvoy and supported by our UK marketing resource.

ZUI (our joint venture with SAP consultants DVW): ZUI creates user interfaces and additional functionality on top of enterprise software. ZUI secured a significant revenue contribution for Online, chiefly from a large project to create a sales application for DVW's client Heineken which has now been rolled out and received well in the market. The project was extensive and the revolutionary interface design and architecture that is at the forefront of the ZUI proposition has ensured that the tool has received positive take up and swift implementation. Forward revenues are however hard to predict and the sales cycles for these contracts are long and complex but we have a number of similar enterprise level opportunities in the marketplace that are at different stages of review.

Outlook

The start of the year has been strong with significant contribution from our core accounts and the continuing strong recovery in our Property business. We are confident this will ensure first half growth year on year for the group but visibility for the second half of the year remains limited.



Timothy Green
Chief Executive
21 June 2010

Financial review



Kevin Cameron

The year ended 28 February 2010 saw revenue growth in both our Direct and Online divisions during difficult trading conditions. Revenues from Property continued to decline during the first six months but the second half of 2010 has seen significant like-for-like growth over the same period in 2009.

Whilst the acquisitions during the year have not met management expectations, Tangent continues to be profitable and cash generative and the board is recommending that the dividend be maintained at 0.2p per share.

Key performance indicators (“KPIs”)

We manage Tangent’s business using KPIs which measure underlying performance. As noted in the 2009 financial statements, the charge for share-based payments has now been included within operating expenses. Underlying performance as stated below excludes restructuring costs.

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

- Revenue increased 16.5% to £18.19m (2009: £15.61m).
- Underlying operating profit, decreased by 3.5% to £0.82m (2009: £0.85m).
- Underlying operating profit excluding charges for share-based payments decreased by 22% to £0.84m (2009: £1.08m).
- Underlying operating profit reduced to 4.5% (2009: 5.4%).
- Diluted basic earnings per share were 0.16p (2009: 0.17p).
- Cash generated from operations was £0.64m (2009: £1.6m) representing a cash conversion rate of 78%.

Trading performance

Total revenues increased by 16.5% to £18.19m (2009: £15.61m).

Revenues from Direct increased by 9% to £13.87m (2009: £12.73m) with underlying operating profit reduced by 4% to £0.99m. The reduced margin was due to a combination of increased postage sales which carry no margin and more of the sales mix coming from volume direct mail than in previous years.

Revenues from Online increased by 50% to £4.31m (2009: £2.88m). Investing in operational infrastructure, growing the creative team and providing support to both ZUI and our Australia venture saw operating expenses increase and as a result underlying operating profit reduced to £0.73m from £1.01m in 2009.

Operating expenses increased by £1.77m from £5.95m in 2009 to £7.72m in 2010.

Of this £1.54m related to salary costs, expenses and professional fees, as follows:

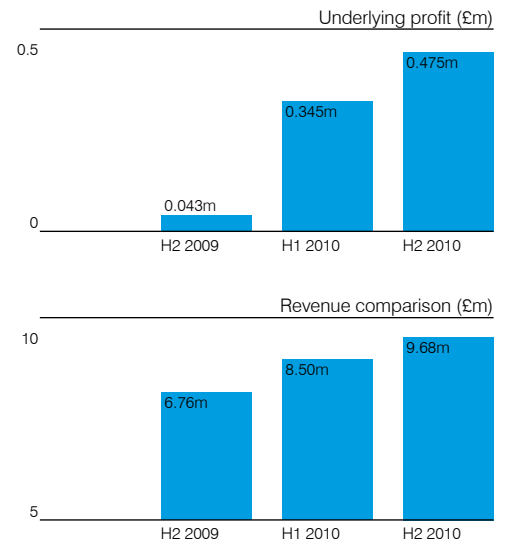
- Increase in head count of 22 staff for Online development.
- Annual cost of Lateral staff brought over £0.65m.
- Staff acquired via the acquisition of Snowball £0.13m.
- Professional fees and expenses £0.33m.

Whilst revenues grew, the gross margin earned was not enough to offset the increase in operational overhead. Thus underlying operating profit reduced to £0.82m (2009: £0.85m). As a result the board has undertaken a number of restructuring programmes to reduce operational overhead for the coming year.

Group restructuring expense

During the year the board undertook a number of restructuring programmes to consolidate both operational and administration functions.

Central – the group finance function has been consolidated into one unit to increase efficiency and reduce headcount.



“Tangent continues to be profitable and cash generative.”

Online – having acquired the assets and clients of Lateral Net Limited in March 2009 its operational team was integrated into Online and restructured, resulting in a reduction in head count.

Direct – following the acquisition of The DDG Network Limited in September 2009 and its subsequent merger with Tangent Direct, a restructure of the account management teams was undertaken.

The combined cost of implementing the improved structure and relocations was £0.5m and is expected to yield annual savings of £0.33m.

Share-based payment charge

The share-based payment charge for the year ended 28 February 2010 amounted to £0.02m (2009: £0.23m) and represents the fair value of options granted.

Taxation

Tangent has no tax charge in 2010. The tax charge differs from the standard rate of 28% because although the group has expenses that are not deductible for tax purposes this was more than offset by utilisation of prior year tax losses and adjustments. At the year end the group had £0.23m of tax losses available to offset against future profits.

Earnings

Profit for the year was £0.28m (2009: £0.30m) equating to basic earnings per share of 0.17p (2009: 0.18p) and diluted earnings per share of 0.16p (2009: 0.17p).

Acquisitions

On 16 September 2009 Tangent acquired the entire issued share capital of The DDG Network Limited together with the business and assets of Double D Management LLP, collectively known as Snowball, for a net cash consideration of £0.99m.

A maximum further contingent consideration of £2.18m is payable equally over three years with £1.68m payable in cash and £0.5m payable in shares at a valuation of 6.17p per share to be paid in three equal tranches subject to earnings before interest and tax rising to a total of £1.5m over a three year period to 31 August 2012. Having reviewed performance to date the directors do not consider that any provision is necessary in respect of this additional contingent consideration.

Cash flow

Cash flow from operations was £0.64m (2009: £1.60m) and represented 78% of operating profit. This is lower than previous years as working capital increased by £0.70m, following revenue growth, which led to higher debtor balances, together with reduced

profit before tax and non cash charges for share-based payments.

- Tax payments were £0.19m (2009: £0.38m).
- The final £0.17m of deferred consideration was paid for the acquisition of C360 UK.
- On 16 September 2009 Tangent acquired the entire issued share capital of DDG together with the business and assets of Double D Management LLP, collectively known as Snowball, for a net cash consideration of £0.99m.
- Capital expenditure of £0.47m was spent substantially on digital equipment and leasehold improvements. In addition the group acquired other intangible assets (customer lists) for a consideration of £0.11m.
- Dividends of £0.34m were paid and £0.06m of finance leases were repaid.
- Over the year net funds decreased by £1.59m to £1.06m (2009: £2.65m).

Balance sheet

Net assets decreased by £0.02m to £19.57m (2009: £19.59m) with the major change being the addition to goodwill of £0.97m following the acquisition of Snowball. At the year end current assets exceeded current liabilities by over £2m.

Dividends

The board believes that paying a dividend is an important part of providing total shareholder return. We will recommend a dividend of 0.2p (2009: 0.2p) per share at the annual general meeting.

Treasury, funding and exchange risk

The group finances its operations through funds raised from shareholders, retained earnings and finance lease borrowings. In addition, the group has a variable rate £1m overdraft facility which has rarely been drawn. 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 euros and the Australian dollar. The directors monitor exposure and where possible match euro and Australian dollar denominated revenue and expenditure, or if appropriate hedge some of the exposure to mitigate the foreign exchange risk.



