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## Chairman's Statement

for the year ended 28 February 2014

2013 was a strong year for Tangent: our growth was impressive; our financial performance exceeded expectations; our profits were up by 53 per cent; our brands earned well-deserved awards; and we are proposing a 20 per cent increase in dividends. In a fiercely competitive field, such success is far from guaranteed – it is won through diversity, creativity and teamwork.

Diversity is key. We offer something for everyone – from the one-man-band business who gets their business cards from goodprint, to the national estate agents who go to Ravensworth for impeccable marketing materials.

Creativity is our lifeblood. The word "Tangent" means 'a completely different line of thought or action', and that sums up our approach. printed.com has thought creatively with its Reward Programme, partnering up with brands such as M&S and British Airways to attract new customers. T/OD continues to entice new clients by thinking beyond conventional printing. Meanwhile our creative agency, Tangent Snowball, is broadening its services.

Above all, we rise through teamwork. From those working in our facility in Newcastle, to our employees in London, to those on our board, we are a team. This year we strengthened that team with a share incentive scheme for our staff: buy one share, get one free. The aim is to give our people a real stake in Tangent's success, and the take-up is encouraging.

We are constantly looking to extend our reach and expand our range. Following the acquisition of goodprint last year, we have a presence in 17 European markets and in the coming year, we are looking to consolidate that footprint. Our free cash flow continues to grow and we remain agile and up for spending it wisely. At every meeting, with every decision, in every quarter, our priority is to remain at the leading edge of e-commerce – and to bring realistic returns to the investors who believe in us.

I am proud of the success of Tangent in 2013 – and look forward to seeing the story continue.



Michael P. Green  
Chairman

16<sup>th</sup> May 2014

# **Directors and advisors**

## **for the year ended 28 February 2014**

**Michael Green**

***Non-executive chairman***

**Timothy Green**

***Chief executive officer***

**Nicholas Green**

***Executive director***

**Kevin Cameron**

***Finance director***

**David Steyn**

***Non-executive director***

**Nigel Kissack**

***Non-executive director***

**Secretary**

***Kevin Cameron***

**Registered office**

84–86 Great Portland Street  
London W1W 7NR

**Company registration number**

**03967805**

**Nominated adviser and broker**

***Canaccord Genuity***

88 Wood Street  
London EC2V 7QR

**Bankers**

***HSBC Bank plc***

60 Queen Victoria Street  
London EC4N 4TR

**Auditors**

***UHY Hacker Young LLP***

Quadrant House  
4 Thomas More Square  
London E1W 1YW

**Registrar**

***Capita Registrars***

Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0GA

**Solicitors**

***Travers Smith***

10 Snow Hill  
London EC1A 2AL

**Tangent Communications plc**

**Annual report and accounts 2014**

# Strategic Report

## for the year ended 28 February 2014

### Financial Highlights

- Revenues increased by 11.3% to £27.03m (2013: £24.29m)
- Underlying operating profit increased by 53.3% to £2.48m (2013: £1.62m) and 20.4% on a like for like basis
- Profit before tax increased by 171.7% to £2.33m (2013: £0.86m)
- Revenues from our retail websites increased to 34.4% of group total (2013: 21.2%)
- Underlying earnings per share<sup>1</sup> increased by 10.7% to 0.62p (2013: 0.56p)
- Net cash<sup>2</sup> increased by £0.64m to £2.81m (2013: £2.17m)
- 20% increase in proposed final dividend to 0.24 pence per share (2013: 0.20 pence per share)

<sup>1</sup> Underlying earnings per share is before non-recurring expenses net of tax and on a fully diluted basis

<sup>2</sup> Net cash is cash and cash equivalents less all borrowings

### Consolidated Results

Sales increased by 11.3% to £27.03m (2013: £24.29m) after acquired revenues were added. Gross profit after direct cost of sales rose to £16.29m (2013: £13.98m) representing a 60.3% gross margin, up from the prior year's 57.6%. This reflects the impact of higher margin products and services being sold following the acquisition.

People costs increased by 5.6% to £10.40m (2013: £9.85m) and continued to represent the largest single cost for Tangent. The ratio of wages to sales reduced from 40.6% to 38.5% as our scalable online print businesses required proportionately less staff to generate additional revenues as a result of the infrastructure we already have.

Underlying operating profits grew by 53.3% to £2.48m (2013: £1.62m) a 20.4% increase on a like for like basis. Underlying operating margin improved to 9.2% (2013: 6.6%).

Profit before tax was 171.7% higher at £2.33m (2013: £0.86m). The tax charge of £0.63m (2013: £0.24m) represented an effective rate of 27% (standard rate 23%).

Underlying earnings per share for the year were 10.7% higher at 0.62p per share (2013: 0.56p per share).

Tangent continues to be cash generative, £2.93m of operating cash flow was generated during the year and net cash at 28 February 2014 was £2.81m (2013: £2.17m), an increase of £0.64m.

### Our Businesses

#### printed.com, goodprint and smileprint

Tangent operates the following websites: **printed.com**, **goodprint** and **smileprint**. Sales are derived from a multitude of products; wedding invites, business cards, leaflets, brochures, stickers and posters, all processed online and delivered directly to our customers. We hold no finished goods stock as all products are created on the website and personalised to each recipient.

During the year we used key performance indicators to highlight some of the performance levels of our retail websites. Going forward we feel it is informative to focus on the two most significant indicators; sales and customer numbers. During the year we achieved £9.3m sales from 118,804 customers. In the forthcoming period we will report again on these two key indicators.

#### printed.com

Sales grew 53.7% to £6.07m (2013: £3.95m), both through attracting a significant number of new customers, and encouraging existing customers to spend with greater regularity. The trend in repeat orders was strong and well ahead of expectations.

This success is built on a great user experience, a highly personalised service and real rewards for customers.

The unique printed.com Reward Programme, in which customers earn points on every pound spent, has been a huge success. High quality brands such as M&S, Amazon and BA Executive Club have joined as partners.

For small businesses and sole traders the printed.com offer is strong, with a dedicated part of the website tailored to particular groups, from wedding stationers to photographers.

In addition, in 2013/14 new partnerships were made with online market places such as notonthehighstreet.com and Etsy, forging new connections between printed.com and the small businesses that work through these sites.

# Strategic Report

## for the year ended 28 February 2014

### goodprint

goodprint's sales, which are generated from 17 international markets, were £3.24m (2013: £4.05m on a pro-forma full year). The site continued to attract a comparable number of visitors to the prior year, but the conversion of these visits into sales slowed.

Our primary product, the business card remains in high demand and the range of design and price combinations varied. We must match customers with the most appropriate offer or discount to maximise sales. This represents a new sales model compared to that of our printed.com brand and as such, from November we began to recruit a new team with the ecommerce experience to improve our proposition.

The first impact from the new team was to rationalise the existing advertising budget. Sales from new customers have now begun to climb as we find more effective areas to advertise.

Our proposition must also evolve. Our latest initiative launched on March 1<sup>st</sup> offers online, design and delivery of business cards in four hours. This has put goodprint ahead of all its current competitors in the lucrative London market.

### Ravensworth

Ravensworth is the number 1 provider of design and printed materials to the estate agency market, and as such has benefitted from the up-turn in the property market – with sales increasing to £6.63m.

In a fast-moving and competitive field there can be no complacency, so Ravensworth is continually looking to adapt and innovate. This year a fully transactional website will be launched with a new online photo-editing service – which we expect to generate significant new revenue streams.

