Tangent Communications PLC
("Tangent" or the "Company")

Results for the year ended 28 February 2011

Tangent is an AIM listed company, a leading integrator of technology and marketing strategy, with industry leading digital print facilities.

Business Highlights:

- Revenue increased by 23.1% to £22.39m (2009-10: £18.19m)
- Underlying operating profit[1], increased by 64.6% to £1.35m (2009-10: £0.82m)
- Adjusted Earnings Per Share[2] 0.55p (2009-10: 0.38p)
- Diluted basic earnings per share were 0.43p (2009-10: 0.16p)
- Cash generated from operations £1.83m (2009-10: £0.64m)
- Two year contract award with Carlsberg UK (live January 2011) and Carlsberg Group International for the provision of software and communications.
- Three year contract award with the Labour Party to provide Membership services (live August 2010)
- Winner of B2B marketing award "Best use of data" – Snowball insight team for Wolseley Build Center

"Significant growth in annual profits and revenues has shown 2010-11 to have been an excellent year for Tangent with initial expectations exceeded. This was a year of growth, integration and delivery for us and we look forward to a continued strong performance in 2011-12 which has begun well; updates will be forthcoming through the year".

[1] *Underlying operating profit is defined as operating profit after share based payment charges before restructuring costs*
[2] *Adjusted EPS is calculated after share based payments before restructuring expenses net of tax*

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

Chairman's Statement
For the year ended 28 February 2011

Tangent's underlying pre-tax profits increased from £0.82m to £1.35m in the year ended 28 February 2011. On the same basis, Earnings per Share increased from 0.38p to 0.55p, an increase of almost fifty per cent. This was a good performance in what are still challenging economic conditions. Tangent's achievement in growing the business organically confirms the strategy of the business to be progressive in this fast moving marketing arena.

Tim's Chief Executive Statement explains in detail our achievements and ambitions. Tangent is in a good position to play an increasingly bigger role in the fast changing marketing business. Why would you want to spend hundreds of thousands of pounds on traditional mass advertising when ingenious technology solutions and ROI-centric campaigns can reach your target audience more efficiently? Although Tangent is relatively small, we have built our credibility by working for big and reputable organisations such as Carlsberg, SAP and Wolseley.

The proposed dividend of 0.2p per share is the same as last year. At the time of writing, the share price is above 5p, up from the low of 2p in March 2009 principally reflecting the improved financial performance. I have set this out so that our shareholders understand that although a Chairman is conventionally not expected to discuss the share price, I consider that there is no better metric for our performance to be judged. In my view, a Chairman

has responsibility to help the management to deliver profits in an orderly manner and for the share performance to properly reflect the financial performance.

The Company may seek shareholder approval to grant the Company the ability to buy back its shares if the Board determines that the circumstances are appropriate. Shareholders however, should not assume that any such market purchase of shares will necessarily take place.

Tangent has made a number of organisational changes over the last year and Paul Murray left as a non-executive director in December. Tangent was very fortunate to have had such an expert on the Board for so long. However in Alan Smith, we have a hugely experienced businessman to help guide us.

Thank you to all our employees for their hard work in the year, particularly in the bad winter weather when travel to work, especially in 'Ravensworth country', must have been challenging.

I am confident that Tangent will continue to grow in the current year.

Piers Caldecote
Non-executive chairman

Chief Executive's Statement
For the year ended 28 February 2011

We have achieved a strong year of organic growth and development of our core business lines. Sales are up, profits are up, new accounts secured and new product offerings invested in to secure our continued success. 2010-11 saw the first full year of trading since Tangent came to AIM without an acquisition; this has served the company well to ensure a year of organic growth, internal integration and delivery.

Organic Growth

The focus on ***organic growth*** has been the strategic objective of the board throughout 2010-11. Revenues have grown to £22.4m an increase of 23% on the previous year; with significant contributions across the business. Revenues from established accounts continued to trend upwards as our engagements broadened across insight, software and communication services. These clients drove more activity than anticipated as market conditions in general improved or budgets increased due to the success of our projects. Fee revenue increased by 35% to £6.5m principally through a rise in e-commerce and behavioural insight engagements. Our estate agency market enjoyed growth of more than 10% as the number of property listings improved against previous year conditions. Focus on new business will accelerate; post this successful prioritisation of increasing contribution from existing accounts.