Kevin Cameron
Finance Director
21 June 2010

Board of directors

1. Timothy Green

Chief Executive (age 34)

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 and more recently was sold to France Telecom. Prior to this Timothy was part of the Ask Jeeves launch team in the UK. He is a graduate of Nottingham University.

4. Greg Jackson

Executive Director (age 38)

Greg co-founded the data-driven agency C360 in 2003, which was acquired by Tangent in 2006. He is a graduate of Cambridge University and his career prior to C360 included running a database business, being a brand manager at Procter & Gamble and writing high performance software. Greg is responsible for Tangent's online strategy.

2. Nicholas Green

Executive Director (age 37)

Prior to joining Tangent, Nicholas worked at Advertising.com as European Sales and Marketing Director. The company specialised 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.

5. Kevin Cameron

Finance Director (age 41)

Kevin was formerly the Finance Director and Joint Managing Director of Ravensworth Digital Services Limited, acquired by Tangent in March 2007. He is an FCCA and qualified with Tait Walker, a large, independent, North East practice.

3. Piers Caldecote

Non-executive Chairman (age 63)

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.

6. Paul Murray

Non-executive Director (age 49)

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 Royal Mail PLC and Knowledgepeers PLC. Until October 2009 he was the Senior Independent Director at market researcher Taylor Nelson Sofres PLC.

7. Alan Smith (not pictured)

Non-executive Director (age 69)

Alan has extensive quoted company experience having held a number of senior positions, notably with Kingfisher plc, Marks and Spencer PLC and Mothercare PLC. He currently acts as a Non-executive Director for a number of companies including Colefax Group PLC, Space NK Limited and Martin McColl Retail Group.



Secretary
Graeme Harris
(resigned 28 February 2010)

Kevin Cameron
(appointed 28 February 2010)

Registered office
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Company registration number
3967805

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Registrar
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Solicitors
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CityPoint
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London EC2Y 9AH

Rosenblatt
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London EC4A 3AF

Directors' report

for the year ended 28 February 2010

The directors present their report and audited financial statements of the group for the year ended 28 February 2010.

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, its future development and its key performance indicators can be found in the business review and the financial review.

Results and dividends

The consolidated profit for the year amounted to £282,000. The directors recommend the payment of a dividend of 0.2p per ordinary share to be paid on 27 September 2010 to shareholders on the register at the close of business on 27 August 2010. Further information on the group's results and financial position is included in the financial review.

Company listing

Tangent is listed on AIM, part of the London Stock Exchange. The market code for the company is TNG. Information required by AIM Rule 26 is available in the investor relations section of Tangent's website at www.tangentplc.com.

Changes in share capital

On 28 July 2009 the company issued 300,000 ordinary shares with a further 100,000 issued on 16 December 2009, both following the exercise of options.

The company has one class of ordinary share which carries no right to fixed income, each share carries the right to one vote at general meetings of the company.

At 28 February 2010 and at the date of this report the number of issued ordinary shares is 170,533,502.

Further details are set out in note 22.

Directors

During the financial year the following directors held office:

Piers Caldecote

Nicholas Green

Timothy Green

Graeme Harris (resigned 28 February 2010)

Greg Jackson

Paul Murray

Kevin Cameron and Alan Smith were both appointed to the board on 8 June 2010.

Timothy Green and Paul Murray retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

Directors' interests

At 28 February 2010 the directors' shareholdings were as follows:

	Ordinary shares of 1p each	
	28 February 2010	28 February 2009
Piers Caldecote	1,500,000	1,500,000
Kevin Cameron	696,250	696,250
Nicholas Green	2,730,770	2,730,770
Timothy Green	2,730,770	2,730,770
Greg Jackson	10,315,938	10,315,938
Paul Murray	3,322,510	3,322,510

Directors' interests in share options are set out in the remuneration report on pages 25 to 26.

Substantial shareholdings

The directors are aware of the following shareholdings of 3% or more of the issued share capital of the company at 31 May 2010:

Beneficial holder	Ordinary shares of 1p each	% of issued ordinary share capital
Michael Green	53,076,924	31.1%
Hargreave Hale	11,323,680	6.6%
Nicholas Gillett*	10,315,938	6.0%
Herald Investment Management	5,846,154	3.4%
Unicorn Asset Management	5,696,354	3.3%

* A vendor of C360 UK Limited and senior employee within the group.

Substantial shareholdings (continued)

Institutional shareholders with an interest of between 1% and 3% of the issued share capital of the company at 31 May 2010 were as follows:

Aberdeen Asset Management

AXA Framlington Investment Management

Bluehone Investors

Discretionary Unit Fund

F&C Asset Management

Marlborough Fund Managers

Savoy Investment Management

Suppliers 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 2010, the group had an average of 60 days (2009: 47 days) of purchases outstanding in trade creditors.

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 suitability for the job.

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 21 of the financial statements include the group's exposure to currency, liquidity and credit risk.

Key risks and uncertainties

The key risks and uncertainties for the group are identified as exposure to the residential property market, exposure to bad debts and the effects of larger technology companies replicating some of Tangent's technical innovations.

Going concern

After making appropriate enquiries and examining those areas which could give rise to financial exposure, the directors are satisfied that no material or significant exposures exist and that the group has adequate resources to continue its operations for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the group's financial statements.

Donations

During the year the group made charitable donations of £6,000 (2009: £8,000), of this £5,000 was donated to the Harpin foundation for encouraging young entrepreneurs in the UK, and a political donation to The Labour Party of £8,000 (2009: £6,000).

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 148 of the Companies Act 2006.

UHY Hacker Young have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.



Kevin Cameron
Secretary
21 June 2010

Directors' responsibilities

for the year ended 28 February 2010

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the directors, whose names and functions are listed on page 18, confirm that to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and company; and
- the directors' report contained in the annual report includes a true and fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties that they face.

By order of the board



Timothy Green
Chief Executive
21 June 2010

Corporate governance statement for the year ended 28 February 2010

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 two Non-executive Directors and four Executive Directors. Graeme Harris resigned on 28 February 2010 as an Executive Director. 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 half year and annual financial statements before submission to the board. Paul Murray is Chairman of the audit committee and Piers Caldecote is the other member.

The company has a remuneration committee of which Paul Murray is 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 (except Greg Jackson, whose contract is terminable on six 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 business review and financial review provide a summary of the group's trading performance and future outlook. The group's website (www.tangentplc.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 times.

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 intend 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.

Corporate governance statement continued
for the year ended 28 February 2010**Accountability and financial control (continued)****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 recruiting 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
Non-executive Chairman
21 June 2010



Timothy Green
Chief Executive

Remuneration report for the year ended 28 February 2010

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 Chief Executive.

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 Directors' remuneration was reviewed at the beginning of the year and the remuneration elements are as follows:

- a base salary, pension 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 share options, with an intrinsic value up to 50% of basic salary per year are awarded to directors which vest over a three year period depending upon the achievement of challenging goals based on total shareholder return over the period. The purpose is to incentivise delivery of long term value and to align interests with shareholders.

Audited remuneration of directors for the year under review was as follows:

	Salary £000	Compensation for loss of office £000	Benefits £000	2010 Total £000	2009 Total £000
Piers Caldecote	21	—	—	21	21
Nicholas Green	116	—	9	125	124
Timothy Green	113	—	9	122	124
Graeme Harris	110	123	10	243	119
Greg Jackson	100	—	—	100	54
Paul Murray	21	—	—	21	21
	481	123	28	632	463

No bonuses were paid to Executive Directors as financial targets were not met for the year ended 28 February 2010.