### Tangent Snowball

Tangent Snowball is a top 20 digital marketing agency offering a unique blend of technology and creative insight to global brands such as Carlsberg, PepsiCo, SAP and the Wolseley Group.

This year the team was strengthened with the appointment of a new chief executive from Omnicom. During the year, the business focused on a smaller number of higher value contracts resulting in lower revenues but higher gross margins at 89.0% (2013: 77.0%). Operating profit grew by 5.8% to £0.91m (2013: £0.86m). New client wins included Papa Johns, Agatha Christie and Evoshave.

Tangent Snowball identified an opportunity to sell great value-add services to its long standing client base. It has hired new talent to enhance the range of services it can offer to its clients, and we expect that investment to yield additional profits in due course. There may be a deferral in profits in the short term while new services are marketed to our customers, but we expect that effect to be reversed once sales of the new services start to take effect.

### Non-recurring expenses associated with the disposal of Tangent Snowball's Australian business

Following an extensive review of its operations the Board decided to dispose of 81% of the holding in its Australian business, Tangent Snowball PTY Limited. Non-recurring expenses of £0.13m, relating to the disposal, were incurred during the year, these costs do not form part of the normal operating expenses of Tangent and have therefore been excluded from underlying operating profit.

### T/OD

T/OD is an innovative print supplier, based in central London, with a focus on producing design-inspired print to fashion retailers and advertising agencies.

Sales grew by 6.2% to £2.38m (2013: £2.24m) as T/OD concentrated on selling displays to high-end retailers such as Laura Ashley, Ugg and Chanel. Gross margin in the year maintained the higher levels reached in 2013 and steadied at the 70% mark. Investment was made for new hires to support product development and sales growth.

# Strategic Report

## for the year ended 28 February 2014

### Cash Flows

Tangent's cash and cash equivalents at 28 February 2014 amounted to £3.09m (2013: £2.64m), net cash, after deducting all outstanding debt, amounted to £2.81m (2013: £2.17m), an increase of £0.64m over the year.

We continue to be cash generative with £2.93m of cash generated from operations representing 118.5% of underlying operating profit (2013: 94.2%) and 126.1% of profit before tax (2013: 177.7%).

### Capital Expenditure

Tangent invests in print and finishing equipment and software platforms to drive revenues across the business.

During the year, we invested £0.53m (2013: £0.81m) in print and finishing equipment and £0.56m (2013: £0.76m) in software. This level of investment is expected to continue at similar levels in the year to 28 February 2015 as Tangent continues to grow its online print business and expand into new online markets.

### Balance Sheet

Tangent's balance sheet remained strong, net assets increased by £1.36m to £32.12m (2013: £30.76m).

Goodwill of £24.80m (2013: £24.80m) was the largest asset on Tangent's balance sheet. The carrying value of goodwill is tested at least annually for impairment. At 28 February 2014 there was significant headroom and as such no impairment was present, full details of the test undertaken are included in note 14.

Trade receivables were £5.31m (2013: £5.20m), in line with 2013 despite a significant increase in revenues reflecting the high proportion of our online customers who pay up front with credit and debit cards.

Trade and other payables were £0.42m lower at £3.59m (2013: £4.01m), the majority of this movement related to the settlement of closure costs in respect of the goodprint Thetford site included at 28 February 2013.

### Dividend Declaration

The Board believes that paying a dividend forms an important part of providing returns to shareholders. To that end the Board is proposing a 20% increase to its final dividend for the year to 28 February 2014, to 0.24p per share, at the 2014 Annual General Meeting.

If approved, the final dividend will be paid on 4 August 2014 to shareholders on the register on 18 July 2014, the shares will become ex-dividend on 16 July 2014.

### Share Buyback Programme

Tangent continues to be cash generative and we have a strong balance sheet.

We have authority to buy back up to 10% of our issued share capital. Whilst no shares have yet been purchased pursuant to this authority the Board will continue to keep this under review as part of our long term strategy to create value for shareholders.

### Share Incentive Plan ("SIP")

We launched an all employee share incentive plan during the year to encourage employees to buy shares in Tangent. The SIP is an all-employee trust arrangement approved by HM Revenue and Customs under which employees are able to buy ordinary shares in Tangent ("Partnership Shares") using monthly deductions from salary and to receive allocations of free matching Tangent shares on a one-for-one basis ("Matching Shares"). Further shares may be awarded to qualifying employees under the SIP conditional upon performance targets being met (in accordance with Part 5 of Schedule 5 of ITEPA 2003).

The uptake has been very positive with approximately 15% of employees signing up since the launch.

# Strategic Report

## for the year ended 28 February 2014

### Key performance indicators

#### Financial KPI's

The key financial performance indicators that are noted and commented upon individually in the strategic report are as follows:-

KPIs	2014	2013
Revenue	£27.03m	£24.29m
Revenue growth	11.3%	11.8%
Improvement in gross margin	2.7%	3.1%
Employment costs as a percentage of sales	38.5%	40.6%
Underlying operating margin	9.2%	6.6%
Fully diluted underlying earnings per share	0.62 pence	0.56 pence
Cash conversion – % of underlying operating profit turned into operating cash flow	118.5%	94.2%

#### Non-financial KPIs

##### Waste management and recycling

Tangent is committed to mitigating the impact on the environment of its operations and to measuring the amount of waste sent to landfill. Our aim at the start of this year was to ensure that no waste created in our print facility would be sent to land fill and to take measures to reduce carbon emissions related to waste recycling.

We have continued with our commitment to the Forestry Stewardship Council by maintaining our FSC registration and thereby ensuring that all paper stocks used conform to FSC's chain of custody requirements.

Tangent is accredited under ISO 14001, Environmental Management, and that continues to form the key part of our recycling and waste management policy. We actively manage our waste and during the year invested in increased bailing capacity resulting in fewer waste collections from our print site and thereby reducing directly related carbon emissions.

We are pleased to report that again this year no waste produced in our print facility was sent to landfill (2013: none).

##### Staff retention

Tangent recognises that staff retention is an important issue for both profitability and business continuity.

To help retain and develop staff Tangent offers competitive salary and benefit packages and deploys staff appraisal systems to identify training needs.

Tangent reviews staff turnover on a monthly basis with a view to assessing trends in staff retention and develop corrective plans should any adverse trend be seen.

During the year to 28 February 2014 average monthly staff turnover was 2.1% (2013: 1.1%). The focus of Tangent Snowball has developed and changed over the last twelve months and especially since the appointment of its new chief executive. As a result higher than average staff turnover was seen in the first 9 months of this financial year, this has however now reduced and is now in line with that seen across 2013.

# Strategic Report

## for the year ended 28 February 2014

### Operational risks and uncertainties

The principal risks and uncertainties faced by Tangent are detailed below. Some risks remain beyond the control of Tangent and we cannot therefore provide absolute assurance that all risks are managed to an acceptable level.