The focus on ***organic growth*** has also resulted in a 65% increase in underlying operating profits over the previous year. Our underlying operating margins have improved from 4.5% to 6.0%; including the bad debt suffered at the end of the year through the administration of Red Group Retail, in Australia, and the postage costs in relation to the General election campaigns . The increase in profits has come from the return we generate from operational gearing in our print facility and the increased proportion of software and insight revenues in the sales mix. We still enjoy sufficient capacity in our print facility for this trend to continue and our new business efforts continue to target a shift to a higher margin sales mix.

The support for higher revenues, broader services and product development increased overheads by 24.3%. 2010-11 has been a period of significant investment in staff, services and equipment. Our investment in equipment will ensure a lower cost of production for future e-print services and provide a basis for provision of the highest quality, "best in class" product which will deliver competitive advantage in 2011-12 and greatly in 2012-13. Our investment in software from internal resource will ensure the capabilities of our platforms and applications (email, mobile and web, e-commerce) remain competitive. These investments may have impacted current margins, but we would expect to benefit from faster implementations and enhanced services to our future clients.

Outlook

New business has started the year promisingly with a confirmed appointment with Tata Group to provide e-commerce services to the Indian market and our global roll out for Carlsberg under way. Our print revenues are expected to reduce against the previous year although the margin from revenues is likely to increase as the focus on quality digital print services takes priority over volume production. The seasonally strong first quarter period has started well although the extended Spring break has softened somewhat the daily returns in April.

2010-11 was a year of growth, integration and delivery which has ensured we have moved into the new financial year with a clear and promising future not only in respect of short term prospects but with significant value opportunities forthcoming. We would also expect growth in our key markets of software and e-print to include and embrace a strategy to include acquisition.

Business Review

Integration

The focus has been to present a clear streamlined management structure and operation driven through two tightly defined units.

1. Software and Communications – 2010-11 has seen the integration of Tangent's marketing and software business into the trading unit of Tangent One. The first step to integrate the existing online business was complete at the mid-point of 2010-11; the Board then began a process of integration between the digital and direct marketing arms of Tangent One and Snowball. These units have been operating as one since September 2010, which enables our clients to more easily embrace with the full range of services and software applications Tangent provides. All restructuring costs have been allocated during the financial year and we would not expect to see any further charges in 2011-12. The principal activities of this segment are software through the delivery of bespoke applications and licensing of our platforms and Communications through our strategy, planning and services teams.

Tangent monitors customer behaviour through insight, strategy and the application of creative technology. Our Insight team challenges analysis generated through the receipt of behavioural data (voting, purchases, and visits) from today's fragmented media marketplaces. This insight provides the support for our strategic planning team to set out objectives for brand distribution, product development and ultimately the return on investment from activities. The implementation of our strategies relies on technology to provide an efficient approach and successful delivery of brands to their customers. Through the delivery of Insight and Technology we soon identify and implement speedy and efficient routes to market.

2. Design and Print – 2010-11 has seen the integration of Tangent's print business into the trading unit of Ravensworth. The services of on demand and electronic demand design and print services (e-print) are driven through our market leading digital facility in Newcastle. There remain some restructuring costs to be endured during the coming financial year as this process is completed. Ravensworth has over 20 years of experience in the arena of digital print production. This experience has ensured throughout the period of transition from on-demand to e-demand our service and delivery has been maintained at the highest levels. The breadth of technological engagements we now offer for consumer, B2B and corporate engagements ensures we have a mix of cost and dependency models which can respond to the requirements of the growing "print on demand" marketplace both in the UK and abroad.

There still remains some cross-over between the two revenue units whereby our Communications utilise Design and Print services and similarly e-print is dependent on our software provision.

Delivery

2010-11 has also been a year of substantial delivery for Tangent. The start of the year saw the culmination of a five year engagement with the Labour Party where Tangent provided software and services right across the range of tactics and engagements to run a General election campaign. Whilst not victorious in the final result, the performance exceeded expectations and the campaigning was viewed very much as a success. The hard work of a significant number of our staff was involved and the Board would like to thank all our staff for their endeavours throughout the year.

2010-11 saw the award of the Labour Party Membership contract in a competitive pitch. This service was launched in August 2010 and will run for a minimum three year period. A new team has been set up in our

Newcastle facility to run the financial support for the 100,000's of Labour Party members. The bespoke platform built by our web development team on open source Web 2.0 is state of the art. We can now provide payment processing services which we expect to see as a growth opportunity engagement with mid-market size membership services for unions, clubs and associations.