In addition to the remuneration stated in the table above, pension contributions of £9,000 (2009: £9,000) were made to defined contribution schemes for the benefit of each of the Executive Directors Nicholas Green, Timothy Green and Graeme Harris.

Remuneration is stated for the period during which each director served. Greg Jackson was appointed to the board on 14 May 2008. The audited directors' remuneration is all classified as short term employment benefits under International Accounting Standard ("IAS") 24.

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 (The Approved Scheme), an unapproved scheme (The Unapproved Scheme), and an Enterprise Management Incentive scheme (The EMI Scheme). At 28 February 2010 5,000 options (2009: 5,000) had been granted to employees under the Approved Scheme, 10,502,731 (2009: 10,221,643) under the Unapproved Scheme and 4,582,934 (2009: 5,082,934) under the EMI Scheme. In total, 15,090,665 options had been granted at 28 February 2010 which represents 8% of the issued number of shares.

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

	Note	Exercise price	At 1 March 2009	Granted in year	Lapsed In year	At 28 February 2010
Nicholas Green	(a)	1p	2,500,000	—	—	2,500,000
	(b)	5p	2,500,000	—	—	2,500,000
Timothy Green	(a)	1p	2,500,000	—	—	2,500,000
	(b)	5p	2,500,000	—	—	2,500,000
Graeme Harris	(a)	5p	1,100,000	—	—	1,100,000
	(b)	11.75p	500,000	—	333,334	166,666
	(c)	1p	393,422	—	393,422	—
	(d)	1p	498,180	—	498,180	—
Greg Jackson	(e)	1p	—	1,649,096	1,649,096	—
	(d)	1p	272,975	—	—	272,975
	(e)	1p	—	1,506,024	—	1,506,024
			12,764,577	3,155,120	2,874,032	13,045,665

Remuneration report continued for the year ended 28 February 2010

Share options (continued)

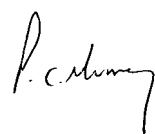
- (a) Options granted on 27 September 2005 which have vested in full. Vesting criteria were the purchase and retention of matching ordinary shares in Tangent, achievement of specific business integration targets following the reverse acquisition that was completed on 11 July 2005 and continued employment. The options are exercisable between 27 September 2008 and 26 September 2015.
- (b) Options granted on 27 September 2005 which have vested in full. Vesting criteria were targets for earnings per share performance and total shareholder return performance for each of the financial years that ended in February 2006, 2007 and 2008 and continued employment. Earnings per share targets were for earnings per share, excluding amortisation and exceptional items, to exceed 0.7p in the year ended 28 February 2006, and this target increased by 15% per annum over the following two years. Total shareholder return targets were that for each year total shareholder returns on Tangent shares equal or exceed the total shareholder return on a portfolio of smaller support services companies selected from the FTSE All Share Index. The options are exercisable between 27 September 2008 and 26 September 2015.
- (c) Options granted on 25 June 2007 under the 2007 LTIP which vest and become exercisable between 1 March 2010 and 25 June 2012 dependent on the achievement of total shareholder return performance in excess of 10% per annum from 1 March 2007 to the financial year ends in February 2008, 2009 and 2010. At 28 February 2010 no options had vested under the 2007 LTIP.
- (d) Options granted on 6 August 2008 under the 2008 LTIP which vest and become exercisable between 1 March 2011 and 6 August 2013 dependent on the achievement of total shareholder return performance in excess of 10% per annum from 1 March 2008 to the financial year ends in February 2009, 2010 and 2011. At 28 February 2010 no options had vested under the 2008 LTIP.
- (e) Options granted on 31 March 2009 under the 2009 LTIP which vest and become exercisable between 1 March 2012 and 31 March 2014 dependent on the achievement of total shareholder return of 10% per annum above the total shareholder return of the AIM Index excluding certain unrelated sectors. At 28 February 2010 no options had vested under the 2009 LTIP.

In addition to the share options above the following phantom options have been issued which will result in a cash bonus being paid, subject to the relevant performance criteria being met. In all cases the board retains the right to satisfy the options in shares rather than through a cash bonus.

	Note	Exercise price	At 1 March 2009	Granted in year	At 28 February 2010
Nicholas Green	(a)	1p	415,279	—	415,279
	(b)	1p	522,066	—	522,066
	(c)	1p	—	1,728,163	1,728,163
Timothy Green	(a)	1p	415,279	—	415,279
	(b)	1p	522,066	—	522,066
	(c)	1p	—	1,728,163	1,728,163
			1,874,690	3,456,326	5,331,016

- (a) Options granted on 25 June 2007 under the 2007 LTIP which vest and become exercisable between 1 March 2010 and 25 June 2012 dependent on the achievement of total shareholder return performance in excess of 10% per annum from 1 March 2007 to the financial year ends in February 2008, 2009 and 2010. At 28 February 2010 no options had vested under the 2007 LTIP.
- (b) Options granted on 6 August 2008 under the 2008 LTIP which vest and become exercisable between 1 March 2011 and 6 August 2013 dependent on the achievement of total shareholder return performance in excess of 10% per annum from 1 March 2008 to the financial year ends in February 2009, 2010 and 2011. At 28 February 2010 no options had vested under the 2008 LTIP.
- (c) Options granted on 31 March 2009 under the 2009 LTIP which vest and become exercisable between 1 March 2012 and 31 March 2014 dependent on the achievement of total shareholder return of 10% per annum above the total shareholder return of the AIM Index excluding certain unrelated sectors. At 28 February 2010 no options had vested under the 2009 LTIP.

The share-based payment charge for options and phantom options granted to directors was £9,000 for the year ended 28 February 2010.



Paul Murray
Non-executive Director
21 June 2010

Independent auditors' report to the shareholders of Tangent Communications plc

We have audited the financial statements of Tangent Communications plc for the year ended 28 February 2010 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of financial position, the consolidated and parent company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the directors' responsibilities statement, set out in page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2010 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Colin Wright (Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditors
Quadrant House
4 Thomas More Square
London E1W 1YW
21 June 2010

Consolidated statement of comprehensive income

for the year ended 28 February 2010

	Notes	2010 £000	2009 £000
Revenue		18,185	15,607
Cost of sales		(9,620)	(8,576)
Gross profit		8,565	7,031
Operating expenses	4	(7,726)	(5,954)
Share-based payment charge	23	(19)	(229)
Underlying operating profit		820	848
Group restructuring expense	2	(542)	(397)
Operating profit	4	278	451
Finance income	7	4	72
Profit before tax		282	523
Tax	8	—	(219)
Profit for the year		282	304
Other comprehensive income			
Exchange differences on translating foreign operations		2	—
Total comprehensive income for the year		284	304
Earnings per share (pence)	9		
Basic		0.17	0.18
Diluted		0.16	0.17

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

Consolidated statement of changes in equity

for the year ended 28 February 2010

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Retained earnings/ (losses) £000	Total equity £000
At 29 February 2008		1,660	—	459	3,108	14,157	19,384
Comprehensive income							
Retained profit for the year		—	—	—	—	304	304
Share-based payment charge	23	—	—	—	229	—	229
Total comprehensive income		—	—	—	229	304	533
Transactions with owners							
Equity dividend	10	—	—	—	—	(329)	(329)
Issue of shares	22	42	—	458	(500)	—	—
Total transactions with owners		42	—	458	(500)	(329)	(329)
At 28 February 2009		1,702	—	917	2,837	14,132	19,588
Comprehensive income							
Retained profit for the year		—	—	—	—	284	284
Share-based payment charge	23	—	—	—	19	—	19
Total comprehensive income		—	—	—	19	284	303
Transactions with owners							
Equity dividend	10	—	—	—	—	(338)	(338)
Issue of shares	22	4	12	—	—	—	16
Total transactions with owners		4	12	—	—	(338)	(322)
At 28 February 2010		1,706	12	917	2,856	14,078	19,569

