

Tangent Communications plc (“Tangent” or the “Company”)

Results for the year ended 28 February 2009

2 June 2009

Tangent combines world class technical and marketing expertise to deliver highly personalised data-driven communications for leading brands.

Financial summary

- Revenue £15.61m (2008: £17.36m)
- Underlying operating profit £1.08m (2008: £2.44m)
- Underlying basic earnings per share 0.50p (2008: 1.24p)
- Cash from operations £1.60m (2008: £2.55m)
- Net funds £2.65m (2008: £2.43m)
- Dividend held at 0.2p per share

Operational highlights

- Restructured the company into five new operational divisions and brands
- Completed work transfer programme and office re-location
- Launched Tangent One Australia off the back of major e-commerce win
- Launched Version 2.0 of Tangent Direct’s local marketing software
- Acquired Lateral Net Ltd –award winning digital strategy agency (March 2009)
- Secured a license agreement with VLM Holdings Ltd adding key property networks to Ravensworth (March 2009)
- Launch of the Digital Print Partnership (May 2009)

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

“2008/09 was a challenging year for Tangent but the restructuring we completed puts the business in a better position to take advantage of the current climate. The acquisition of Lateral will bring us greater weight in the key area of web strategy. The VLM license agreement will help to offset some of the reduction in sales from the property sector and offer greater upside when the market rebounds. The range of new revenue sources from our Australia office, The Digital Print Partnership and ZUI will ensure that the company will come out of the recovery period with a greater diversity in its profits. The new year has got off to a good start with both acquisitions integrating well and the current overall performance is above budget.”

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About the Company:

Tangent is a leading integrator of technology and marketing strategy, delivering for its clients improved customer engagement and revenue through data-driven direct mail, web, email, mobile and print.

Tangent employs 175 people across three locations in London, Newcastle and Cheltenham and is traded on AIM (AIM: TNG). Clients include Borders Books, Citroën, Gala Coral Group, Halifax, Homeserve, The Labour Party, SAP and Wolseley Group.

For more information please visit www.tangentplc.com

Chairman's statement

The acquisition of Ravensworth in March 2007 and the subsequent failure to expand Tangent by acquisition in other sectors left us too exposed to the residential property market.

Although we realised that activity in the residential property market in 2007 was cyclically high, we did not anticipate the severity of the decline which even with the benefit of new HIPS work has resulted in a 37% reduction in demand for our property digital printing services on a like-for-like basis.

The resourceful management team has done excellent work in consolidating our digital printing activities and adding new customers, but with high operational gearing the overall profit contribution has fallen substantially. When activity in the residential property market recovers and with any further growth from new clients, the operational gearing should work in our favour.

Our other businesses increased their profits in the year. We have highly creative teams which provide innovative technology and marketing services, often to large clients. For example, in October 2008, Tangent One won its largest ever contract to build the e-commerce operations for Australia's leading book retailer and Tangent Labs' business software joint venture ZUI is building a mobile sales tool for a major drinks business.

However, in total Tangent's underlying pre-tax profits in 2008/09 have fallen to £1.15m from £2.5m.

Our financial position remains strong with net cash generation in the year of £0.14m resulting in net cash of £2.65m at the end of the year. Therefore, and with a solid start to the current year, we are recommending that the dividend of 0.2p per share (payable on 26 August 2009) is maintained at a cost of £0.34m.

I am confident that Tangent is in a good position to move ahead over the next two years, with strong recovery from the weakness of the second half of last year.

Tangent has quality, creative people and valuable physical and intellectual proprietary assets supported by a robust balance sheet. We have recently made two acquisitions which can prosper within our existing central overhead structure. We expect similar other opportunities to arise, resulting in potentially high marginal contributions.

We are grateful for the support shown by our shareholders in this difficult period. I thank all our employees for their hard work.

Piers Caldecote

Non-executive chairman

2 June 2009

Chief executives' review

Reacting to the change in the business climate the company restructured its operations in 2008. This process included a reduction in headcount across all offices, a consolidation of all marketing production into one facility (Newcastle), the re-location of two offices, the closure of our Cheltenham production facility and restructuring the Tangent brand.

The company's fall in profits was due to a reduction in sales of £2.31m from Ravensworth which provides print services to estate agents. This fall reduced significantly the profit contribution from this part of the business and was too great to be offset by the largely strong performance from the other parts of the business.