Risk area	Impact on Tangent	Mitigation of risk
Loss or a significant reduction in revenue from a major client	Whilst no client represents more than 10% of group revenue, Tangent Snowball has some significant client relationships. Loss or a significant reduction from one or more of these clients may impact on Tangent's operating profit and financial performance.	Tangent has a proven track record of both winning new business and organically growing long term client relationships. Strategic account managers are appointed to preserve these relationships, monitor service levels and expand services to clients.
Shortage or loss of key personnel and skills	The inability to attract or retain key staff with the required level of competency and technical knowledge may impact our ability to maximise opportunity, deliver our business strategy and objectives.	Tangent seeks to engage, motivate and retain staff by offering remuneration packages that include competitive basic salaries, annual bonus awards and benefits packages. Comprehensive annual staff reviews are undertaken to identify skills gaps.
Deterioration in the general economic environment	Tangent is a provider of marketing services and print to businesses and consumers. There is a risk that general economic issues may impact Tangent's clients and reduce their spending power. This may impact on revenue and the profitability of Tangent.	Trends, both general and market specific, are monitored and factored into business planning and forecasting. In addition Tangent builds strong working relationships with its significant clients maintaining an on-going dialogue to provide visibility on potential future revenue.
Loss of service in both website and print/delivery infrastructure.	Tangent will not be able to fulfil client orders and as such financial performance may be impacted in both the short and longer term as customers may move to alternative suppliers.	Tangent invests in significant IT hosting infrastructure to ensure that up time is maximised and disaster recovery procedures are resilient and robust.  Tangent has service contracts in respect of all its key items of plant with contracted service levels to mitigate downtime. In addition Tangent invests in vendor lead training programmes to further reduce machinery failure.
Technological obsolescence	Tangent's equipment/products may become obsolete potentially impacting productivity and margin.	Tangent continues to invest in digital platforms to improve our competitive edge and broaden the product offering.  Development of strong relationships with suppliers and dedicated procurement resources within the group ensures that Tangent is able to react quickly to changes in technology.

Timothy Green  
Chief Executive

Date: 16.5.14

Kevin Cameron  
Finance Director



# Directors' Report

## for the year ended 28 February 2014

The directors present their report and audited financial statements of the company and the group for the year ended 28 February 2014.

### Results and dividends

The consolidated profit for the year after tax amounted to £1.70m. The directors recommend a payment of a dividend of 0.24 pence per ordinary share to be paid on 4 August 2014 to shareholders on the register at the close of business on 18 July 2014. Further information on the group's results and financial position is included in the Strategic Report.

### Company listing

Tangent is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The market code for the company is TNG. Information required by AIM Rule 26 is available in the investor relations section of Tangent's website at [www.tangentplc.com](http://www.tangentplc.com).

### Capital structure

Details of the issued share capital of the company, together with details of movements during the year are shown in note 24. Details of employee share schemes are set out in note 25. Shares held by the Tangent Communications plc Employee Share Ownership Trust abstain from voting.

### Directors

During the financial year the following directors held office:

Kevin Cameron  
Michael Green  
Nicholas Green  
Timothy Green  
David Steyn  
Nigel Kissack (Appointed 10 September 2013)

Kevin Cameron and Nicholas Green retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

Nigel Kissack, having been appointed since notice of the last annual general meeting was given, offers himself for re-election.

### Directors' interests

At 28 February 2014 the directors' shareholdings were as follows:

	Ordinary shares of 1p each	
	28 February 2014	28 February 2013
Kevin Cameron	1,274,230	874,230
Michael Green	83,158,190	83,158,190
Nicholas Green	3,730,770	3,730,770
Timothy Green	5,272,781	4,278,429
David Steyn	300,000	300,000

Directors' interests in share options are set out in the remuneration report on page 14.

## Directors' Report

for the year ended 28 February 2014

### Substantial shareholdings

The directors are aware of the following shareholdings of 3% or more of the issued share capital of the company at 16 May 2014.

		% of issued
	Ordinary	Ordinary
	shares of	share
Beneficial holder	1p each	capital
ISIS EP LLP	31,383,077	11.2%
Unicorn Asset Management	23,696,354	8.4%
Octopus Asset Management	16,677,665	5.9%
Hargreave Hale	16,323,680	5.8%
Herald Investment Management	15,546,154	5.5%

### Employees

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

### Use of financial instruments

Information about the use of financial instruments by the company and its subsidiaries is given in note 23 to the financial statements.

### Key risks and uncertainties

The Board regularly reviews the risks and uncertainties faced by Tangent detail of which are included in the Strategic Report.

### Going concern

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

### Donations

During the year the group made charitable donations of £7,000 (2013: £7,000).

### Auditors

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

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

UHY Hacker Young have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

  
Kevin Cameron  
Secretary

Date.....16.5.14.....

## Directors' responsibilities

### for the year ended 28 February 2014

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

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

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

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

#### Directors' responsibility statement

Each of the directors, whose names and functions are listed on page 2 confirm that, to the best of each person's knowledge and belief:

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

By order of the Board



**Kevin Cameron**

Director

Date.....

16.5.14

# **Corporate governance statement**

## **for the year ended 28 February 2014**

### **Statement of compliance**

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

### **Board and Board committees**

The directors who served during the year are detailed in the directors' report on page 8. The full Board manages overall control of the group's affairs by the schedule of matters reserved for its decision. These include the approval of financial statements, acquisitions and disposals, authority levels for expenditure and review of monthly and other management reports. The chairman will continue to review the skills and balance of the Board as the group grows.

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

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

The company has an audit committee, whose terms of reference cover the points recommended by the Code. Its duties include monitoring internal financial control throughout the group, approving the group's accounting policies and reviewing the interim and annual financial statements before submission to the Board. David Steyn is chairman of the audit committee and Michael Green is the other member.

The company has a remuneration committee of which David Steyn is chairman and Michael Green is the other member.

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

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

The nominations committee comprises all directors and is chaired by Michael Green.

### **Relationship with shareholders**

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

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

### **Accountability and financial control**

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

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

### **Control environment**

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

## **Corporate governance statement**

for the year ended 28 February 2014.

### **Accountability and financial control (continued)**

#### ***Information systems***

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

#### ***Identification and evaluation of business risks and controls***

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

#### ***Quality and integrity of personnel***

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

#### ***Investment appraisal***

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

#### ***Monitoring***

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



**Timothy Green**  
Chief Executive

Date.....16-5-14.....

# Remuneration report

## for the year ended 28 February 2014

### Introduction

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

### Remuneration of the directors

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

The structure of executive directors' remuneration was reviewed at the beginning of the year and the remuneration elements were as follows:

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

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

			2014	2013
	Salary	Bonus	Total	Total
	£000	£000	£000	£000
Michael Green	30	-	30	23
Timothy Green	165	-	165	150
Nicholas Green	155	20	175	149
Kevin Cameron	105	-	105	96
David Steyn	30	-	30	22
Nigel Kissack	15	-	15	-
Piers Caldecote	-	-	-	24
Alan Smith	-	-	-	28
	500	20	520	492

Nigel Kissack joined the board on 10 September 2013.

Remuneration is stated for the period during which each director served. The audited directors' remuneration is all classified as short term employment benefits under International Accounting Standard 24 "Related Party Disclosures".

In addition to the remuneration stated in the table above, pension contributions of £16,500 (2013: £15,000) were made for Timothy Green, £15,500 (2013: £15,000) for Nicholas Green to defined contribution schemes and £2,000 (2013: £2,000) for the benefit of Kevin Cameron.

The share-based payment charge in respect of options granted to each of Nicholas and Timothy Green during the year was £34,000 and £20,000 in respect of Kevin Cameron.