Consolidated statement of financial position

at 28 February 2010

	Notes	2010 £000	2009 £000
Assets			
Non-current assets			
Intangible assets	12	16,004	14,961
Property, plant and equipment	13	1,582	1,685
		17,586	16,646
Current assets			
Inventories	15	106	106
Trade and other receivables	16	5,286	3,191
Cash and cash equivalents		1,145	2,801
		6,537	6,098
Total assets		24,123	22,744
Liabilities			
Current liabilities			
Borrowings	17	(62)	(63)
Trade and other payables	18	(4,326)	(2,664)
Current tax liabilities		(141)	(148)
Provisions	19	—	(166)
		(4,529)	(3,041)
Non-current liabilities			
Borrowings	17	(25)	(87)
Deferred tax	20	—	(28)
		(25)	(115)
Total liabilities		(4,554)	(3,156)
Net assets		19,569	19,588
Equity			
Share capital	22	1,706	1,702
Share premium		12	—
Merger reserve		917	917
Other reserves	24	2,856	2,837
Retained earnings		14,078	14,132
Total equity attributable to equity shareholders of the company		19,569	19,588

These financial statements were approved by the board of directors on 21 June 2010 and were signed on its behalf by:



Nicholas Green
Executive Director



Timothy Green
Chief Executive

Consolidated statement of cash flows

for the year ended 28 February 2010

	Notes	2010 £000	2009 £000
Operating activities			
Cash generated from operations	25	636	1,600
Interest paid		(5)	(13)
Tax paid		(190)	(378)
Net cash generated from operating activities		441	1,209
Investing activities			
Acquisition of subsidiary, net of cash acquired	28	(990)	—
Payment of contingent consideration	19	(166)	(167)
Purchase of property, plant and equipment	13	(468)	(618)
Purchase of other intangible assets	12	(114)	—
Sale of property, plant and equipment	13	17	48
Interest received		9	83
Net cash used in investing activities		(1,712)	(654)
Financing activities			
Dividends paid	10	(338)	(329)
Repayment of borrowings		(63)	(89)
Proceeds from issue of shares, net of costs		16	—
Net cash used in financing activities		(385)	(418)
(Decrease)/increase in cash and cash equivalents		(1,656)	137
Cash and cash equivalents at beginning of year		2,801	2,664
Cash and cash equivalents at end of year	26	1,145	2,801

Company statement of changes in equity

for the year ended 28 February 2010

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Retained earnings/ (losses) £000	Total equity £000
At 29 February 2008		1,660	—	459	1,947	10,869	14,935
Comprehensive income							
Retained loss for the year		—	—	—	—	(1,080)	(1,080)
Share-based payment charge	23	—	—	—	229	—	229
Total comprehensive income		—	—	—	229	(1,080)	(851)
Transactions with owners							
Equity dividend	10	—	—	—	—	(329)	(329)
Issue of shares	22	42	—	458	(500)	—	—
Total transactions with owners		42	—	458	(500)	(329)	(329)
At 28 February 2009		1,702	—	917	1,676	9,460	13,755
Comprehensive income							
Retained loss for the year		—	—	—	—	(1,207)	(1,207)
Share-based payment charge	23	—	—	—	19	—	19
Total comprehensive income		—	—	—	19	(1,207)	(1,188)
Transactions with owners							
Equity dividend	10	—	—	—	—	(338)	(338)
Issue of shares	22	4	12	—	—	—	16
Total transactions with owners		4	12	—	—	(338)	(322)
At 28 February 2010		1,706	12	917	1,695	7,915	12,245

Company statement of financial position at 28 February 2010

	Notes	2010 £000	2009 £000
Assets			
Non-current assets			
Property, plant and equipment	13	2	—
Investment in subsidiaries	14	18,739	17,095
		18,741	17,095
Current assets			
Trade and other receivables	16	58	18
Cash and cash equivalents		219	—
		277	18
Total assets		19,018	17,113
Liabilities			
Current liabilities			
Trade and other payables	18	(6,773)	(3,192)
Current tax liabilities		—	—
Provisions	19	—	(166)
Total liabilities		(6,773)	(3,358)
Net assets		12,245	13,755
Equity			
Share capital	22	1,706	1,702
Share premium		12	—
Merger reserve		917	917
Other reserves	24	1,695	1,676
Retained earnings		7,915	9,460
Total equity attributable to equity shareholders of the company		12,245	13,755

These financial statements were approved by the board of directors on 21 June 2010 and were signed on its behalf by:



Nicholas Green
Executive Director



Timothy Green
Chief Executive

Registered number: 3967805

Company statement of cash flows

for the year ended 28 February 2010

	Notes	2010 £000	2009 £000
Operating activities			
Cash generated from operations	25	2,353	410
Net cash generated from operating activities		2,353	410
Investing activities			
Acquisition of a subsidiary	28	(1,644)	—
Payment of contingent consideration		(166)	(167)
Purchase of property, plant and equipment		(2)	—
Interest received		—	1
Net cash used in investing activities		(1,812)	(166)
Financing activities			
Dividends paid		(338)	(329)
Proceeds from issue of shares, net of costs		16	—
Net cash used in financing activities		(322)	(329)
Increase/(decrease) in cash and cash equivalents		219	(85)
Cash and cash equivalents at beginning of year		—	85
Cash and cash equivalents at end of year		219	—

Notes to the financial statements for the year ended 28 February 2010

1. Summary of significant accounting policies

Tangent has prepared both its consolidated financial statements and its parent company financial statements for the year ended 28 February 2010 in compliance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

1.1 Basis of preparation

These consolidated financial statements of the company and its subsidiaries are for the year ended 28 February 2010.

The consolidated financial statements have been prepared under the historical cost convention.

Going concern

The directors confirm that, after giving due consideration to the financial position and cash flows of the group and company, they have reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing these accounts.

1.2 Consolidation

Subsidiaries are all entities which Tangent has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to Tangent. They are de-consolidated from the date that control ceases. All active subsidiaries were held by a direct 100% shareholding by the parent company at the balance sheet date.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of Tangent's share of the identifiable net assets acquired is recorded as goodwill.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by Tangent.

1.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Tangent's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating inter-group sales. Tangent recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to Tangent and specific delivery criteria have been met.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and the amount of revenue can be measured reliably; this is usually on dispatch of the goods.

Provision of services

Revenue is recognised when the significant risks and rewards of ownership of the goods has been passed to the buyer and the amount of revenue can be measured reliably; this is usually when the service has been provided.

1.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments and which has been identified as the board of directors that make strategic decisions.

1.5 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of Tangent's entities are measured in sterling, which is the company's and the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

1.6 Employee benefits

(a) Pension obligations

Tangent has defined contribution plans under which Tangent pays fixed contributions into a separate entity. Tangent has no legal or constructive obligations to pay further contributions relating to employee service in the current and prior years. The contributions are recognised as an employee benefit expense when they are due.