Tangent has a strong balance sheet which will underpin our operations through the recession, core businesses which are either already growing or positioned for rapid growth when the economy stabilises and lastly a number of new initiatives which could add significant value.

With the restrictions in the equity market, management has focussed on small bolt-on acquisitions. In March 2009 the company acquired a digital marketing agency, Lateral Net Ltd which overnight doubled the size of our digital marketing agency Tangent One. Also in March 2009 Tangent took control of the UK licence to the VLM software platform. VLM was the largest competitor to Ravensworth and the company now has significantly increased its market share. Both transactions were funded from internal resources and build on our two key markets of local marketing and e-commerce.

The new financial year has got off to a good start with the business performing ahead of budget. The board's decision to maintain the dividend is a reflection of confidence in Tangent's current operations and growth strategies, notwithstanding the very real challenges of today's business climate.

Business review

The rebranding exercise undertaken at the half year created two key marketing brands, Tangent One and Tangent Direct. Tangent Labs has been set up to drive the technology development of both Tangent One and Tangent Direct and has direct sales to only a handful of significant customers. Our specialist brands Ravensworth (property), Tangent On Demand (London digital print) and ZUI (software development) have all been given direct routes to market.

[Tangent One](#)

Tangent One is a full service digital agency with key services including website creation, eCommerce, email and mobile marketing. The business has matured over the last three years, delivering steadily larger projects, with particular specialisms in retail, publishing and charities.

[2008/09 review](#)

2008/09 was transformational for Tangent One, as the agency graduated from building strategically robust medium-sized projects, to winning large scale websites for household name brands, in the UK and internationally. The year saw the launch of the TaoCommerce online shopping platform; the opening of our Melbourne office and account wins that included the Department of Health and Cancer Research UK, often in closely fought multi-stage pitches. In addition, the group's cross selling initiative has resulted in large pieces of incremental business from long standing Tangent clients such as ATS, Borders Books, Greene King, Citroën and Wolseley.

Tangent One Australia

In October 2008 Tangent One successfully won a pitch to build a 1 million product eCommerce site for Angus and Robertson, Australia's leading book retailer. Based on the TaoCommerce platform, the project involved creating a technology framework that would be extended to four additional transactional websites in Australia, New Zealand and Singapore. With platform development conducted in London by Tangent Labs, the Melbourne operation has its own technical and account management resource and design talent. It is also in the process of driving new business opportunities in the region, a process that is already delivering promising results.

Business outlook

In March 2009 Tangent completed the acquisition of Lateral Net Ltd, one of the UK's longest established digital creative agencies. Lateral brings new revenue from a client base that includes household names like Paco Rabanne, Hodder & Stoughton and Which? Magazine.

Their multi-award winning creative team complements Tangent's existing strategic and technical excellence, which has become more noticeable during the recent integration process with Tangent One. The businesses are now located in Tangent's London offices and are being led by Nick Gillett (managing director), Simon Crab (creative director) and Jon Bains (strategy director).

The combination of Lateral and Tangent One presents a number of opportunities:

- Digital remains a growth medium. Tangent now has a larger, higher profile business operating in this area and as such we expect a larger proportion of the group's future profits to come from digital marketing.
- By doubling the size of both individual businesses, the combined agency is able to pitch for higher value projects. In May 2009 Tangent One and Lateral won their first integrated pitch for Boots, which has added the agency to its roster, starting with a project for cosmetics brand No 7.
- Platform and channel-neutral, Tangent One has the freedom to use either the TaoBase platform or existing client-side systems to deliver projects. Technology is never a barrier to winning new work.

The outlook for 2009/10 is positive. Our PR strategy is generating increasing levels of interest in the agency, additional work is arriving from Lateral and a number of new pitches are already scheduled.

Tangent Labs

Tangent Labs is a pure technology development business. Project teams with highly skilled technical developers build the applications which support the clients of Tangent One and Tangent Direct. In addition Tangent Labs has a number of direct large corporate clients for which it provides bespoke project work. The division employs 23 people and uses bespoke development methodologies to achieve high levels of innovative output.

The strategy for the business is to continue to develop scalable solutions for Tangent One and Tangent Direct as well as to identify ways in which it can maximise the commercial opportunity for developed applications in the wider market place by focusing on developing solutions which improve clients' businesses.