2010-11 saw the growth and establishment of our award winning data insight team. Led by the Wolseley account team, our insight and campaign services received award winning industry recognition in the B2B marketing arena. The growth of B2B and B2C customer behaviour management since the acquisition and integration of Snowball with Tangent Direct continues at a great pace, and our growing reputation can derive great benefit in future periods.

2010-11 saw the appointment of Tangent to provide services to Carlsberg UK. More recently this appointment has been broadened to implement their global marketing software platform initially across four countries with 80+ potential installations. This illustrates how far forward Tangent has moved from what traditionally had been lengthy sales cycles with clients resistant to commit to large programs without significant periods of testing. Now Tangent is credible to deliver immediate systems and services to large corporations. We look forward to a long and successful engagement with Carlsberg UK and Global and will report further on this progress during the year.

2010-11 saw a significant return of activity in the estate agency sector. The number of active branches increased by 10% and daily order values by 16%. Our market position continues to strengthen with a number of new installations and a broader range of services embraced by a range of customers.

People

2010-11 saw the appointment of Kevin Cameron to the board as Finance Director and Alan Smith as non-Executive Director. Kevin brings his experience of managing one of our operating units Ravensworth to the Board and has provided an excellent contribution in his first year. Tangent now employs 234 people across offices in London, Newcastle, Cheltenham, and Melbourne all offering great passion and creativity; I would like to thank them all for their dedication in 2010-11.

Timothy Green
Chief executive

Financial review
For the year ended 28 February 2011

Tangent is pleased to report an increase in both revenues and underlying operating profit for the year to 28 February 2011.

Revenue from our business units continued to grow and sales mix continued to improve with both gross and net operating margin up on the prior year.

For the year ended 28 February 2011 all central costs, with the exception of those relating to the company's stock market listing and non-executive directors, have been consolidated in to the revenue generating units. This presentation differs from that adopted in the 2010 annual report and therefore the disclosures in respect of that year included herein have been amended to reflect the change in central cost consolidation. The change does not have any impact on previously reported consolidated profits, net assets or earnings per share of the group.

Key Performance Indicators
We manage Tangent's business using KPI's which measure underlying performance, excluding restructuring and non-operating expenses. The board monitor these KPI's on a continuing basis to deliver shareholder value.

- Revenue increased by 23.1% to £22.39m (2009-10: £18.19m)
- Underlying operating profit, increased by 64.6% to £1.35m (2009-10: £0.82m)
- Underlying operating margin increased to 6.0% (2009-10: 4.5%)

- Diluted basic earnings per share were 0.43p (2009-10: 0.16p)
- Cash generated from operations £1.83m (2009-10: £0.64m) representing 135% of underlying operating profit (2009-10: 78%)

Trading Performance
Revenues increased by 23.1% to £22.39m, (2009-10: £18.19m) with increased contributions coming from across the business. Tangent's changing sales mix together with operational gearing, following growth across our business units, lead to an increase in gross margin of 1.9% to 49.0% (2009-10: 47.1%). Gross profits were 28% higher at £10.97m (2009-10: £8.57m). These more than covered the increase in operating expenses resulting in underlying operating profits rising by 64.6% to £1.35m (2009-10: £0.82m). Adjusted EPS, calculated after share-based payments and before restructuring expenses net of tax, provides a consistent measure of performance that excludes non-operating expenses. Adjusted EPS increased by 45% to 0.55p per share (2009-10: 0.38p, during this year Tangent had no tax charge).

Direct
During the year revenues from Direct increased by 26.8% to £17.59m (2009-10: £13.87m). The organic growth was driven by an increase in the range of services and projects undertaken. Underlying operating profit increased by 134%, with an underlying operating margin of 8.6%. The increase in margin was a result of an improved sales mix generated on a growth in higher margin consultancy projects together with operational gearing as Tangent revenues continue to grow.

Online
As Tangent's business develops, client requirements are becoming increasingly reliant on technology. Our business segments are therefore becoming ever more integrated and the overhead in our online division increasingly supports the entire proposition rather than this one business segment. Revenue from Online increased by 11%. However the continued investment in staffing and infrastructure required to continue the development of Tangent's underlying technology lead to an increase in operating overheads resulting in operating profits of £0.10m (2009-10: £0.41m).