(b) Share-based compensation

Tangent operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the period until the option vest is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (e.g. profitability and revenue growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, Tangent revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the financial statements continued

for the year ended 28 February 2010

1. Summary of significant accounting policies (continued)

1.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Tangent's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment on goodwill is recognised immediately in the statement of comprehensive income and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Tangent currently allocates goodwill to two business segments.

Other intangible assets

Other intangible assets include website and customer list acquisition costs which are stated at cost less subsequent amortisation and impairment. Amortisation is calculated using the straight line method over two or three years.

1.8 Investments in subsidiaries

The parent company's investments in subsidiary undertakings are included in the company balance sheet at cost, less provision for any impairment in value.

1.9 Property, plant and equipment

Property, plant and equipment is stated at historic cost less subsequent depreciation and impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives, as follows:

- Buildings over the term of the lease
- Plant and equipment two to ten years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Tangent and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

1.11 Trade receivables

Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

1.12 Cash and cash equivalents

Cash and cash equivalents on the balance sheet include cash in hand and short term deposits held with banks. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts.

1. Summary of significant accounting policies (continued)

1.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Tangent leases certain plant and equipment where Tangent has substantially all the risks and rewards of ownership. These leases are classified as finance leases. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges so as to achieve the explicit or implicit interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short term and other long term borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1.14 Provisions

Provisions are recognised when Tangent has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.15 Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.16 Equity instruments

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown as equity as a deduction from the proceeds.

1.17 New standards and interpretations

During the year the following accounting standards were issued and adopted by Tangent:

IFRS 8: Operating Segments

This standard replaces IAS 14 and is applicable for all accounting periods beginning on or after 1 January 2009.

The standard adopts a management approach and requires that segmental information is presented on the same basis as used for internal management decision making. Further disclosure is also required in respect of products, services, geographical areas and major customers in note 3.

IAS 1: Presentation of Financial Statements

The revised standard is applicable to accounting periods commencing on or after 1 January 2009, its intent is to improve users' ability to analyse and compare information given in financial statements and is the first phase at harmonising presentation with the US Financial Accounting Standards Board.

Following adoption of the standard Tangent has presented a consolidated statement of comprehensive income on page 28, in addition the titles of the following financial statements have changed:

Consolidated income statement has become the consolidated statement of comprehensive income.

Consolidated balance sheet has become the consolidated statement of financial position.

IFRS 7: Financial Instruments (Disclosures)

The revised standard is applicable to accounting periods commencing on or after 1 January 2009. The amendments expand the disclosures required in respect of fair value measurements and liquidity risk, in particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

During the year the IASB and IFRIC have issued the following standards and interpretations with an effective date for periods commencing on or after 1 January 2009.

Notes to the financial statements continued

for the year ended 28 February 2010

1. Summary of significant accounting policies (continued)

1.17 New standards and interpretations (continued)

IFRS 2: Share-based Payment (Vesting Conditions and Cancellations)

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of "non-vesting" conditions and clarify the accounting treatment for cancellations.

The amendment has been applied retrospectively in accordance with the relevant transitional provisions (note 23).

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IAS 24	Related Party Disclosures (revised)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32	Amendments to IAS 32: Classification of Rights Issues	1 February 2010
IAS 39	Recognition and Measurement: Eligible Hedged Items	1 July 2009
IFRIC 14	Amendment: Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The group has not early adopted these amended standards and interpretations.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the periods of initial application.

1.18 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Tangent makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Intangible assets

Tangent tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1.7. The recoverable amounts from cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates. In arriving at the fair value of goodwill, Tangent estimates the future consideration payable for acquisitions where the final consideration is contingent upon future events or performance. Estimated future consideration is reviewed and accrued at each balance sheet date. If recoverable amounts of cash-generating units are below the estimated levels or if the future consideration payable on acquisitions is higher than estimated an impairment loss may be triggered.

(b) Deferred tax

Tangent estimates future profitability in arriving at the fair value of the deferred tax assets and liabilities. If the final tax outcome is different to the estimated deferred tax amount the resulting changes will be reflected in the statement of comprehensive income, unless the tax relates to an item charged to equity in which case the changes in tax estimates will also be reflected in equity.

(c) Business combinations

Upon acquisition of another entity Tangent evaluates whether or not any intangibles have arisen under methodologies prescribed under IFRS 3: Business Combinations. Judgement is required to identify which intangibles meet the recognition criteria of separate or contractual assets, cash flow forecasts are performed to determine the value of any assets arising. Any such assets are tested at least annually for impairment. Information on intangibles arising during the year is contained in note 12.

2. Group restructuring

The board completed a number of restructuring programmes during the year the cost of which fall outside normal operating expenses and income, they have therefore been separately identified in the consolidated statement of comprehensive income and excluded from underlying operating profit.

1. During the year the group finance department (Central) was consolidated into one unit, this resulted in a reduction in both head count and ongoing costs. Included in the employee redundancies detailed below is compensation for loss of office, amounting to £123,000, paid to Graeme Harris, the former Finance Director of the group.
2. In March 2009 Tangent acquired the business and assets of Lateral, a digital marketing business. Following the acquisition, the Online business segment undertook a restructure of its creative service resulting in a reduction in head count and related employee redundancy and relocation costs.

2. Group restructuring (continued)

3. Following the acquisition of Snowball and subsequent merger with Tangent Direct a restructure of the Direct account management team was undertaken to create the most effective and efficient consolidated client management team. This coupled with a review of the group's printing facility in London resulted in a reduction in head count and related employee costs.

Restructuring expenses and are set out below:

	£000
Employee redundancies – Central	302
Employee redundancies – Online	166
Employee redundancies – Direct	63
Property relocation – Online	4
Property relocation – Direct	7
	542

3. Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. On this basis the group has two reportable segments, Online and Direct.

Online

This comprises the Tangent One and Tangent Labs businesses.

Direct

This comprises of Snowball, Ravensworth and Tangent on Demand. The Direct segment has a significant property related sales element which is separately disclosed.

Central

Central costs are not allocated to specific business segments but are included below to reconcile the segmental information to the consolidated information. Central costs include the share-based payment charge as set out in note 23.

The segment results for the year ended 28 February 2010 were as follows:

	Online £000	Direct £000	Central £000	Total £000
Revenue				
Property related revenue	—	4,983	—	4,983
Other revenue	4,535	8,957	—	13,492
	4,535	13,940	—	18,475
Less inter-segment sales	(223)	(67)	—	(290)
Revenues from external customers	4,312	13,873	—	18,185
Results				
Profit from operations before exceptional items	734	991	(905)	820
Exceptional costs	(170)	(70)	(302)	(542)
Profit from operations	564	921	(1,207)	278
Net finance costs				4
Profit before tax				282
Income tax expense				—
Profit for the year				282
Assets and liabilities				
Segment assets excluding goodwill and other intangible assets	1,503	6,339	277	8,119
Goodwill	4,435	11,497	—	15,932
Other intangible assets	20	52	—	72
Total assets	5,958	17,888	277	24,123
Segment liabilities	(766)	(3,453)	(335)	(4,554)
Other segment information				
Capital expenditure				
Property, plant and equipment	134	332	2	468
Plant and equipment acquired with acquisition	—	75	—	75
Intangible assets	39	75	—	114
Intangible assets acquired with acquisition	—	3	—	3
	173	485	2	660
Depreciation	41	538	—	579
Amortisation	19	23	—	42

Notes to the financial statements continued

for the year ended 28 February 2010

3. Segment Information (continued)

Major customers

No customer represented more than 10% of total group revenues during the year. Direct had no customers representing more than 10% of that segment's total revenues. Online had one customer that represented 19.3% of that segment's total revenues.