2008/09 review

The year saw growth in sales, team capabilities and product development. Demand for the services sold by Tangent Direct and Tangent One accelerated the investment in TaoBase, Tangent's proprietary technology platform. Today the platform is the cornerstone for a range of solutions which include:

- TaoBase – database design, construction and implementation;
- TaoMail – fully integrated email platform generating targeted and high volume email campaigns with a fully integrated tracking and results interface for campaign management;
- SWC – enterprise content management for websites allowing clients to manage anything from one to hundreds of websites from a single login and content repository; and
- Toolkit - enterprise digital print platform, allowing clients at head office or branch level to generate high quality variable communications within brand guidelines.

In addition, Tangent Labs has a number of corporate customers. In these cases Tangent Labs is commonly solving business critical problems and providing embedded solutions which become part of a company's internal architecture. By way of example, Tangent Labs recently created MenuBuilder for the food service industry.

Application case study - MenuBuilder

The UK food and beverage industry is facing a number of critical legislative changes as well as operational challenges. These include:

- the inclusion of nutritional information on menus;
- rapid and frequent changes in wholesale prices of food and beverages;
- the importance of reducing wastage, increasing revenue per customer in the current economic climate; and
- the need to refresh menus frequently and vary them locally to meet modern consumer expectations.

MenuBuilder allows head office and local chefs to create menus, with ingredients automatically connected to supplier databases. This means that when ingredient prices change, the system automatically alerts users, changes suppliers or revises menu prices. The system allows a national food service business to reduce the timeline for creating a new menu from 16 weeks to 2 weeks. It automatically orders menus to be printed at Tangent's digital printing facility, can publish menus to websites and even updates point of sales terminals with the latest pricing.

MenuBuilder has already been bought by a number of customers and is currently part of a new strategy to take Tangent Labs' developed products to a wider audience.

Business outlook

The change in economic climate has affected the demand for high value bespoke technical projects and as a direct result we expect the contribution from Tangent Labs to be significantly below last year. For this reason the strategy implemented for this year will be to increase direct sales of the work developed by Tangent Labs. Whilst we expect this to take time to deploy as the general business climate returns, we expect the business to return in stronger shape as it will have a more diversified sales mix including direct and indirect sales.

ZUI – a joint venture between Tangent Labs and De Villiers Walton

ZUI was set up in 2008 to pool the resources of two world leading software implementation teams to deliver revolutionary web interfaces for enterprise software.

Towards the end of its first year in operation, the venture has collected a number of small contracts with large organisations. The turning point for 2009/10 has been a four month contract to build a significant software interface for one of Europe's largest companies; we expect this contract to be a significant six-figure piece of work.

Tangent Direct

Tangent Direct has two businesses which are linked together through the company's campaign management and digital print facility in Newcastle. The business brands are Tangent Direct and Ravensworth.

Tangent Direct provides clients with a market-leading, data-driven communications platform that delivers accountable and cost effective brand strategy across multiple channels. The platform allows clients to create, adapt order and track marketing collateral for print, email, web or mobile campaigns through a single, easy to use interface. The business employs 94 people across three locations in Cheltenham, London and Newcastle and currently delivers solutions for a wide range of clients including The Labour Party, Citroën, Greene King, GalaCoral and Wolseley.

Tangent Direct's business strategy is based on the ever growing demand for efficiency, cost effectiveness and personalisation within marketing communications. The company provides a much needed alternative to the increasingly out-dated operational models of traditional communications agencies by providing a single interface and a channel neutral perspective that allows delivery of the right message, to the right person through the right channel at all times.

2008/09 review

In 2008/09 Tangent Direct continued to increase its revenues, customer base and services. Particularly significant has been the growth in the breadth of services provided to existing clients whose confidence in Tangent Direct's ability to deliver integrated communications strategies continues to grow. In addition, its profile has been substantially improved within the industry press through a sustained PR strategy that is successfully positioning Tangent Direct as a thought leader in the delivery of data-driven local marketing strategy.

Business outlook

2009/10 should see an increase in design and consultancy services from this division. As a full service direct agency the team has broadened the strategic offering through design, planning and deployment of campaigns with a full circle results and analysis service. This allows Tangent to provide the complete loop in direct marketing activities which should reinforce our strong position with key clients and generate an increasingly profitable revenue model for the future.