Operating expenses
During the year operating expenses increased by £1.87m from £7.73 in 2010 to £9.60m as Tangent continued to expand its activities and revenues;

- £1.4m of the increase related to staff costs as average head count increased by 43 over the period, including a full year of the Snowball staff acquired in 2009 and investment in our software development, client and service support teams.
- The charge in respect of bad debts increased by £0.17m, mainly as a result of the administration of Red Group Retail in Australia

During the year Tangent increased spend on new business and marketing activities by £0.1m.

Business Segments
Tangent's business is developing continually. The Board reviews the make-up of the business segments to ensure they accurately reflect the operational reality of the business. During 2010-11 we reported on three segments:

- Direct: this segment included the digital printing units and Snowball, our direct marketing business.
- Online: this segment included online marketing and software.
- Central: this segment included the costs of non-executive directors, maintenance of Tangent's stock market listing, general professional advice and share-based payment charges

Over the year the sales mix in direct marketing has continued to develop, with an increasing level of higher margin consultancy revenues reliant upon the technology being developed within Tangent. This sales line is increasingly supported by the resources within the Online business segment and, from September 2010, the direct and online marketing arms have been operating as one.

In order to more accurately reflect the operational reality and provide greater clarity, as from 1 March 2011 the reporting segments have been amended as follows:

- Software and Communications, combining Tangent One, Tangent Labs and Snowball

- Design and print, combining the Ravensworth, On demand and e-print businesses
- PLC; this segment includes the costs of non-executive directors, maintenance of Tangent's stock market listing, general professional advice and share-based payment charges

Presenting the segments as above will ensure that the revenues generated are matched more closely with the resources required for delivery.

Group restructuring and non-operating expenses
During the year Snowball and Tangent One have become increasingly integrated, and as such, the Board instigated the formal integration of the business development and account management teams within these units. In addition to this, further consolidation of Tangent's print revenues into its Newcastle site was undertaken. Both of these restructuring efforts resulted in redundancy and termination costs. As these costs do not form part of the normal operating expenses of Tangent they have been included within non-operating expenses.

The Board believes that it is in the interest of both shareholders and the Company for Tangent to have the ability to purchase its own equity. To that end professional advisors have been engaged to prepare the necessary documentation that would enable the Board, when it is determined that it is appropriate, to proceed with such transactions. As these costs do not form part of the normal operating expenses of Tangent they have been included within non-operating expenses.

Share based payment charges
Share based payment charges for the year ended 28 February 2011 amounted to £0.02m (2009-10: £0.02m) and represents the fair value of options granted. As in 2010 this charge has been included within underlying operating profit.

Taxation
The charge of £0.28m (2009-10: £nil) equates to 26.5% of profit before tax. The charge differs from the standard corporation tax rate of 28% as the group has expenses that are not deductible for tax purposes and has recognised the value of its deferred tax assets at 28 February 2011 part of which relates to prior years.

Earnings
Profit for the year, after tax, was £0.78m (2009-10: £0.28m) equating to basic earnings per share of 0.45p (2009-10: 0.17p) and diluted earnings per share of 0.43p (2009-10: 0.16p).

Cash Flow
Cash flow from operations was £1.83m (2009-10: £0.64m) and tracked 35% ahead of underlying operating profit and 73% ahead of operating profit. Depreciation and amortisation charges of £0.73m were the main reason for such high cash generation relative to operating profit.
The major items included within the consolidated cash flow statement are as follows:-

- Tax payments were £0.10m (2009:10 £0.19m)
- Capital expenditure of £0.90m was spent substantially on the acquisition of digital printing and finishing equipment and IT infrastructure
- Dividends of £0.35m were paid, a new finance lease amounting to £0.37m was raised during the year on the acquisition of a digital printing press and £0.06m of finance leases were repaid.
- Over the period net funds increased by £0.79m to £1.93m (2009-10: £1.14m)

Balance Sheet
Net assets increased by £0.52m to £20.09m (2009-10: £19.57m). The major movements related to the provision of £0.30m in additional consideration for the acquisition of Snowball, completed in 2009, the new finance lease and cash generation as noted above. At 28 February 2011 current assets exceeded current liabilities by £2.2m.

Dividends
The Board believes that paying a dividend is an important part of providing total shareholder return. To that end we will recommend that the dividend is maintained at 0.2p per share (2009-10: 0.2p) at the Annual General Meeting payable on 21 September 2011 to shareholders registered on 9 September 2011.