The segment results for the year ended 28 February 2009 were as follows:

	Online £000	Direct £000	Central £000	Total £000
Revenue				
Property related revenue	—	5,195	—	5,195
Other revenue	2,877	7,535	—	10,412
	2,877	12,730	—	15,607
Less inter-segment sales	—	—	—	—
Revenues from external customers	2,877	12,730	—	15,607
Results				
Profit from operations before exceptional items	1,013	1,038	(1,203)	848
Exceptional costs	(3)	(391)	(3)	(397)
Profit from operations	1,010	647	(1,206)	451
Net finance costs				72
Profit before tax				523
Income tax expense				(219)
Profit for the year				304
Assets and liabilities				
Segment assets excluding goodwill and other intangible assets	278	7,487	18	7,783
Goodwill	4,435	10,526	—	14,961
Total assets	4,713	18,013	18	22,744
Segment liabilities	(446)	(2,468)	(242)	(3,156)
Other segment information				
Capital expenditure – property, plant and equipment	19	586	13	618
Depreciation	19	500	—	519

Major customers

No customer represented more than 10% of total group revenues during the year. Direct customers representing more than 10% of that segment's revenue were as follows:

Customer one	11.58%
Customer two	10.52%

Online customers representing more than 10% of that segment's revenue were as follows:

Customer one	38.70%
Customer two	12.90%
Customer three	11.00%

Geographical information

	2010 £000	2009 £000
Revenues from external customers		
United Kingdom	16,739	14,348
USA	36	—
Germany	827	1,259
Australia	583	—
	18,185	15,607
Non-current assets		
United Kingdom	17,585	16,646
Australia	1	—
	17,586	16,646

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

4. Operating costs

The operating costs, which are deducted from revenue in arriving at operating profit, are analysed as follows:

	Note	2010 £000	2009 £000
Employee benefits	6	7,238	6,346
Direct purchases for goods and services provided		6,507	5,549
Depreciation and amortisation		621	519
Other expenses		3,541	2,742
		17,907	15,156

5. Auditors' remuneration

	2010 £000	2009 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	57	50
Tax services	12	12
Other services	36	11
	105	73

The other services were £11,000 (2009: £11,000) for reviewing the group half year accounts and £25,000 (2009: £nil) for due diligence work on the acquisition of subsidiaries.

6. Employee information

	Note	2010 £000	2009 £000
Wages and salaries		6,488	5,463
Social security costs		669	586
Pension contributions		62	68
Share-based payment charge	23	19	229
		7,238	6,346

The average number of employees, including directors, by location was:

	2010 Number	2009 Number
London	103	81
Newcastle	69	68
Cheltenham	12	14
	184	163

Details of directors' emoluments, including details of share option schemes, are given in the remuneration report on pages 25 to 26. These disclosures form part of the audited financial statements of the group.

7. Finance income

	2010 £000	2009 £000
Interest receivable on deposits	6	85
Other interest receivable	3	—
Interest payable on finance leases	(5)	(13)
	4	72

8. Taxation

	2010 £000	2009 £000
UK corporation tax – current year	76	238
UK corporation tax – prior year	(53)	(8)
Deferred tax	(23)	(11)
	—	219

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the period.

Notes to the financial statements continued

for the year ended 28 February 2010

8. Taxation (continued)

Reconciliation of the tax charge in the statement of comprehensive income

	2010 £000	2009 £000
Profit before tax	282	523
Tax at the weighted average tax rate of 28% (2009: 28%)	79	146
Tax effects of:		
Movement in deferred tax assets not recognised	(52)	(25)
Expenditure not deductible for tax purposes	36	123
Other adjustments	(63)	(25)
Tax charge for the year	—	219

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. The carrying value of deferred tax assets recognised at 28 February 2010 is £nil (2009: £nil).

The group has tax losses available to carry forward against future profits amounting to £229,000 (2009: £600,000) and the unrecognised deferred tax asset at 28 February 2010 is £140,000 (2009: £168,000).

9. Earnings per share

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

	2010 £000	2009 £000
Profit attributable to shareholders	282	304
	Number 000	Number 000
Weighted average number of shares		
For basic earnings per share	168,903	166,902
Adjustment for options outstanding	4,083	5,078
Adjustment for consideration shares yet to be issued	4,158	4,158
For diluted earnings per share	177,144	176,138
	Pence per share	Pence per share
Earnings per share		
Basic	0.17	0.18
Diluted	0.16	0.17

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.

10. Dividends

	2010 £000	2009 £000
Recommended final dividend for the year of 0.2p (2009: 0.2p) per share	338	337

The recommended final dividend is subject to approval by shareholders at the 2010 annual general meeting and has not been included as a liability in these financial statements.

The Tangent employee share ownership trust, which holds a total of 1,428,340 ordinary shares, has agreed to waive all dividends so the directors estimate that the dividend will be payable on approximately 169m ordinary shares.

	2010 £000	2009 £000
Final dividend paid for the year of 0.2p (2009: 0.2p) per share	338	329

11. Statement of comprehensive income for the parent company

In accordance with section 408 of the Companies Act 2006 the parent company has not published a statement of comprehensive income. The loss dealt with in the financial statements of the parent company of £1,207,000 (2009: loss of £1,080,000) has been included in the consolidated statement of comprehensive income.

12. Intangible assets

Group	Note	Goodwill £000	Other intangible assets £000	Total £000
Cost				
At 1 March 2008 and 28 February 2009		14,961	—	14,961
On acquisition of subsidiary	28	971	—	971
Acquired with subsidiary		—	3	3
Additions		—	114	114
At 28 February 2010		15,932	117	16,049
Amortisation and impairment				
At 1 March 2008 and 28 February 2009		—	—	—
Acquired with subsidiary		—	3	3
Amortisation during the year		—	42	42
At 28 February 2010		—	45	45
Net book value				
At 28 February 2010		15,932	72	16,004
At 28 February 2009		14,961	—	14,961

Additions to goodwill in the year ended 28 February 2010 relate to the acquisition of The DDG Network Limited and Double D Management LLP, collectively known as Snowball and detailed in note 28.

Additions to other intangibles in the year ended 28 February 2010 relate to the acquisition of customer lists and website domain names.

Impairment of goodwill

Goodwill acquired through business combinations has been allocated to two cash-generating units, Direct and Online. These units represent the lowest level at which goodwill is monitored for impairment.

The carrying value of goodwill allocated to each cash-generating unit is as follows:

	2010 £000	2009 £000
Direct	11,497	10,526
Online	4,435	4,435
	15,932	14,961

Goodwill arising on the acquisition of Snowball has been allocated to the Direct cash-generating unit.

The recoverable amount of each cash-generating unit is calculated based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the board of directors covering a period of five years. Cash flows beyond the five year period have been extrapolated using a growth rate of 3% (2009: 3%).

The pre-tax discount rate applied to the cash flow projections is 12.5% (2009: 8.1%) and represents the weighted average cost of capital for the group.

The directors have concluded that, at 28 February 2010, the value of goodwill has not been impaired. The directors have performed sensitivity analysis on both the WACC and growth rates applied, and have concluded that any reasonable changes in the key assumptions used in determining the recoverable amount for each of the cash-generating units would not cause the carrying value to exceed the recoverable amount of each unit.