The current climate is well suited for Tangent Direct. Businesses are now focussed on how they are spending money and what returns on marketing investment they are receiving. Customers are also becoming more demanding and are seeking brands to engage on a more sophisticated level and justify harder on cost levels. All these reasons work well for Tangent Direct and the services it provides.

Ravensworth

Ravensworth is the UK's leading supplier of printed sales particulars to UK estate agents. The business has a combination of large corporate customers (Countrywide, Halifax and Reeds Rains) and small independent customers. The facility based in Newcastle also produces a significant proportion of the UK's printed Home Information packs.

2008/09 review

2008/09 proved a very difficult year. The residential housing market collapsed, reducing significantly the number of properties for sale and therefore the requirement from estate agents for printed sales particulars. On a like-for-like basis compared to 2007/08 sales were down 37%. In addition the number of agents using the Ravensworth technology platform reduced due to a combination of agents going out of business and in some cases agents choosing temporarily to print in house.

During this period headcount was reduced and work from London was transferred to Newcastle to offset the reduction in property volumes. The work transfer process has brought about a number of long term benefits for Tangent:

- Historically the facility in Newcastle was solely focussed on producing a handful of products for one market, namely the property market. Today, thanks to the work transfer process and an internal training programme, Tangent has a multi functional facility which provides a significantly larger range of products to a much wider market and a greater number of customers. In the long term this will allow the sales team to sell a broader range of products to our customers and the business to enter into new markets.
- By moving marketing production from London to Newcastle, Tangent has been able to break out Tangent On Demand into its own premises, benefit from cost efficiencies in consolidating marketing production and provide Tangent One, Tangent Direct and Tangent Labs with an appropriate office environment which reflects their brand values.

Business outlook

Today we have shifted our focus away from branch numbers and concentrated our efforts on increasing the number of products sold to each branch. The strategy for Ravensworth is being implemented as follows:

- Through a licencing deal with VLM, Ravensworth has increased its market share and will benefit from lower levels of competition in the market place. VLM was the largest competitor to Ravensworth and counts Savills, Spicer Haart and Sequence amongst its client base. We expect to see further consolidation opportunities in the year.
- Over half of VLM's business was in canvassing materials or direct mail. Their experience and knowledge are now being transferred to the Ravensworth sales team and therefore we expect our share of this market and thus revenue per customer to increase over time.
- We have expanded our digital proposition to include email marketing and web build to secure non-print revenues from the estate agency market.

Whilst we expect it to take time, we are confident that we can become the primary provider of marketing services to estate agents. With an extensive customer base already in place, the opportunity to generate new revenues today and as the market returns is strong.

We will be tracking closely our cost base against current levels of activity in the property market. We are changing practices to ensure we are ever more efficient for when the market returns, to maximise the growth opportunity and profit contribution from this part of the group.

Tangent On Demand

Tangent On Demand is a boutique digital print business. Based in central London, it has one of the largest suites of small and large format digital printing capabilities and provides short run on demand services to the corporate and retail market place. The business employs 22 people.

The strategy for Tangent On Demand is to build market share primarily in two markets:

- Neighbouring advertising agencies. By offering an on demand service, Tangent On Demand has already proven to provide a business critical service to agencies.
- Fashion – with clients including Giorgio Armani, Matthew Williamson, Jenny Packham and DKNY.

2008/09 review

2008/09 was a transitional year for Tangent On Demand. Prior to the October 2008 restructure and branding, Tangent On Demand was incorporated within the London print facility but had no outward facing brand. In October this changed and Tangent On Demand (TOD) was launched as a self contained unit, with a management structure and external brand. The early indications are that this will benefit the business long term and help establish the business in its own right.

Digital Print Partnership

In May 2009, Tangent On Demand launched a new business venture called the Digital Print Partnership. The Digital Print Partnership is a trade offering aimed at UK-based print businesses (estimated at 12,000). The majority (estimated at 80%) have not invested and expanded their offering into digital print. These companies are currently missing out on revenue generated from digital print. Some will be considering investing in digital print and for some the financial barriers to entry will be too high.

The Digital Print Partnership is free to join. Members gain access to Tangent's online estimating tool and digital production facility. Members have the opportunity to sell digital print to their customer base and then use Tangent's tools and systems to generate print estimates and to print the actual work. The key benefits of the service are:

- The service is a white label business-to-business offering. End clients see no Digital Print Partnership branding.
- The Digital Print Partnership provides its clients with the opportunity to make money from selling Digital Print to its customers without making the significant capital investment in equipment.