Treasury, Funding and Exchange Risk
Tangent 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 used. Regular reports on cash balances and borrowings are provided to the board.
The majority of Tangent's trade is conducted in sterling although a material amount is denominated in Euros and Australian Dollars. The directors monitor exposure and where possible match Euro and Australian Dollar denominated revenues and expenditure to mitigate foreign exchange risk.

Kevin Cameron
Finance Director

Consolidated statement of comprehensive income
for the year ended 28 February 2011

	Notes	**2011**	2010
		£000	£000
Revenue		**22,394**	18,185
Cost of sales		**(11,426)**	(9,620)
Gross profit		**10,968**	8,565
Operating expenses		**(9,600)**	(7,726)
Share-based payment charge		**(17)**	(19)
Underlying operating profit		**1,351**	820
Group restructuring expenses	2	**(297)**	(542)
Operating profit		**1,054**	278
Investment income		**—**	9
Finance costs		**(2)**	(5)
Profit before tax		**1,052**	282
Tax		**(279)**	**—**
Profit for the year		**773**	282
Other comprehensive income			
Exchange differences on translating foreign operations		**4**	2
		4	2
Total comprehensive income for the year		**777**	284
Earnings per share (pence)	4		
Basic		**0.45**	0.17
Diluted		**0.43**	0.16

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 2011

	Notes	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 February 2009		1,702	—	917	2,837	14,132	19,588
Comprehensive income:							
Profit for the year		—	—	—	—	282	282
Other comprehensive income		—	—	—	—	2	2
Total comprehensive income		—	—	—	—	284	284
Transactions with owners:							
Dividend	5	—	—	—	—	(338)	(338)
Credit to equity for equity-settled							
Share based payments		—	—	—	19	—	19
Issue of shares		4	12	—	—	—	16
Total transactions with owners		4	12	—	19	(338)	(303)
At 28 February 2010		1,706	12	917	2,856	14,078	19,569
Comprehensive income:							
Profit for the year		—	—	—	—	773	773
Other comprehensive income		—	—	—	—	4	4
Total comprehensive income		—	—	—	—	777	777
Transactions with owners:							
Dividend	5	—	—	—	—	(347)	(347)
Credit to equity for equity-settled							
Share based payments		—	—	—	17	—	17
Share to be issued		—	—	—	69	—	69
Issue of shares		42	—	457	(499)	—	—
Total transactions with owners		42	—	457	(413)	(347)	(261)
At 28 February 2011		**1,748**	**12**	**1,374**	**2,443**	**14,508**	**20,085**

Consolidated balance sheet
at 28 February 2011

	Notes	**2011 £000**	2010 £000
Assets			

Non-current assets			
Intangible assets	6	**16,261**	16,004
Property, plant and equipment		**1,796**	1,582
Deferred tax asset		**112**	**—**
		18,169	17,586
Current assets			
Inventories		**135**	106
Trade and other receivables		**5,358**	5,286
Cash and cash equivalents		**1,934**	1,145
		7,427	6,537
Total assets		**25,596**	24,123
Liabilities			
Current liabilities			
Borrowings		**(112)**	(62)
Trade and other payables		**(4,450)**	(4,326)
Current tax liabilities		**(432)**	(141)
Provisions		**(233)**	**—**
		(5,227)	(4,529)
Non-current liabilities			
Borrowings		**(284)**	(25)
		(284)	(25)
Total liabilities		**(5,511)**	(4,554)
Net assets		**20,085**	19,569

Equity			
Share capital	7	**1,748**	1,706
Share premium		**12**	12
Merger reserve		**1,374**	917
Other reserves		**2,443**	2,856
Retained earnings		**14,508**	14,078
Total equity attributable to equity shareholders of the company		**20,085**	19,569

Consolidated statement of cash flows
for the year ended 28 February 2011

		2011	2010
	Notes	**£000**	£000
Cash from operations			
Cash generated from operations	8	**1,827**	636
Interest paid		**(2)**	(5)