### Share options

The company operates three share option schemes by which employees, including executive directors, are able to acquire shares, comprising an Inland Revenue approved scheme (The Approved Scheme), an unapproved scheme (The Unapproved Scheme), and an Enterprise Management Incentive scheme (The EMI Scheme). At 28 February 2014 nil (2013: 5,000) options were held by employees under the Approved Scheme, 20,079,920 (2013: 18,727,966) under the Unapproved Scheme and 8,787,956 (2013: 10,010,934) under the EMI Scheme. In total, 28,867,876 options were held at 28 February 2014 which represents 10.3% of the issued number of shares at the date of this report.

## Remuneration report for the year ended 28 February 2014

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

	Exercise price	At 1 March 2013	Exercised in year	At 28 February 2014	Number vested	Expiry date
Nicholas Green	1p	2,500,000	-	2,500,000	2,500,000	26-09-15
	5p	2,500,000	-	2,500,000	2,500,000	26-09-15
	nil	6,000,000	-	6,000,000	-	12-11-22
Timothy Green	1p	2,500,000	(1,000,000)	1,500,000	1,500,000	26-09-15
	5p	2,500,000	-	2,500,000	2,500,000	26-09-15
	nil	6,000,000	-	6,000,000	-	12-11-22
Kevin Cameron	1p	655,234	(400,000)	255,234	255,234	08-11-15
	1p	777,000	-	777,000	777,000	23-06-16
	nil	2,000,000	-	2,000,000	-	12-11-22
		25,432,234	(1,400,000)	24,032,234	10,032,234	

On 9 July 2013 Timothy Green exercised 1,000,000 share options and Kevin Cameron exercised 400,000 share options, the market price on the day of exercise was 6.875.

No options were granted during the year.

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

	Exercise price	At 1 March 2013	Lapsed in year	At 28 February 2014	Number vested	Expiry date
Nicholas Green	1p	522,066	(522,066)	-	-	06-08-13
	1p	1,728,163	-	1,728,163	1,728,163	31-12-15
	1p	1,018,491	-	1,018,491	1,018,491	08-11-15
	1p	1,350,000	-	1,350,000	1,350,000	23-06-16
Timothy Green	1p	522,066	(522,066)	-	-	06-08-13
	1p	1,728,163	-	1,728,163	1,728,163	31-12-15
	1p	1,018,491	-	1,018,491	1,018,491	08-11-15
	1p	1,350,000	-	1,350,000	1,350,000	23-06-16
		9,237,440	(1,044,132)	8,193,308	8,193,308	

No phantom options were granted during the year.

David Steyn  
Non-executive Director

Date:  16.5.14

# Independent auditors' report

## to the shareholders of Tangent Communications plc

We have audited the financial statements of Tangent Communications plc for the year ended 28 February 2014 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company balance sheets, the Consolidated and Parent Company statements of changes in equity, the Consolidated and Parent Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement, set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the Parent Company's affairs as at 28 February 2014 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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

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



Colin Wright (Senior Statutory Auditor)

For and on behalf of UHY Hacker Young

Chartered Accountants and Statutory Auditors

Quadrant House

4 Thomas More Square

London E1W 1YW

Date 16 May 2014

Tangent Communications plc  
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# Consolidated statement of comprehensive income

for the year ended 28 February 2014

		2014	2013
	Notes	£000	£000
Revenue	5	27,032	24,289
Cost of sales		(10,738)	(10,306)
<b>Gross profit</b>		<b>16,294</b>	<b>13,983</b>
Operating expenses		(13,636)	(12,258)
Share-based payment charge	25	(183)	(110)
<b>Underlying operating profit</b>		<b>2,475</b>	<b>1,615</b>
Non-recurring expenses	4	(131)	(734)
<b>Operating profit</b>	6	<b>2,344</b>	<b>881</b>
Finance costs	9	(18)	(25)
<b>Profit before tax</b>		<b>2,326</b>	<b>856</b>
Tax	10	(628)	(236)
<b>Profit for the year</b>		<b>1,698</b>	<b>620</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		(42)	—
<b>Total comprehensive income for the year</b>		<b>1,656</b>	<b>620</b>
<b>Earnings per share (pence)</b>			
Basic	11	0.61	0.30
Diluted		0.59	0.29

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 2014

	Notes	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>At 29 February 2012</b>		<b>1,766</b>	<b>101</b>	<b>3,895</b>	<b>15,214</b>	<b>20,976</b>
<b>Comprehensive income:</b>						
Profit for the year		—	—	—	620	620
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>620</b>	<b>620</b>
<b>Transactions with owners:</b>						
Dividend	12	—	—	—	(350)	(350)
Credit to equity for equity-settled share-based payments		—	—	110	—	110
Issue of shares	24	1,024	9,121	(107)	—	10,038
Expenses of issue of equity	26	—	(638)	—	—	(638)
<b>Total transactions with owners</b>		<b>1,024</b>	<b>8,483</b>	<b>3</b>	<b>(350)</b>	<b>9,160</b>
<b>At 28 February 2013</b>		<b>2,790</b>	<b>8,584</b>	<b>3,898</b>	<b>15,484</b>	<b>30,756</b>
<b>Comprehensive income:</b>						
Profit for the year		—	—	—	1,698	1,698
Other comprehensive income		—	—	—	(42)	(42)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>1,656</b>	<b>1,656</b>
<b>Transactions with owners:</b>						
Dividend	12	—	—	—	(558)	(558)
Credit to equity for equity-settled share-based payments		—	—	243	—	243
Transfer on exercise of options		—	—	(116)	116	—
Issue of shares	24	15	3	—	—	18
<b>Total transactions with owners</b>		<b>15</b>	<b>3</b>	<b>127</b>	<b>(442)</b>	<b>(297)</b>
<b>At 28 February 2014</b>		<b>2,805</b>	<b>8,587</b>	<b>4,025</b>	<b>16,698</b>	<b>32,115</b>

# Consolidated balance sheet

at 28 February 2014

	Notes	2014 £000	2013 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14	25,939	25,578
Property, plant and equipment	15	1,950	2,188
Deferred tax asset	16	230	233
		<b>28,119</b>	<b>27,999</b>
<b>Current assets</b>			
Inventories	18	236	227
Trade and other receivables	19	5,311	5,198
Cash and cash equivalents	29	3,094	2,642
		<b>8,641</b>	<b>8,067</b>
<b>Total assets</b>		<b>36,760</b>	<b>36,066</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	20	(194)	(186)
Trade and other payables	21	(3,590)	(4,012)
Current tax liabilities		(637)	(647)
Provisions for liabilities	22	(34)	(46)
		<b>(4,455)</b>	<b>(4,891)</b>
<b>Non-current liabilities</b>			
Borrowings	20	(91)	(285)
Provisions for liabilities	22	(99)	(134)
		<b>(190)</b>	<b>(419)</b>
<b>Total liabilities</b>		<b>(4,645)</b>	<b>(5,310)</b>
<b>Net assets</b>		<b>32,115</b>	<b>30,756</b>
<b>Equity</b>			
Share capital	24	2,805	2,790
Share premium	26	8,587	8,584
Other reserves	27	4,025	3,898
Retained earnings		16,698	15,484
<b>Total equity attributable to equity shareholders of the company</b>		<b>32,115</b>	<b>30,756</b>

These financial statements were approved by the Board of directors on 16-5-14 and were signed on its behalf by:



Kevin Cameron  
Director



Timothy Green  
Director

Registered number: 03967805

Tangent Communications plc  
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## Consolidated statement of cash flows

for the year ended 28 February 2014

	Notes	2014 £000	2013 £000
<b>Cash from operations</b>			
Cash generated from operations	28	2,932	1,521
Interest paid		(18)	(25)
Tax paid		(633)	(600)
<b>Net cash inflow from operating activities</b>		<b>2,281</b>	<b>896</b>
<b>Investing activities</b>			
Payment of contingent consideration	22	—	(484)
Acquisition of subsidiary (net of cash acquired)		—	(6,878)
Development of software	14	(563)	(759)
Purchase of property, plant and equipment	15	(527)	(813)
Sale of property, plant and equipment	15	29	26
<b>Net cash used in investing activities</b>		<b>(1,061)</b>	<b>(8,908)</b>
<b>Financing activities</b>			
Dividends paid	12	(558)	(350)
Repayment of borrowings		(186)	(177)
Proceeds on issue of shares (net of costs)	24	18	9,362
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(726)</b>	<b>8,835</b>
<b>Increase in cash and cash equivalents</b>		<b>494</b>	<b>823</b>
Cash and cash equivalents at beginning of year		2,642	1,819
Effect of foreign exchange rate changes		(42)	—
<b>Cash and cash equivalents at end of year</b>	29	<b>3,094</b>	<b>2,642</b>

# Company statement of changes in equity

for the year ended 28 February 2014

	Notes	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
<b>At 29 February 2012</b>		1,766	101	2,734	7,393	11,994
<b>Comprehensive income:</b>						
Loss for the year		—	—	—	(346)	(346)
<b>Total comprehensive income</b>		—	—	—	(346)	(346)
<b>Transactions with owners:</b>						
Equity dividend	12	—	—	—	(350)	(350)
Credit to equity for equity-settled share-based payments		—	—	110	—	110
Issue of shares	24	1,024	9,121	(107)	—	10,038
Expenses of issue of equity	26	—	(638)	—	—	(638)
<b>Total transactions with owners</b>		1,024	8,483	3	(350)	9,160
<b>At 28 February 2013</b>		2,790	8,584	2,737	6,697	20,808
<b>Comprehensive income:</b>						
Loss for the year		—	—	—	(421)	(421)
<b>Total comprehensive income</b>		—	—	—	(421)	(421)
<b>Transactions with owners:</b>						
Equity dividend	12	—	—	—	(558)	(558)
Credit to equity for equity-settled share-based payments		—	—	243	—	243
Transfer on exercise of options				(116)	116	—
Issue of shares	24	15	3	—	—	18
<b>Total transactions with owners</b>		15	3	127	(442)	(297)
<b>At 28 February 2014</b>		2,805	8,587	2,864	5,834	20,090

# Company balance sheet

at 28 February 2014

	Notes	2014 £000	2013 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	17	30,406	30,406
Property, plant and equipment	15	3	3
Deferred tax asset	16	135	118
		<b>30,544</b>	<b>30,527</b>
<b>Current assets</b>			
Trade and other receivables	19	393	290
Cash and cash equivalents	29	442	1,255
		<b>835</b>	<b>1,545</b>
<b>Total assets</b>		<b>31,379</b>	<b>32,072</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	(11,289)	(11,264)
<b>Total liabilities</b>		<b>(11,289)</b>	<b>(11,264)</b>
<b>Net assets</b>		<b>20,090</b>	<b>20,808</b>
<b>Equity</b>			
Share capital	24	2,805	2,790
Share premium	26	8,587	8,584
Other reserves	27	2,864	2,737
Retained earnings		5,834	6,697
<b>Total equity attributable to equity shareholders of the company</b>		<b>20,090</b>	<b>20,808</b>

These financial statements were approved by the Board of directors on 16-5-14 and were signed on its behalf by:



Kevin Cameron  
Director



Timothy Green  
Director

Registered number: 03967805

## Company statement of cash flows

for the year ended 28 February 2014

	Note	2014 £000	2013 £000
<b>Cash from operations</b>			
Cash (used in)/generated from operations	28	(273)	3,283
<b>Net cash from operating activities</b>		<b>(273)</b>	<b>3,283</b>
<b>Investing activities</b>			
Payment of contingent consideration	22	—	(484)
Acquisition of subsidiary		—	(10,571)
Purchase of property, plant and equipment	15	—	(4)
<b>Net cash used in investing activities</b>		<b>—</b>	<b>(11,059)</b>
<b>Financing activities</b>			
Dividends paid	12	(558)	(350)
Proceeds on issue of shares	24	18	9,362
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(540)</b>	<b>9,012</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(813)</b>	<b>1,236</b>
Cash and cash equivalents at beginning of year		1,255	19
<b>Cash and cash equivalents at end of year</b>	29	<b>442</b>	<b>1,255</b>

# Notes to the financial statements

## for the year ended 28 February 2014

### 1. General information

Tangent Communications plc (Tangent) is a public limited company incorporated and domiciled in the United Kingdom whose shares are traded on the Alternative Investment Market of the London Stock Exchange. The group's operations and principal activities are set out in the strategic report on pages 3 to 7.

These financial statements are presented in pounds sterling, rounded to the nearest thousand, because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the accounting policies set out in note 3.

### 2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, adopted by the European Union (IFRS) and on the historical cost basis. The significant accounting policies adopted are set out below.

### 3. Significant accounting policies

#### 3.1 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that Tangent has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Tangent and entities controlled by Tangent made up to 28 February 2014. Control is achieved where Tangent has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### 3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by Tangent in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments as detailed below. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively;
- liabilities or equity instruments related to the replacement by the group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 'Share-based Payments'; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.



# Notes to the financial statements

## for the year ended 28 February 2014

### 3.4 Intangible assets

#### Goodwill

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

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

#### Internally generated intangible assets

Internally generated assets arising from the group's software developments are recognised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefit; and
- the development cost of the asset can be measured reliably

Once development has been completed internally generated intangible assets are amortised on a straight-line basis over their useful lives.

#### Other intangible assets

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

### 3.5 Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of Tangent, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At the balance sheet, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the consolidated statement of comprehensive income in the period in which they arise.

For the purpose of presenting consolidated financial statements the assets and liabilities of foreign operations are translated at the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated equity.

On the disposal of a foreign operation all of the accumulated exchange differences in respect of that operation attributable to Tangent are reclassified to profit or loss.

### 3.6 Investments in subsidiaries

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

### 3.7 Property, plant and equipment

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

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

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

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

# Notes to the financial statements

## for the year ended 28 February 2014

### **3.7 Property, plant and equipment (continued)**

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

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

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

### **3.8 Impairment of assets**

At the balance sheet date, Tangent reviews the carrying amounts of its assets to determine whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment.

Recoverable amount is the higher of fair value less costs to sell and its value-in-use. In assessing value-in-use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being reviewed.

If the recoverable amount of an asset, or cash generating unit, is estimated to be less than its carrying amount the carrying value of the asset is reduced to the recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

### **3.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in making the sale.

### **3.10 Trade receivables**

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

### **3.11 Cash and cash equivalents**

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

### **3.12 Provisions for liabilities**

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

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

# Notes to the financial statements

## for the year ended 28 February 2014

### 3.13 Pension obligations

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

### 3.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of Tangent at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the consolidated statement of comprehensive income.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis over the term of the relevant lease.