Whilst the Digital Print Partnership is a relatively new concept in the UK, it is a more established proposition in other markets. In the US, Mimeo (www.mimeo.com) last year reported revenues of \$100m providing a very similar service. In Italy, Pixart, again offering a similar service, generated revenues of €25m.

In its first few weeks the Digital Print Partnership attracted a total of 150 customers, generating on average 25 orders a day. Over the next six months an outbound marketing campaign will be executed to the target audience.

Business outlook

Backed with new branding and re-located in the West End and a proactive marketing approach being taken by the team, Tangent On Demand is very well placed to increase its market share. The backdrop of the general economic climate will play a role in the speed at which the business grows but over a one to two year period the outlook for the core business is expected to be positive. The Digital Print Partnership is a new initiative to the group but the early signs are good and it has required no capital investment by Tangent.

Group outlook

The board is taking a cautious view for 2009/10. We are not forecasting any return to growth from either Ravensworth or Tangent Labs. Whilst we can see the long term benefits from the Lateral and VLM acquisitions and the launch of the Digital Print Partnership, we believe that it is prudent to keep our forecasts conservative as visibility is low.

Underpinned by £2.65m of net cash and an undrawn £1m bank facility, Tangent has the resources to see out the recession and the financial flexibility to take advantage of distressed opportunities. The core business has both strong recovery prospects and continued growth in Tangent One and Tangent Direct. The Digital Print Partnership, ZUI and Australia have the potential to inject significant growth.

Nicholas Green and Timothy Green

Joint chief executives

2 June 2009

Financial review

Overview

The year ended 28 February 2009 was a challenging one for Tangent because the significant decline in revenue from property-related clients was not sufficiently offset by the revenue growth from other markets.

Nevertheless, Tangent continued to make profits and generate cash and at the year end had net funds of £2.65m after paying a dividend of £0.33m and having incurred £0.4m of restructuring costs.

With a high operating cash conversion rate and significant cash reserves, the board is recommending a dividend of 0.2p per share (2008: 0.2p per share) which is 2.5 times covered by underlying earnings.

Key performance indicators (KPIs)

We manage Tangent's business using KPIs which measure underlying performance. Underlying performance excludes the share-based payment charge and the restructuring cost. We believe that our focus on the KPIs, as set out below, will in the medium and long term deliver value for shareholders.

- Revenue declined 10% to £15.61m (2008: £17.36m)
- Underlying operating profit decreased to £1.08m (2008: £2.44m)
- Underlying operating margin reduced to 6.9% (2008: 14.0%)
- Underlying basic earnings per share were 0.50p (2008: 1.24p) and
- Operating cash generation was £1.60m (2008: £2.55m) representing an improved cash conversion rate of 149% (2008: 105%) of underlying operating profit.

Trading performance

Property-related revenue declined by £2.31m while revenue from other sectors increased by £0.56m to give an overall reduction in revenue of £1.75m and in gross profit of £1.05m.

Operating expenses increased by £0.31m, most of which is accounted for by the inclusion of a full twelve months from Ravensworth compared with eleven months in the prior year after it was acquired. Like-for-like operating expenses increased by 2% to £5.95m.

Group restructuring expense

During the year the board restructured the business which included the consolidation into its Newcastle site of all long run and local marketing printing operations and fulfilment facilities from Tangent's London and Cheltenham sites. These changes were accompanied by some redundancies and a relocation of Tangent's London and Cheltenham employees to new premises in London and Cheltenham.

The Tangent Labs business was refocused to become a central technology resource that can be better utilised for the benefit of all businesses in the group. In addition new brands were created for all group businesses to reflect the new group structure.

The combined cost of implementing the improved structure and relocations was £0.4m and they have yielded annualised savings of £0.2m. The costs of restructuring are not part of the normal operating expenses of Tangent and they have therefore

been separately identified in the income statement and excluded from underlying operating profit.

Share-based payment charge

The share-based payment charge of £0.23m (2008: £0.40m) is for the fair value of options granted and £0.21m relates to those granted in 2005 for which the full charge had been expensed by September 2008. This charge has been excluded from underlying operating profit as there is no related cash flow and it results in no reduction in equity attributable to shareholders. For future periods the charge is not expected to be material and will therefore not be separately identified from operating expenses.

