

**Documedia Solutions plc**

**To be renamed Tangent Communications PLC**

**Proposed acquisition of Tangent Communications Ltd**

**Proposed waiver of rule 9 of the City Code**

**Proposed capital increase**

**Proposed name change**

**Application for admission to trading on AIM**

Documedia Solutions plc ( Documedia or the Company ) has conditionally agreed to acquire the entire issued share capital of Tangent Communications Ltd ( Tangent Group or Tangent ), the 100 per cent parent company of London Digital Printing Group Ltd. ( London Digital ) ( the Acquisition ). London Digital provides a creative and digital print service utilising leading edge technology. Its business has many similar and complementary characteristics to Documedia and the Directors believe the Acquisition represents an opportunity to acquire a business with significant upside potential in its own right and additional synergistic benefits when combined with the existing business.

**Highlights**

- The Acquisition constitutes a reverse takeover of Documedia and requires the prior approval of shareholders
- The holders of 54 per cent. of Documedia s Ordinary Shares have undertaken to vote in favour of the resolutions at the EGM
- It is proposed that the Company changes its name to Tangent Communications PLC ( Tangent ) following the EGM
- Nicholas and Timothy Green, Directors of London Digital would then be appointed to the Board as Joint Chief Executives
- Acquisition of the entire issued share capital of Tangent in consideration of the issue of 55 million New Ordinary Shares
- The Consideration Shares will represent approximately 57.8 per cent. of the Enlarged Share Capital
- Nicholas Green said, Advertisers want to talk to people directly and as individuals and we have the technology that enables them to do it. The combined company we have created today will give us the platform to take

advantage of the massive shift in marketing spend away from traditional outlets towards personalised messaging in all its forms. The combined business will have some 105 employees and pro-forma sales of £8 million. Merging the two businesses will enable the immediate rationalisation of properties in central London and removes the duplication of production resources which, in turn, will lead to significant cost savings for the enlarged business and will provide immediate capacity to grow sales.

### **Information on Tangent and London Digital**

London Digital was founded in 1975 as The London Black and White Company Limited. Since 1997 it has become a supplier of digital print and customised direct marketing services.

Tangent acquired London Digital in July 2000. Michael Green, the former Chairman of Carlton Communications plc owns 100 per cent. of Tangent.

London Digital has its production operations and offices in Soho, central London, with 30 full-time employees. It provides a creative and digital print service utilising leading edge technology and was recently selected by Hewlett Packard as one of its five UK Platinum partners. London Digital was also the first company in the UK to install DirectSmile imaging software which interfaces exclusively with Hewlett Packard printing technology.

London Digital has a range of in-house scanning, reprographic finishing and photographic facilities to support clients' production needs and a large format business, which supplies services to the advertising, architecture, museum and fashion communities.

Many of the UK's leading direct marketing agencies work with London Digital, including Tequila, and members of the WPP Group plc. The Directors believe that these relationships can help the Enlarged Group to develop concepts and solutions for innovative marketing campaigns that incorporate print and, increasingly, multi-media distribution.

Further details concerning the background to and reasons for the proposed acquisition, details on the companies, the proposed board of directors and admission to AIM are set out below.

### **Background to and Reasons for Acquisition**

Following the sale of its stationery business in October 2004, Documedia recently announced its first annual trading profit. Documedia is now concentrating on the core business of its Marketing Services. This is its "on-line" platform that allows large corporates to generate local marketing campaigns whilst controlling centrally their brand and spend. Recent new business wins continue the encouraging trend of last year with further endorsement from major companies and a number of trials of the Company's service now in progress.

The Existing Directors are however conscious that the size of the Company does restrict its capacity for growth. They have therefore reviewed the market place for other businesses operating in the same sector to expand and maximise the utilisation of the Company's current facility. Operators that contain similar "back office" facilities with modern "on-line" technology are few.

London Digital's business has many similar characteristics to the Company including the opportunity to combine their operating facilities. The combination should give much greater market visibility, opportunity for cross selling, utilisation of technology and substantial operational efficiencies. London Digital also brings a strong management team.

The Existing Directors believe that the Acquisition represents an opportunity to acquire a business with significant upside potential in its own right and additional synergistic benefits when combined with the existing business of the Company. The Existing Directors believe that this potential, if realised, justifies the Acquisition and the price being paid to acquire Tangent and therefore the dilution to existing shareholders caused by the issue of the New Ordinary Shares.

It is proposed that the name of the Company be changed to Tangent Communications PLC.

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The business of London Digital comprises:

**DIGITAL PRINTING -- ON DEMAND SERVICES:** These include small and large format digital printing providing full colour, fast turn around, cost effective services for over 200 clients in the retail, creative and design agencies, financial services and architecture industries.

London Digital is able to achieve fast turnaround of large volume orders. Recent work undertaken includes overnight production of 15,000 copies of KPMG's summary of the 2005 Budget.