### 3.15 Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profits for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are not taxable or deductible in the current year, it further excludes items that are never taxable or deductible. Tangent's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profits, and is accounted for using the liability method. Deferred tax liabilities are recognised for all temporary timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

### 3.16 Revenue recognition

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

#### *Sale of goods*

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

#### *Provision of services*

Revenue is recognised when the service has been provided and the amount of revenue can be measured reliably.

# Notes to the financial statements

## for the year ended 28 February 2014

### 3.17 Non-recurring income and expenses

Tangent presents separately, on the face of the statement of comprehensive income, those items of income and expenditure which by their nature and infrequency merit separate presentation to allow shareholders to better understand the financial performance for the year, facilitate clearer comparison with prior periods and better assess trends in financial performance.

### 3.18 Share-based payments

Tangent operates a number of share-based payment schemes.

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value excludes the effect of non-market based vesting conditions.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on Tangent's estimate of equity instruments that will eventually vest. At each balance sheet date Tangent revisits its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimate, if any, is recognised in the consolidated statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the consolidated statement of comprehensive income for the year.

### 3.19 Segmental reporting

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

### 3.20 Equity instruments

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

### 3.21 Adoption of new and revised International Financial Reporting Standards

In the current year the following International Financial Reporting Standards and Interpretations, which did not have any impact on the accounting policies, financial position or performance of the group have been adopted:-

IFRS 7 (amendment)	Disclosure on Offsetting Financial Assets and Financial Liabilities
IFRS 11	Joint Arrangements
IAS 28	Investments in Associated and Joint Ventures
IFRS 13	Fair Value Measurement
IAS 12 (amendment)	Income Taxes – Deferred Taxes – Recovery of Underlying Assets
IAS 19 (revised)	Employee Benefits

At the date of authorisation of these financial statements, the following International Financial Reporting Standards, Amendments and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective:-

		Effective date
IFRS 9	Financial Instruments Classification and Measurement	1 January 2015
IAS 32 (amendment)	Presentation on offsetting financial assets and financial liabilities	1 January 2014
IAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014

# Notes to the financial statements

## for the year ended 28 February 2014

### 3.21 Adoption of new and revised International Financial Reporting Standards (continued)

Tangent has not early adopted these amended standards and interpretations.

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

### 3.22 Accounting estimates and judgements

In the application of Tangent's accounting policies, as described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered relevant. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are outlined below:

#### (a) Intangible assets

Tangent tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.4. The recoverable amounts from cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates. In arriving at the fair value of goodwill, Tangent estimates the future consideration payable for acquisitions where the final consideration is contingent upon future events or performance. Estimated future consideration is reviewed and accrued at each balance sheet date. When recoverable amounts of cash-generating units are below the estimated levels or if the future consideration payable on acquisitions is higher than estimated an impairment loss may be triggered.

#### (b) Deferred tax

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

#### (c) Business combinations

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

## 4. Non-recurring expenses

In order to provide a clear view on operating performance, Tangent shows separately on the face of the statement of comprehensive income those items that are both significant and non-recurring in nature.

During the year Tangent began the process of disposing of the majority share in Tangent Snowball PTY Limited. The costs incurred to February 2014 have been included in non-recurring expenses as they do not form part of the normal activities of Tangent and were as follows:-

	£000
Redundancy and restructuring costs	91
Fees and expenses	40
	<hr/>
	131

This process was completed in the year to February 2015 and it is expected that an additional charge of £120,000 will be borne in that year.

# Notes to the financial statements

## for the year ended 28 February 2014

### 5. 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, which reviews revenues and operating profits by segment but assets at a consolidated level.

The group had two reportable segments. Unallocated corporate expenses are shown below under PLC.

At the start of the year the Services segment was re-named Agency, there was no change in the business units included therein and no change in any previously reported performance.

*Online* - Comprises Ravensworth, printed.com and goodprint.

*Agency (Formerly Services)* - Comprises Tangent Snowball and T/OD (Tangent on Demand).

*PLC* - PLC costs relate to the cost of non-executive directors, maintenance of Tangent's stock market listing, general professional advice together with the share-based payment charge as set out in note 25. Executive directors' costs are allocated to the *Online* and *Agency* business segments.

The segment results for the year ended 28th February 2014 were as follows:

	Agency	Online	PLC	Total
	£000	£000	£000	£000
Revenue	11,315	16,488	—	27,803
Less inter segment sales	(223)	(548)	—	(771)
Revenues from external customers	11,092	15,940	—	27,032
<b>Results</b>				
Underlying operating profit	1,184	1,801	(510)	2,475
Non-recurring costs	(131)	—	—	(131)
Profit from operations	1,053	1,801	(510)	2,344
Net finance costs				(18)
Profit before tax				2,326
Income tax expense				(628)
Profit for the year				1,698
<b>Other segment information</b>				
	Agency	Online	PLC	Total
	£000	£000	£000	£000
Depreciation	217	534	—	751
Amortisation	54	148	—	202

### Major customers

During the year Tangent had no customer that represented more than 10% of revenues.

*Online* had no customer that represented more than 10% of that segment's revenues.

*Agency* customers representing more than 10% of that segments revenue for the year were as follows:

Customer one 15%

Customer two 11%

# Notes to the financial statements

## for the year ended 28 February 2014

### 5. Segment Information (continued)

The segment results for the year ended 28th February 2013 were as follows:

	Agency	Online	PLC	Total
	£000	£000	£000	£000
Revenue	13,120	12,985	—	26,105
Less inter segment sales	(228)	(1,588)	—	(1,816)
Revenues from external customers	12,892	11,397	—	24,289
<b>Results</b>				
Underlying operating profit	1,171	816	(372)	1,615
Restructuring costs	(119)	(541)	(74)	(734)
Profit from operations	1,052	275	(446)	881
Net finance costs				(25)
Profit before tax				856
Income tax expense				(236)
Profit for the year				620

	Agency	Online	PLC	Total
	£000	£000	£000	£000
<b>Other segment information</b>				
Depreciation	201	546	1	748
Amortisation	—	3	—	3

### Major customers

During the year Tangent had no customer that represented more than 10% of revenues.

*Online* had no customer that represented more than 10% of that segment's revenues.

*Agency* had one customer that represented 13% of that segment's revenues.

### Geographical information

	2014	2013
	£000	£000
<b>Revenues from external customers</b>		
United Kingdom	23,226	21,028
Europe	3,151	2,253
Australia	529	652
Other countries	126	356
	27,032	24,289
<b>Non-current assets</b>		
United Kingdom	28,114	27,990
Australia	5	9
	28,119	27,999

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

# Notes to the financial statements

## for the year ended 28 February 2014

### 6. Operating profit

The operating profit includes the following costs:

	Notes	2014 £000	2013 £000
Employee benefits	8	10,396	9,853
Direct purchases for goods and services provided		6,382	6,596
Depreciation and amortisation		953	751
Other expenses		6,826	5,474
Non-recurring expenses	4	131	734
		<b>24,688</b>	<b>23,408</b>

### 7. Auditors' remuneration

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual Financial Statements	60	65
Tax services	15	12
Other services	18	50
	<b>93</b>	<b>127</b>

The other services were £14,000 (2013: £17,000) for reviewing the group half year accounts and £4,000 for consultancy services (2013: £33,000).