Taxation

The tax charge of £0.22m (2008: £0.55m) equates to 41.8% of profit before tax. After adding back the share-based payment charge, which is excluded from the calculation of taxable profits, the underlying tax rate was 29.1% (2008: 22.1%). The tax charge is marginally higher than the standard corporation tax rate of 28% because the group has expenses that are not deductible for tax purposes and because most of the profits do not benefit from past tax losses. At the year end the group had £0.6m of tax losses available to offset against future profits from Tangent's localised marketing business.

Earnings

Underlying profit before tax was £1.15m (2008: £2.5m) and underlying profit after tax decreased to £0.84m (2008: £1.94m) which equates to underlying basic earnings per share of 0.5p (2008: 1.24p) and underlying diluted earnings per share of 0.48p (2008: 1.11p).

Cash flow

Operating cash flow of £1.6m (2008: £2.55m) was strong and tracked 49% above underlying operating profit and more than 3.5 times operating profit. The net £0.4m improvement in working capital, along with non-cash charges for depreciation (£0.52m) and share-based payments (£0.23m) were the main reasons for such high cash generation relative to operating profit.

Tax payments were £0.38m (2008: £0.59m). A further £0.17m of deferred consideration was paid for the acquisition of C360 UK leaving a final £0.17m to be paid in the current year. No other cash consideration is payable on acquisitions made up to 28 February 2009.

Capital expenditure of £0.62m (2008: £0.64m) was mostly spent on new digital equipment and leasehold improvements.

Tangent paid its first dividend of £0.33m and repaid £0.09m of finance leases.

Over the year, net funds improved by £0.22m to £2.65m (2008: £2.43m).

Balance sheet

The net assets increased by £0.2m to £19.59m (2008: £19.38m) and at the year end current assets exceeded current liabilities by over £3m.

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 (2008: 0.2p) per share at

the annual general meeting on 28 July 2009. If approved, the dividend will be paid on 26 August 2009 to shareholders on the register on 31 July 2009. The proposed dividend is covered 2.5 times by underlying earnings and 0.9 times by profit for the year.

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 an unutilised variable rate £1m overdraft facility. The group's funding structure provides a high level of financial flexibility for potential acquisitions and investments. Regular reports on cash balances and borrowings are provided to the board.

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

Graeme Harris

Finance director

2 June 2009

Consolidated income statement for the year ended 28 February 2009

| | Notes | 2009 £000 | 2008 £000 |
|------------------------------------|-------|----------------|--------------|
| Revenue | | 15,607 | 17,361 |
| Cost of sales | | (8,576) | (9,277) |
| Gross profit | | 7,031 | 8,084 |
| Operating expenses | | (5,954) | (5,646) |
| Underlying operating profit | | 1,077 | 2,438 |
| Group restructuring expense | 2 | (397) | - |
| Share based payment charge | 3 | (229) | (402) |
| Operating profit | | 451 | 2,036 |
| Finance income | | 72 | 58 |
| Profit before tax | | 523 | 2,094 |
| Tax | | (219) | (552) |
| Profit for the year | | 304 | 1,542 |
| Earnings per share (pence) | 4 | | |
| Basic | | 0.18 | 0.98 |
| Diluted | | 0.17 | 0.88 |
| Underlying basic | | 0.50 | 1.24 |
| Underlying diluted | | 0.48 | 1.11 |

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

Consolidated balance sheet at 28 February 2009

| | Notes | 2009 £000 | 2008 £000 |
|--|-------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets - goodwill | | 14,961 | 14,961 |
| Property, plant and equipment | | 1,685 | 1,638 |
| | | 16,646 | 16,599 |
| Current assets | | | |
| Inventories | | 106 | 95 |
| Trade and other receivables | | 3,191 | 4,324 |
| Cash and cash equivalents | | 2,801 | 2,664 |
| | | 6,098 | 7,083 |
| Total assets | | 22,744 | 23,682 |
| Liabilities | | | |
| Current liabilities | | | |
| Borrowings | | (63) | (90) |
| Trade and other payables | | (2,664) | (3,391) |
| Current tax liabilities | | (148) | (296) |
| Provisions | | (166) | (167) |
| | | (3,041) | (3,944) |
| Non-current liabilities | | | |
| Borrowings | | (87) | (149) |
| Provisions | | - | (166) |
| Deferred tax | | (28) | (39) |
| | | (115) | (354) |
| Total liabilities | | (3,156) | (4,298) |
| Net assets | | 19,588 | 19,384 |
| Equity | | | |
| Share capital | 8 | 1,702 | 1,660 |
| Merger reserve | | 917 | 459 |
| Other reserves | | 2,837 | 3,108 |
| Retained earnings | | 14,132 | 14,157 |
| Total equity - attributable to equity shareholders of the company | | 19,588 | 19,384 |