Tax paid	**(100)**	(190)
Net cash inflow from operating activities	**1,725**	441
Investing activities		
Acquisition of subsidiary, net of cash acquired	—	(990)
Payment of contingent consideration	—	(166)
Purchase of property, plant and equipment	**(903)**	(468)
Purchase of other intangible assets	—	(114)
Sale of property, plant and equipment	**5**	17
Interest received	—	9
Net cash used in investing activities	**(898)**	(1,712)
Financing activities		
Dividends paid	**(347)**	(338)
Repayment of borrowings	**(62)**	(63)
New finance leases raised	**371**	—
Proceeds from issue of shares, net of costs	—	16
Net cash outflow from financing activities	**(38)**	(385)
Increase/(decrease) in cash and cash equivalents	**789**	(1,656)
Cash and cash equivalents at beginning of year	**1,145**	2,801
Cash and cash equivalents at end of year	**1,934**	1,145

1. Basis of preparation

Tangent Communications plc is quoted on AIM, a market of the London Stock Exchange, has the TIDM code TNG and it is incorporated in England.

The group's consolidated financial statements for the year ended 28 February 2011, from which this financial information has been extracted, and for the comparative year ended 28 February 2010 are prepared on a going concern basis and in accordance with IFRS, and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The unaudited financial information contained in this report does not constitute the Company's statutory accounts for the year ended 28 February 2011. Statutory accounts will be delivered to the Registrar of Companies following the Company's annual general meeting, sent to shareholders and will be available on Tangent's website at www.tangentplc.com. The auditors have agreed to the issue of these results and expect to issue an unqualified audit report on the 2011 accounts following formal completion of the audit.

The comparative figures for the year ended 28 February 2010 are not the statutory financial statements for that year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 28 February 2010.

2. Group restructuring

During the year the board completed the merger of Snowball and Tangent ONE, thereby producing a unified, efficient and cohesive team. In addition to this further consolidation was undertaken between Tangent’s print sites, both processes resulted in redundancy and termination costs as detailed below. The board also engaged professional advisors to prepare a circular to shareholders requesting permission for Tangent to be empowered

to purchase its own shares. As none of these expenses form part of the normal operating expenses of Tangent they have been separately identified in the consolidated statement of comprehensive income and excluded from underlying profit.

Restructuring expenses are set out below:

	£000
Redundancy and termination costs	239
Circular costs and fees	58
	297

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 three reportable segments, Online, Direct and Central.

Online This comprises the Tangent One and Tangent Labs businesses.

Direct This comprises Snowball, Ravensworth and Tangent on Demand.

Central Central costs relate to the cost of non-executive directors, maintenance of Tangents' stock market listing, general professional advice together with the share-based payment charges. Executive directors' costs are allocated to the Direct and Online business segments.

The segment results for the year ended 28th February 2011 were as follows:

	Online	Direct	Central	Total
	£000	£000	£000	£000
Revenue	7,452	17,682	—	25,134
Less inter segment sales	(2,650)	(90)	—	(2,740)
Revenues from external customers	4,802	17,592	—	22,394
Results				
Profit from operations before restructuring costs	98	1,511	(258)	1,351
Restructuring costs	(170)	(69)	(58)	(297)
Profit from operations	(72)	1,442	(316)	1,054
Net finance costs				(2)
Profit before tax				1,052
Income tax expense				(279)
Profit for the year				773

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

	Online	Direct	Central	Total
	£000	£000	£000	£000

Revenue	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 restructuring costs	413	647	(240)	820
Restructuring costs	(170)	(70)	(302)	(542)
Profit from operations	243	577	(542)	278
Net finance costs				4
Profit before tax				282
Income tax expense				—
Profit for the year				282

4. Earnings per share

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

	2011	2010
	£000	£000
Profit attributable to shareholders	**773**	282

	Number	Number
	000	000
Weighted average number of shares:		
For basic earnings per share	**173,264**	168,903
Adjustment for options outstanding	**3,814**	4,083
Adjustment for consideration shares yet to be issued	**1,126**	4,158
For diluted earnings per share	**178,204**	177,144

	Pence per	Pence per
	Share	Share
Earnings per share:		
Basic	**0.45**	0.17
Diluted	**0.43**	0.16

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. At 28 February 2011 Tangent had 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.

5. Dividends

	2011	2010
	£000	£000
Recommended final dividend for the year of 0.2p (2009: 0.2p) per share	**349**	338

The recommended final dividend is subject to approval by shareholders at the 2011 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 173m ordinary shares.