### 8. Employee information

	Note	2014 £000	2013 £000
Wages and salaries		9,168	8,679
Social security costs		949	984
Pension contributions		96	80
Share-based payment charge	25	183	110
		<b>10,396</b>	<b>9,853</b>

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

	2014 Number	2013 Number
London	133	122
Newcastle	122	109
Thetford	—	25
Cheltenham	13	10
Melbourne	8	8
	<b>276</b>	<b>274</b>

Details of directors' emoluments, including details of share option schemes are given in the remuneration report on pages 13 to 14. Those disclosures form part of the audited financial statements of the group.



# Notes to the financial statements

## for the year ended 28 February 2014

### 9. Finance costs

	2014	2013
	£000	£000
Finance leases charges	18	25

### 10. Taxation

	2014	2013
	£000	£000
Current income tax:		
UK corporation tax	621	320
Adjustment in respect of prior years	4	44
Total current income tax charge	625	364
Deferred taxation:		
Origination of temporary differences	3	(74)
Adjustment in respect of prior years	—	(54)
Total deferred tax charge	3	(128)
Tax charge in the consolidated statement of comprehensive income	628	236

UK corporation tax is calculated at 23% (2013: 24%) of the estimated assessable profit for the period.

#### *Reconciliation of the tax charge in the consolidated statement of comprehensive income*

	2014	2013
	£000	£000
Profit before tax	2,326	856
Tax at the weighted average tax rate of 23% (2013: 24%)	535	205
Tax effects of:		
Expenditure not deductible for tax purposes	77	54
Other adjustments	16	(23)
Tax charge for the year	628	236

The group has tax losses available to carry forward against future profits amounting to £229,000 (2013: £229,000).

### 11. Earnings per share

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

	2014	2013
	£000	£000
Profit attributable to shareholders	1,698	620

# Notes to the financial statements

## for the year ended 28 February 2014

### 11. Earnings per share (continued)

	2014	2013
	Number	Number
	000	000
<b>Weighted average number of shares:</b>		
For basic earnings per share	278,341	205,019
Adjustment for options outstanding	8,902	6,255
For diluted earnings per share	287,243	211,274
	Pence per	Pence per
	Share	Share
<b>Earnings per share:</b>		
Basic	0.61	0.30
Diluted	0.59	0.29

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.

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.

### 12. Dividends

	2014	2013
	£000	£000
Recommended final dividend for the year of 0.24p (2013: 0.2p) per share	671	555

The recommended final dividend is subject to approval by shareholders at the 2014 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 279m ordinary shares.

	2014	2013
	£000	£000
Final dividend paid for the year of 0.2p (2012: 0.2p) per share	558	350

### 13. Statement of comprehensive income for the parent company

In accordance with section 408 of the Companies Act 2006 the parent company has not published a statement of comprehensive income. The loss dealt with in the financial statements of the parent company of £421,000 (2013: £346,000) has been included in the consolidated statement of comprehensive income.

# Notes to the financial statements

## for the year ended 28 February 2014

### 14. Intangible assets

	Goodwill	Software assets	Other intangible assets	Total
Group	£000	£000	£000	£000
<b>Cost</b>				
At 1 March 2012	16,865	—	117	16,982
Acquired with subsidiary	—	51	—	51
Additions	7,936	759	—	8,695
At 28 February 2013	24,801	810	117	25,728
Additions	—	563	—	563
<b>At 28 February 2014</b>	<b>24,801</b>	<b>1,373</b>	<b>117</b>	<b>26,291</b>
<b>Amortisation and impairment</b>				
At 1 March 2012	—	—	115	115
Acquired with subsidiary	—	32	—	32
Amortisation during the year	—	1	2	3
At 28 February 2013	—	33	117	150
Amortisation during the year	—	202	—	202
<b>At 28 February 2014</b>	<b>—</b>	<b>235</b>	<b>117</b>	<b>352</b>
<b>Net book value</b>				
<b>At 28 February 2014</b>	<b>24,801</b>	<b>1,138</b>	<b>—</b>	<b>25,939</b>
At 28 February 2013	24,801	777	—	25,578

The addition to software assets represents the acquisition and development of software platforms for the group. These assets are being amortised over their expected useful life, estimated to be 5 years.

### Impairment of goodwill

Goodwill acquired in a business combination is allocated for impairment testing to the cash-generating units (CGUs) that are expected to benefit from that business combination.

Tangent has the following business segments:-

#### Online

This business segment includes printed.com, goodprint (including smileprint) and Ravensworth; and

#### Agency (Formerly Services)

This business segment includes Tangent Snowball and T/OD (Tangent on Demand).

The above represents the lowest level within Tangent at which goodwill is reviewed for impairment.

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% (2013: 3%).

# Notes to the financial statements

## for the year ended 28 February 2014

### 14. Intangible assets (continued)

The rate used to discount forecast future cash flows for both business segments is 10% (2013: 10%).

In 2014 no impairment charge has been made against goodwill for either CGU (2013: £nil). Headroom in the *Online* CGU is £18.57 million and £17.76 million in the *Agency* 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 to 19.6% to remove the headroom in the *Online* CGU and to 20.6% to remove the headroom in the *Agency* CGU.
- Reducing the long term growth rate to 0% does not create an impairment charge in either CGU.
- Cash flows over the next five years would need to reduce by 58.3% to remove the headroom in the *Online* CGU and by 60.7% to remove the headroom in the *Agency* CGU.

### 15. Property, plant and equipment

Group	Short leasehold land and buildings £000	Plant and equipment £000	Total £000
<b>Cost</b>			
At 1 March 2012	653	4,683	5,336
Acquired with subsidiary	—	527	527
Additions	65	748	813
Disposals	—	(169)	(169)
At 28 February 2013	718	5,789	6,507
Additions	29	498	527
Exchange difference	—	(5)	(5)
Disposals	—	(88)	(88)
<b>At 28 February 2014</b>	<b>747</b>	<b>6,194</b>	<b>6,941</b>
<b>Depreciation</b>			
At 1 March 2012	340	2,870	3,210
Acquired with subsidiary	—	498	498
Charge for the year	42	706	748
Disposals	—	(137)	(137)
At 28 February 2013	382	3,937	4,319
Charge for the year	61	690	751
Exchange difference	—	(3)	(3)
Disposals	—	(76)	(76)
<b>At 28 February 2014</b>	<b>443</b>	<b>4,548</b>	<b>4,991</b>
<b>Net book value</b>			
<b>At 28 February 2014</b>	<b>304</b>	<b>1,646</b>	<b>1,950</b>
At 29 February 2013	336	1,852	2,188

Included within net book value of plant and equipment is £397,000 (2013: £609,000) in respect of assets held under finance leases. Included within the depreciation charge for the year is £212,000 (2013: £212,000) in respect of assets held under finance leases.

# Notes to the financial statements

## for the year ended 28 February 2014

### 15. Property, plant and equipment (continued)

Company	Short leasehold land and buildings £000	Plant and equipment £000	Total £000
<b>Cost</b>			
At 1 March 2012	—	2	2
Additions	4	—	4
At 28 February 2013	4	2	6
Additions			
<b>At 28 February 2014</b>	<b>4</b>	<b>2</b>	<b>6</b>
<b>Depreciation</b>			
At 1 March 2012	—	2	2
Charge for the year	1	—	1
At 28 February 2013	1	2	3
Charge for the year	—	—	—
<b>At 28 February 2014</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Net book value</b>			
<b>At 28 February 2014</b>	<b>3</b>	<b>—</b>	<b>3</b>
At 29 February 2013	3	—	3

### 16. Deferred tax

The following are the deferred tax assets recognised by the group and movements thereon during the current and prior years.