Consolidated cash flow statement for the year ended 28 February 2009

| | Notes | 2009 £000 | 2008 £000 |
|--|-------|--------------|----------------|
| Net cash inflow from operations | | | |
| Cash generated from operations | 6 | 1,600 | 2,552 |
| Interest paid | | (13) | (29) |
| Tax paid | | (378) | (591) |
| Net cash inflow from operating activities | | 1,209 | 1,932 |
| Investing activities | | | |
| Acquisition of subsidiary, net of cash acquired | | - | (5,479) |
| Payment of contingent consideration | | (167) | (167) |
| Purchase of property, plant and equipment | | (618) | (635) |
| Sale of property, plant and equipment | | 48 | 27 |
| Interest received | | 83 | 87 |
| Net cash used in investing activities | | (654) | (6,167) |
| Financing activities | | | |
| Dividends paid | | (329) | - |
| Proceeds from issue of shares, net of costs | | - | 5,771 |
| Repayment of borrowings | | (89) | (206) |
| Net cash inflow (outflow) from financing activities | | (418) | 5,565 |
| Increase in cash and cash equivalents | | 137 | 1,330 |
| Cash and cash equivalents at beginning of year | | 2,664 | 1,334 |
| Cash and cash equivalents at end of year | | 2,801 | 2,664 |

Consolidated statement of changes in equity for the year ended 28 February 2009

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Other reserves £000 | Retained earnings/ (losses) £000 | Total equity £000 |
|------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---|-------------------------|
| At 1 March 2007 | 1,118 | 7,860 | 7,022 | 2,208 | (7,980) | 10,228 |
| Share-based payment charge | - | - | - | 402 | - | 402 |
| Issue of shares | 542 | 5,594 | 867 | (501) | - | 6,502 |
| Share issue costs | - | (289) | - | - | - | (289) |
| Contingent consideration | - | - | - | 999 | - | 999 |
| Capital restructuring | - | (13,165) | (7,430) | - | 20,595 | - |
| Retained profit for the year | - | - | - | - | 1,542 | 1,542 |
| At 29 February 2008 | 1,660 | - | 459 | 3,108 | 14,157 | 19,384 |
| Equity dividend | - | - | - | - | (329) | (329) |
| Share-based payment charge | - | - | - | 229 | - | 229 |
| Issue of shares | 42 | - | 458 | (500) | - | - |
| Retained profit for the year | - | - | - | - | 304 | 304 |
| At 28 February 2009 | 1,702 | - | 917 | 2,837 | 14,132 | 19,588 |

Notes to the preliminary results

1. Basis of preparation

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

The group's consolidated financial statements for the year ended 28 February 2009, from which this financial information has been extracted, and for the comparative year ended 29 February 2008 are prepared on a going concern basis and in accordance with IFRS, and in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial information contained in this report does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures are extracted from the audited financial statements for the year ended 29 February 2009 which will be filed with the Registrar of Companies, sent to shareholders and will be available on Tangent's website at www.tangentplc.com.

The comparative figures for the year ended 29 February 2008 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 237(2) or (3) of the Companies Act 1985.

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 28 February 2009.

2. Group restructuring

The board completed a restructuring and relocating of the businesses of Tangent during the year. The restructuring included the consolidation of all long run and local marketing printing operations and fulfilment facilities within Tangent's Newcastle site.

This consolidation was achieved through the transfer to Newcastle of Tangent's local marketing printing operations from London and the production and fulfilment facilities from Cheltenham. The changes were accompanied by relocations of Tangent's London and Cheltenham employees to new premises in London and in Cheltenham.

The Tangent Labs team was refocused to become a central technology resource that can be better utilised for the benefit of all businesses in the group.

To reflect the new business structure, specific new brands were created for the group and for each business in the group.