	2011	2010
	£000	£000
Final dividend paid for the year of 0.2p (2009: 0.2p) per share	**347**	338

6. Intangible assets

Note	Goodwill	Other Intangible assets	Total
Group	£000	£000	£000
Cost			
At 1 March 2009	14,961	—	14,961
On acquisition of subsidiary	971	—	971
Acquired with subsidiary	—	3	3
Additions	—	114	114
At 28 February 2010	15,932	117	16,049
Additions	302	—	302
At 28 February 2011	**16,234**	**117**	**16,351**
Amortisation and impairment			
At 1 March 2009	—	—	—
Acquired with subsidiary	—	3	3
Amortisation during the year	—	42	42
At 28 February 2010	—	**45**	**45**
Amortisation during the year	—	45	45
At 28 February 2011	—	**90**	**90**
Net book value			

At 28 February 2011	**16,234**	**27**	**16,261**
At 28 February 2010	15,932	72	16,004

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". The acquisition agreement contained provision for a maximum additional consideration, of £1.68m payable in cash and £500,000 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.No additional consideration was payable in respect of the first year. Having reviewed the performance of the acquired business the directors are of the opinion that additional consideration will become payable in respect of the year to 31 August 2011 and a provision of £302,000 (£233,000 in cash and £69,000 in shares), has therefore been included in these financial statements.

Impairment of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

From 1 March 2011 Tangent revised the business segments as follows:

Software and Communications
This business segment includes Tangent One, Snowball and Tangent Labs

Design and Print
This business segment includes Ravensworth and Tangent on Demand.

As it is the future cash flows from each CGU that needs to be measured against the carrying value of goodwill in each business segment the impairment testing undertaken has been based upon the amended segments from 1st March 2011, this will ensure that future cash flows are measured against the CGU in which the benefit of the business combination is expected.

Following the above changes the carrying value of goodwill relating to the acquisition of Snowball has been reallocated to the Software and Communications segment as follows:

	2011	2010
	£,000	£'000
Direct CGU	**11,799**	11,497
Snowball acquired goodwill transferred	**(1,273)**	—
Design and print CGU	**10,526**	11,497
Online CGU	**4,435**	4,435
Snowball acquired goodwill transferred	**1,273**	—
Software and communications CGU	**5,708**	—
Total unimpaired goodwill	**16,234**	15,932

Tangent tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to forecast profitability. These assumptions have been revised in the year to take account of the current economic environment. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to each CGU.

Future cash flows are derived from the most recent financial budget approved by management for the next five years, beyond that period cash flows are extrapolated using a growth rate of 3% (2010: 3%).

The rate used to discount forecast future cash flows for both business segments is 13% (2010: 12.5%).

In 2011 no impairment charge has been made against goodwill for either of the amended CGU's (2010: £nil). Headroom in the Design and print CGU is £2.9million and £4.7million in the Software and communications CGU

Tangent has conducted a sensitivity analysis on the impairment test of each CGU's carrying value with the following results:

- The discount rate would need to increase by 2.66% to 15.66% to remove the headroom in the Design and print impairment test and by 8.34% to 21.34% to remove the headroom in the Software and communications test.
- Reducing the long term growth rate to 0% does not create an impairment charge in either CGU.

7. Share capital

	Number of ordinary 1p shares		Nominal value	
	2011	2010	**2011**	2010
	000	000	**£000**	£000
Authorised				
At 1 March and 28 February	**225,000**	225,000	**2,250**	2,250

	Number of ordinary 1p shares		Nominal value	
	2011	2010	**2011**	2010
	000	000	**£000**	£000
Allotted and fully paid				
At 1 March	**170,534**	170,134	**1,706**	1,702
Issued in the year	**4,158**	400	**42**	4
At 28 February	**174,692**	170,534	**1,748**	1,706

On 16 August 2010 Tangent issued 4,158,333 ordinary shares as part of the final payment of deferred consideration in respect of the acquisition of C360 UK Limited.

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 2011 and at the date of this report the number of issued ordinary shares is 174,691,835.

8. Cash generated from operations

	2011	2010
Group	**£000**	£000
Profit before tax for the year	**1,052**	282
Depreciation and amortisation of non-current assets	**732**	621
Profit on sale of plant and equipment	**(3)**	(9)
Net interest charge/(income)	**2**	(4)
Net foreign exchange gain	**4**	2
Share-based payment charge	**17**	19

	1,804	911
Movements in working capital		
Increase in inventories	**(29)**	—
Increase in trade and other receivables	**(72)**	(1,675)
Increase in trade and other payables	**124**	1,400
Cash generated from operations	**1,827**	636