Notes to the financial statements continued

for the year ended 28 February 2010

13. Property, plant and equipment

Group	Short leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 March 2008	458	3,491	3,949
Additions	218	400	618
Disposals	(68)	(1,401)	(1,469)
At 28 February 2009	608	2,490	3,098
Additions	15	453	468
Acquired with subsidiary	—	75	75
Disposals	—	(17)	(17)
At 28 February 2010	623	3,001	3,624
Depreciation			
At 1 March 2008	109	2,202	2,311
Charge for the year	42	477	519
Disposals	(51)	(1,366)	(1,417)
At 28 February 2009	100	1,313	1,413
Charge for the year	82	497	579
Acquired with subsidiary	—	59	59
Disposals	—	(9)	(9)
At 28 February 2010	182	1,860	2,042
Net book value			
At 28 February 2010	441	1,141	1,582
At 28 February 2009	508	1,177	1,685

Included within net book value of plant and equipment is £128,000 (2009: £169,000) in respect of assets held under finance leases.
Included within the depreciation charge for the year is £33,000 (2009: £40,000) in respect of assets held under finance leases.

Company	Plant and equipment £000	Total £000
Cost		
At 1 March 2008 and 28 February 2009	—	—
Additions	2	2
At 28 February 2010	2	2
Depreciation		
At 1 March 2008 and 28 February 2009	—	—
Charge for the year	—	—
At 28 February 2010	—	—
Net book value		
At 28 February 2010	2	2
At 28 February 2009	—	—

14. Investments in subsidiaries

Company	2010 £000	2009 £000
Cost		
At 1 March	17,359	17,359
Additions (note 28)	1,644	—
At 28 February	19,003	17,359
Provision for impairment		
At 1 March and 28 February	(264)	(264)
Net book value at 28 February	18,739	17,095

Additions to investments in the year ended 28 February 2010 relate to the acquisition of The DDG Network Limited together with the business and assets of Double D Management LLP (note 28). The recoverable amount of investments is calculated using a value-in-use calculation of the assets comprising the investment in subsidiaries based on cash flow projections approved by the board of directors.

The pre-tax discount rate applied to the cash flow projections is 12.5% (2009: 8.1%) and represents the weighted average cost of capital for the group.

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 statement of financial position.

Subsidiary undertakings

The company's significant trading subsidiaries are as follows:

Name	Principal activity	Interest in ordinary share capital
Ravensworth Digital Services Limited	Marketing services	100%
Tangent Labs Limited (formerly C360 UK Limited)	Marketing services	100%
Tangent Marketing Services Limited	Marketing services	100%
The DDG Network Limited	Marketing services	100%

The subsidiary companies are all incorporated in England and their results have been consolidated in these financial statements.

Joint ventures

In addition to the above the company holds 50% of the issued share capital of ZUI Limited, a company registered in England. ZUI recorded a profit of £24,000 for the year ended 28 February 2010 and had net liabilities of £117,000 at that date. As the group does not have a controlling interest in ZUI these results have not been consolidated in the financial statements. During the year the group recorded sales of £391,000 to ZUI and at the balance sheet date the amount due was £245,000.

15. Inventories

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Consumables	106	105	—	—
Work in progress	—	1	—	—
	106	106	—	—

Notes to the financial statements continued

for the year ended 28 February 2010

16. Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade receivables	4,566	3,000	—	—
Allowance for doubtful debts	(146)	(47)	—	—
	4,420	2,953	—	—
Other receivables	87	23	39	—
Prepayments and accrued income	779	215	19	18
	5,286	3,191	58	18

All of the group's trade receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £146,000 has been included at the year end, the movement in that provision is as follows:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Balance at the beginning of the year	47	—	—	—
Impairment losses recognised on receivables	125	47	—	—
Amounts written off during the year as uncollectable	(26)	—	—	—
Amounts recovered during the year	—	—	—	—
Balance at the end of the year	146	47	—	—

Trade receivables above include amounts that are past due at the year end but against which no allowance for doubtful receivables has been made because there has not been any significant change in the credit quality and the amounts are still considered recoverable. The group does not hold any collateral or other credit enhancements over these balances.

The age of financial assets passed due but not impaired is as follows:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Current	3,657	2,335	—	—
Overdue by less than 30 days	518	272	—	—
30 to 60 days overdue	81	169	—	—
60 to 90 days overdue	67	155	—	—
More than 90 days overdue	97	22	—	—
Balance at the end of the year	4,420	2,953	—	—

17. Borrowings

Group borrowings comprise finance leases with repayments due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2010 £000	2009 £000	2010 £000	2009 £000
Within one year	63	64	62	63
After one but not more than five years	26	89	25	87
	89	153	87	150
Less finance charges allocated to future years	(2)	(3)	—	—
Present value of finance lease borrowings	87	150	87	150

18. Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade payables	1,991	1,121	34	—
Other taxes and social security	729	284	44	—
Other creditors	42	280	2	2
Accruals	1,564	979	202	21
Owed to group companies	—	—	6,491	3,169
	4,326	2,664	6,773	3,192

19. Provisions

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
At 1 March	166	333	166	333
Settled in the year	(166)	(167)	(166)	(167)
At 28 February	—	166	—	166

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Analysed as:				
Current liabilities	—	166	—	166
	—	166	—	166

In 2009 provisions were for the estimated cash consideration that the directors expected to be paid for the acquisition of C360 UK Limited, settled in 2010.

20. Deferred tax

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
At 1 March	28	39	—	—
Movement in the year	(28)	(11)	—	—
At 28 February	—	28	—	—

The deferred tax liability in 2009 resulted from accelerated capital allowances.

At the balance sheet date, the group had unused tax losses of £229,000 (2009: £600,000) available for offset against suitable future profits. A deferred tax asset has not been recognised in respect of such losses due to the uncertainty of future profit streams. The contingent deferred tax asset is estimated to be £140,000 (2009: £168,000).

Notes to the financial statements continued

for the year ended 28 February 2010

21. 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.

Interest rate risk

The group finances its operations through funds raised from shareholders, retained earnings and finance lease borrowings. Throughout the year the group's exposure to interest rate fluctuations was on its cash deposits and finance leases.

Foreign currency risk

The group policy is to match foreign currency payments and receipts where possible and to ensure by hedging if necessary to avoid a material foreign currency risk.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Australian dollars	72	1	—	—
Euros	147	8	—	—
	219	9	—	—

Credit risk

The group's policy is that customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts has not been significant. Credit risk arising from other financial assets, which comprise only cash deposits, have been minimised by only placing deposits with banks with high credit ratings.

Liquidity risk

The group operates a cash-generative business, holds net funds, and has an overdraft facility of £1m. The risk of a shortage of funds is therefore low.

Capital management

The group ensures that the capital structure maintains a strong credit rating, a low reliance on debt and resources that enable the group to make small scale acquisitions quickly if desired.

Interest rate risk profile of financial assets and liabilities

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

	Floating rate		Floating rate	
	Fixed rate financial liabilities 2010 £000	financial assets/ (liabilities) 2010 £000	Fixed rate financial liabilities 2009 £000	Floating rate financial assets/ (liabilities) 2009 £000
Cash balances	—	1,145	—	2,801
Finance leases	—	(87)	(1)	(149)
	—	1,058	(1)	2,652

Interest on cash is based on short term floating rates linked to money market rates. The average rate of interest on floating rate liabilities is 1.75% above bank base rate. The average rate of interest on fixed rate liabilities was 4.5% in 2009.

21. Financial instruments (continued)

Fair value of financial instruments

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

Borrowing facilities

Tangent has agreed a £1m overdraft facility at a rate of 1.75% over base rate secured by cross guarantees and debentures. The overdraft facility has rarely been drawn but improves the financial flexibility of the group. The finance lease liabilities as set out in note 17 are all secured on the assets against which the borrowings were provided.