The costs of restructuring are not part of the normal operating expenses of Tangent and they have therefore been separately identified in the income statement and excluded from underlying operating profit. The restructuring expenses are set out below:

| | £000 |
|-----------------------|-------------|
| Employee redundancies | 188 |
| Property relocations | 209 |

3. Share-based payments

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

| | Number 000 | 2009 WAEP Pence | Number 000 | 2008 WAEP pence |
|----------------|---------------|-----------------------|---------------|-----------------------|
| At 1 March | 14,871 | 5.19 | 13,525 | 4.44 |
| Granted | 771 | 1.00 | 1,540 | 9.63 |
| Lapsed | (332) | (9.69) | (194) | (11.98) |
| At 28 February | 15,310 | 5.30 | 14,871 | 5.19 |

For the share options outstanding at 28 February 2009 exercise prices ranged between 1 pence and 13.25 pence per share and the weighted average remaining contractual life was 6.43 years.

Fair values

The fair value of share options granted in the year was calculated using a Black-Scholes option 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 25%. The other key inputs were a risk free interest rate of 5.0%, a dividend yield of 4% and an expected life of 5 years.

The total share share-based payment charge for the year was £229,000 (2008: £402,000) in accordance with the requirements of IFRS 2 on share based payments. The charge relates principally to the share options granted to directors in September 2005.

4. Earnings per share

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

| | 2009 | 2008 |
|--|-------------|-------|
| | £000 | £000 |
| Profit attributable to shareholders | 304 | 1,542 |
| Group restructuring expense, net of tax | 306 | - |
| Share-based payments, net of tax | 229 | 402 |
| Underlying profit attributable to shareholders | 839 | 1,944 |

| Weighted average number of shares: | Number 000 | Number 000 |
|---|-------------------|------------|
| For basic earnings per share | 166,902 | 156,996 |
| Adjustment for options outstanding | 5,078 | 9,417 |
| Adjustment for contingent shares | 4,158 | 8,325 |
| For diluted earnings per share | 176,138 | 174,738 |

| Earnings per share: | Pence per share | Pence per share |
|----------------------------|------------------------|-----------------|
| Basic | 0.18 | 0.98 |
| Underlying basic | 0.50 | 1.24 |
| Diluted | 0.17 | 0.88 |
| Underlying diluted | 0.48 | 1.11 |

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

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

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

5. Dividend

| | 2009 £000 | 2008 £000 |
|--|----------------------------|--------------|
| Recommended final dividend for the year of 0.2p (2008: 0.2p) per share | 337 | 329 |

The recommended final dividend is subject to approval by shareholders at the 2009 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 168.71 million ordinary shares.

6. Cash generated from operations

| | 2009 £000 | 2008 £000 |
|--|----------------------------|--------------|
| Profit before tax for the year | 523 | 2,094 |
| Depreciation | 519 | 487 |
| Loss/(profit) on sale of plant and equipment | 5 | (18) |
| Net interest income | (72) | (58) |
| Share-based payment charge | 229 | 402 |
| (Increase)/decrease in inventories | (11) | 24 |
| Decrease/(increase) in trade and other receivables | 1,133 | (243) |
| Decrease in trade and other payables | (726) | (136) |
| Cash generated from operations | 1,600 | 2,552 |

7. Analysis of net funds

| | At 1 March 2008 £000 | Cash Flows £000 | At 28 February 2009 £000 |
|----------------|----------------------------|-----------------------|---|
| Cash | 2,664 | 137 | 2,801 |
| Finance leases | (239) | 89 | (150) |
| Net funds | 2,425 | 226 | 2,651 |

8. Share capital

| Allotted and fully paid | Number of ordinary 1p shares | | Nominal value | |
|-------------------------|---------------------------------|-------------|---------------|--------------|
| | 2009 000 | 2008 000 | 2009 £000 | 2008 £000 |
| At 1 March | 165,967 | 111,780 | 1,660 | 1,118 |
| Issued in the year | 4,167 | 54,187 | 42 | 542 |
| At 28 February | 170,134 | 165,967 | 1,702 | 1,660 |

On 6 August 2008 4,1667,667 ordinary shares of 1p each were allotted at 12p per share as part of the contingent consideration for the acquisition of C360 UK Limited.

9. Annual report

Tangent's annual report will be posted to shareholders in June 2009 and available from the website www.tangentplc.com. Further copies will be available on request from the registered office: 84-86 Great Portland Street, London W1 7NR.