**DIRECT MARKETING SERVICES:** In April 2003, London Digital launched a new division, London Digital Marketing ("LDM") to help develop direct marketing campaigns for clients directly and with agencies. Examples of campaigns include: Sainsburys' "retention birthday mailer" for which London Digital produces

approximately 300,000 personalised birthday cards each month for Nectar Card holders. This campaign, managed by Tequila, (the largest UK direct marketing agency), won Gold, Silver and Bronze awards at the Sales Promotions Awards 2005. London Digital also produces loan packs which are posted daily for a leading loan company. London Digital connects directly to their call centre and web site and downloads data on a daily basis to produce highly customised loan packs which are printed and released in the post the same day.

LDM has invested in DirectSmile imaging software which enables personalised unique images to be included within digital prints. In addition to using print as the medium for direct marketing, LDM is able to format its digital printing output for e-mail and SMMS. London Digital's Hewlett Packard printing presses are able to personalise in both images and text on a page by page basis.

#### **Current trading and future prospects of the Tangent Group**

Current trading for the Tangent Group in 2005 is in line with budget, with business across both of its disciplines remaining strong. On demand services have increased in 2005 with particular growth coming from the financial services sector in the run up to the 2005 Budget. The core business, direct marketing, has continued to grow during this year. The Directors believe that new agencies will be receptive to the personalisation opportunity which the business of London Digital presents and the number of campaigns moving from traditional printing methods over to digital continues.

#### **Strategy of the Enlarged Group**

The Enlarged Group will, from Admission, be a marketing services company. It already has a diversified client base, and will offer a wide range of leading-edge services.

The Directors believe that the size of the Enlarged Group and the combination of the different technology offerings of Documedia and London Digital respectively will place the Enlarged Group in a strong position to increase its market share. Following Admission, the Enlarged Group intends to capitalise on its strength to increase its share of the growing digital print market, particularly in the area of personalised marketing. In 2004 over £1 billion was spent on direct marketing in the United Kingdom.

The formation of the Enlarged Group will create a group with the scale and capacity to pitch for larger contracts than those currently being undertaken by London Digital or Documedia individually, and the ability to supply a higher proportion of clients' digital production requirements. The increased scale of the Enlarged Group's operations will also create increased buying power which the Directors intend to use to negotiate better terms with technology and material suppliers.

London Digital and Documedia have complementary businesses in personalised marketing whereby London Digital is primarily focused on direct mail and Documedia specialises in marketing brochures and posters produced via on-line ordering systems. The Enlarged Group intends to use its combined experience in these markets to cross-sell its services.

The Enlarged Group intends to explore the opportunity to integrate its services into a digital network which could develop business internationally, particularly with agencies with global operations.

The New Board has confirmed that the existing employment rights, including pension rights, of all employees will be fully safeguarded.

### **Financial Effects of the Acquisition**

The Acquisition is expected to increase substantially the revenues of the Group and strengthen the Group's balance sheet. It is a term of the Acquisition that London Digital's balance sheet will contain at least £500,000 of cash on completion of the Acquisition.

### **New Board**

- Nicholas Green, JOINT CHIEF EXECUTIVE OFFICER (AGED 32). Prior to joining London Digital, Nicholas was part of the launch team of Advertising.com Europe. Advertising.com is a performance based marketing company which was acquired by AOL in 2004 for \$439 million. Nicholas was involved in sales and marketing and the acquisition of DayRates. Prior to this Nicholas spent 6 years at Teletext Ltd, joining in 1992 for the launch and held a number of positions which included in his last years Group Advertising

Manager with specific responsibilities across Display sales. Prior to this Nicholas spent one and a half years at the Daily Telegraph newspaper on classified sales.

- Timothy Green, JOINT CHIEF EXECUTIVE OFFICER (AGED 29). Prior to joining London Digital, Timothy was part of the launch team of Unanimis Consulting Ltd. Unanimis Consulting Ltd is an internet sales company providing commercial services for web properties such as ebay, lastminute.com and the BBC. Prior to this Timothy was part of the commercial launch team for Ask Jeeves UK and responsible for £1 million of annual sales. Prior to this Timothy spent 1 year at Euromoney Institutional Investor plc in a sales role following his degree at Nottingham University.
- Piers Caldecote, NON-EXECUTIVE CHAIRMAN (AGED 58). Piers Caldecote was an associate director at Carlton Communications Plc between 1990 to 2004 covering strategy and mergers and acquisitions. Prior to that, he worked in the city as an investment analyst, latterly for Chase Manhattan Securities.
- Herbert Maxwell, FINANCE DIRECTOR (AGED 58) After obtaining an engineering degree at Cambridge University, Herbert joined KPMG in 1969. He has been finance director of a number of entrepreneurial, growing companies. Before joining Documedia he was finance director of MSL Group Ltd where he was involved in a management buyout and subsequent trade sale. He has been the finance director of Documedia since it floated in May 2000.

Following Admission, Warren Tayler will cease to be a Director and to otherwise have an active involvement in the affairs of the Enlarged Group. Accordingly, Warren Tayler intends to reduce his shareholding in the Company, as does the Exebridge Trust whose beneficiaries include members of his family.