22. Share capital

	Number of shares		Nominal value	
	2010 000	2009 000	2010 £000	2009 £000
Authorised				
At 1 March and 28 February	225,000	225,000	2,250	2,250
	Number of ordinary 1p shares		Nominal value	
	2010 000	2009 000	2010 £000	2009 £000
Allotted and fully paid				
At 1 March	170,134	165,967	1,702	1,660
Issued in the year	400	4,167	4	42
At 28 February	170,534	170,134	1,706	1,702

The group has one class of ordinary shares which carry no right to fixed income.

23. Share-based payments

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

	2010		2009	
	Number 000	WAEF Pence	Number 000	WAEF Pence
At 1 March	15,310	4.58	14,871	4.88
Granted	3,155	1.00	771	1.00
Exercised	(400)	(4.00)	—	—
Lapsed	(2,974)	(2.57)	(332)	(9.69)
At 28 February	15,091	4.24	15,310	4.58

For the share options outstanding at 28 February 2010 exercise prices ranged between 1p and 13.25p per share and the weighted average remaining contractual life was 5.49 years.

Fair values

The fair value of share options granted in the year was calculated using the Black-Scholes pricing model. The volatility, measured as the standard deviation of expected share price return, is based on statistical analysis of the Tangent share price from July 2005 to the date of grant, which resulted in an assumed volatility of 40%.

The other key inputs were a risk free rate of return of 0.5%, a dividend yield of 6% and an expected life of five years.

The total share-based payment charge for the year, calculated in accordance with IFRS 2 on share-based payments, was £19,000 (2009: £229,000).

Notes to the financial statements continued

for the year ended 28 February 2010

24. Other reserves

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
ESOP reserve	(3)	(3)	(3)	(3)
Share-based payments reserve	1,199	1,180	1,199	1,180
Capital reserve	499	499	499	499
Restructure reserve	1,161	1,161	—	—
	2,856	2,837	1,695	1,676

The ESOP reserve represents the cost of Tangent shares held by the employee share ownership trust. At 28 February 2010 the employee share ownership trust held a total of 1,428,340 (2009: 1,428,340) ordinary shares, with a market value of £61,561 (2009: £36,000).

The share-based payment reserve represents the value of share-based payments recognised in the statement of comprehensive income to date less any transfers to retained earnings that arise from the shares issue on the exercise of options.

The capital reserve represents the future share capital and the associated merger reserve that is expected to result from the proposed issue of 4,158,333 ordinary shares at 12p each as contingent share consideration for the acquisition of C360 UK Limited.

The restructure reserve represents the consolidated capital reserve which arose when the group restructured and floated on AIM in May 2000.

25. Cash generated from operations

Group	2010 £000	2009 £000
Profit before tax for the year	282	523
Depreciation and amortisation of non-current assets	621	519
(Profit)/loss on sale of plant and equipment	(9)	5
Net interest income	(4)	(72)
Net foreign exchange gain	2	—
Share-based payment charge	19	229
	911	1,204
Movements in working capital		
Increase in inventories	—	(11)
(Increase)/decrease in trade and other receivables	(1,675)	1,133
Increase/(decrease) in trade and other payables	1,400	(726)
Cash generated from operations	636	1,600
Company	2010 £000	2009 £000
Loss before tax for the year	(1,207)	(1,080)
Share-based payment charge	19	229
(Increase)/decrease in trade and other receivables	(40)	14
Increase in trade and other payables	3,581	1,247
Cash generated from operations	2,353	410

26. Analysis of net funds

	At 1 March 2009 £000	Cash flows £000	At 28 February 2010 £000
Cash	2,801	(1,656)	1,145
Finance leases	(150)	63	(87)
Net funds	2,651	(1,593)	1,058

27. Operating lease commitments

	2010 £000	2009 £000
Minimum lease payments under operating leases recognised as an expense in the year	1,822	1,822

Future minimum lease payments under non-cancellable operating leases are as follows:

	2010 £000	2009 £000
Within one year	1,480	1,637
After one but not more than five years	1,556	3,195
After five years	1,392	1,529
	4,428	6,361

28. Business combination

On 16 September 2009 Tangent acquired the entire share capital of The DDG Network Limited together with the business and assets of Double D Management LLP, collectively known as Snowball.

Established in 2003 Snowball provides customer management services to its clients helping them to retain their existing customers by driving increased loyalty and retention together with identifying and targeting new customers through data insight.

Consideration paid

Total consideration was paid as follows:

	£000
Cash	1,585
Acquisition costs	59
	1,644

A maximum further contingent consideration of £2.18m is payable equally over three years with £1.68m payable in cash and £500,000 payable in shares at a valuation of 6.17p per share to be paid in three equal tranches, subject to earnings before interest and tax rising to a total of £1.5m over a three year period to 31 August 2012.

Having reviewed performance to date the directors do not consider that any provision is necessary in respect of this additional contingent consideration.

Assets acquired and liabilities assumed at the date of acquisition

	Book values £000	Fair value adjustments £000	Fair values £000
Plant and equipment	16	—	16
Trade and other receivables	420	—	420
Cash and cash equivalents	654	—	654
Trade and other payables	(253)	(9)	(262)
Current tax liabilities	(155)	—	(155)
	682	(9)	673

Goodwill arising on acquisition

	£000
Consideration paid	1,644
Less fair value of net assets acquired	(673)
Goodwill arising on acquisition (note 12)	971

Goodwill arose in the acquisition of Snowball as a result of the expected synergies, revenue growth and future market developments. These benefits are not recognised separately from goodwill because they do not meet the criteria for separately identifiable intangible assets.

The group also acquired the customer lists and customer relationships of Snowball as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Notes to the financial statements continued

for the year ended 28 February 2010

28. Business combination (continued)

Net cash outflow on acquisition of subsidiary

Net cash outflow arising from the acquisition was as follows:

	£000
Purchase consideration settled in cash	1,585
Acquisition costs	59
Cash paid for acquisition	1,644
Cash and cash equivalents in subsidiary acquired	(654)
Cash paid net of cash and cash equivalents in subsidiary acquired	990

Impact of acquisition on the results of the group

Included in the profit for the year is a profit of £7,000 attributable to the business generated by Snowball, revenue for the period amounted to £364,000.

Had the business combination been effected at 1 March 2009 the revenue of the group from continuing operations would have been £19.12m and underlying profit for the year from continuing operations of £917,000. The directors of the group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Assets acquired from Lateral Net Limited

On 5 March 2009 the group acquired, from the Administrator of Lateral Net Limited, the clients and certain assets of the company together with assuming certain fixed liabilities related to the completion of contracts.

	£000
Acquisition of tangible fixed assets	20
Acquisition of intangible assets, customer lists	39
Pre-contract liabilities assumed	(34)
Cash paid	25

29. Related party transactions

Compensation of key management personnel

Key management personnel of the group are defined as those persons having authority and responsibility for the planning, directing and controlling the activities of the group, directly or indirectly. Key management of the group are therefore considered to be the directors of Tangent Communications plc. There were no transactions with the key management, other than their emoluments, which are set out in the remuneration report on pages 25 to 26.

30. Post balance sheet events

On 8 June 2010 the directors recommended payment of a dividend which is subject to approval at the 2010 annual general meeting. Details are set out in note 10.

Since the balance sheet date the trade of Snowball has been transferred to Ravensworth Digital Services Limited.

Financial calendar

31 August 2010	Annual general meeting
27 September 2010	Dividend payment date
31 August 2010	Financial half year end
November 2010	Interim results announcement
28 February 2011	Financial year end
June 2011	Annual results announcement

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