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
At 1 March	233	138	118	18
From acquisition	—	(33)	—	—
Movement in the year arising from:				
Accelerated capital allowances	(20)	28	—	—
Other short term timing differences	17	100	17	100
<b>At 28 February</b>	<b>230</b>	<b>233</b>	<b>135</b>	<b>118</b>

The realisation of the above deferred tax asset is dependent upon the anticipated continuing profitability of the group. The deferred tax asset is recognised as the directors foresee future profits adequate to assume recovery.

At the balance sheet date, the group had unused tax losses of £229,000 (2013: £229,000) available for offset against suitable future profits.

# Notes to the financial statements

## for the year ended 28 February 2014

### 17. Investments in subsidiaries

	2014	2013
Company	£000	£000
<b>Cost</b>		
At 1 March	30,670	19,936
Additions	—	10,734
At 28 February	30,670	30,670
<b>Provision for impairment</b>		
At 1 March and 28 February	(264)	(264)
<b>Net book value at 28 February</b>	<b>30,406</b>	<b>30,406</b>

For impairment testing purposes the recoverable amount of investments is calculated using a value-in-use calculation of the assets comprising the investment in subsidiaries based on cash flow projections approved by the Board of directors.

The pre-tax discount rate applied to the cash flow projections is 10% (2013: 10%) and represents the weighted average cost of capital for the group.

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

#### **Subsidiary undertakings**

The company's significant trading subsidiaries are as follows:

Name	Principal activity	Interest in ordinary share capital
Ravensworth Digital Services Limited	Design, print and support services	100%
Tangent Marketing Services Limited	Marketing and technology	100%
Tangent Snowball PTY Limited	Marketing and technology	100%
Goodprint UK Limited	Online retail	100%

The subsidiary companies are all incorporated in England, except for Tangent Snowball PTY which is incorporated in Australia, and their results have been consolidated in these financial statements.

On 12 March 2014 Tangent disposed of 81% of its investment in Tangent Snowball PYT Limited (Note 32).

#### **Joint Ventures**

In addition to the above subsidiaries the company holds 50% of the issued share capital of Zui Limited, a company registered in England. Zui recorded a loss of £1,000 for the year ended 28 February 2014 and had net liabilities of £162,000 at that date. As the group does not have a controlling interest in Zui these results have not been consolidated in the financial statements. During the year the group recorded sales of £nil to Zui and at the balance sheet date the amount due from Zui was £nil.

### 18. Inventories

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Consumables	236	227	—	—

# Notes to the financial statements

## for the year ended 28 February 2014

### 19. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade receivables	4,398	4,509	4	—
Allowance for doubtful debts	(204)	(230)	—	—
	4,194	4,279	4	—
Other receivables	181	308	13	2
Owed by group companies	—	—	330	242
Prepayments and accrued income	936	611	46	46
	5,311	5,198	393	290

All of the group's trade receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £204,000 has been included at the year end, the movement in that provision is as follows:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Balance at the beginning of the year	230	422	—	—
Impairment losses recognised on receivables	19	32	—	—
Amounts written off during the year as uncollectable	(45)	(224)	—	—
Balance at the end of the year	204	230	—	—

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

The ageing of trade receivables not impaired is as follows:

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Current	3,192	3,419	4	—
Overdue by less than 30 days	419	366	—	—
30-60 days overdue	268	114	—	—
60-90 days overdue	169	215	—	—
More than 90 days overdue	146	165	—	—
Balance at the end of the year	4,194	4,279	4	—

# Notes to the financial statements

## for the year ended 28 February 2014

### 20. Borrowings

Group borrowings comprise finance leases with repayments due as follows:

	Minimum lease Payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	£000	£000	£000	£000
Within one year	203	203	194	186
After one but not more than five years	93	297	91	285
	296	500	285	471
Less finance charges allocated to future years	(11)	(29)	—	—
Present value of finance lease borrowings	285	471	285	471

Tangent has leased certain items of plant and equipment under finance leases. The average lease term is four years, for the year ended 28 February 2014 the effective borrowing rate was 4% (2013: 4%). Interest rates are fixed at the contract date, all leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Sterling.

The fair value of Tangent's lease obligations is approximately equal to their carrying value.

Tangent's obligations under finance leases are secured by the lessors rights over the leased assets as disclosed in note 15.

### 21. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade payables	1,437	1,568	35	14
Other taxes and social security	744	610	26	30
Other creditors	20	18	4	19
Accruals	1,389	1,816	75	94
Owed to group companies	—	—	11,149	11,107
	3,590	4,012	11,289	11,264

Trade payables and accruals principally comprise amounts outstanding for trade purchase and ongoing costs. The average credit period taken to pay trade purchase is 45 days. No suppliers charge interest on trade payables and therefore Tangent does not have any interest rate risk.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.



# Notes to the financial statements

## for the year ended 28 February 2014

### 22. Provisions for liabilities

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
At 1 March	180	358	—	358
Contingent acquisition consideration	—	126	—	126
Closure costs	—	180	—	—
Settled in the year	(47)	(484)	—	(484)
<b>At 28 February</b>	<b>133</b>	<b>180</b>	<b>—</b>	<b>—</b>
Current	34	46	—	—
Non-current	99	134	—	—
	<b>133</b>	<b>180</b>	<b>—</b>	<b>—</b>

The provisions for liabilities of £133,000 at 28 February 2014 is for the estimated cost of on-going contracts following the closure of the group's production facility in Thetford.

### 23. Financial risk management objectives and policies

The group's principal financial instruments comprise cash and bank overdraft facility together with various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from operations.

The main risk arising from the group's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk.

#### **Cash flow interest rate risk**

The group is exposed to interest rate risk because entities within the group borrow funds at both fixed and floating interest rates. This risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

#### **Foreign currency risk**

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

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

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
American dollars	—	10	—	—
Australian dollars	90	141	—	—
Euros	391	6	—	—
	<b>481</b>	<b>157</b>	<b>—</b>	<b>—</b>

# Notes to the financial statements

## for the year ended 28 February 2014

### 23. Financial risk management objectives and policies (continued)

#### **Credit risk**

The group's policy is that significant customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Credit risk arising from other financial assets, which comprise only cash deposits, have been minimised by only placing deposits with banks with high credit ratings.

#### **Liquidity risk**

The group operates a cash-generative business, holds net funds, and has an overdraft facility of £1m. The directors consider the funding structure to be adequate for the group's current funding requirements.

#### **Capital management**

Tangent manages its capital to ensure that entities within the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the group consists of debt, which includes borrowing disclosed in note 20, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

Tangent is not subject to any externally imposed capital requirements.

The Board reviews the capital structure on an ongoing basis and considers the risks associated with each class of capital.

#### **Interest rate risk profile of financial assets and liabilities**

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

	Fixed rate financial liabilities 2014 £000	Floating rate financial assets 2014 £000	Fixed rate Financial Liabilities 2013 £000	Floating rate financial assets 2013 £000
Cash balances	—	3,094	—	2,642
Finance leases	(285)	—	(471)	—
	(285)	3,094	(471)	2,642

Interest on cash is based on short term floating rates linked to money market rates. The average rate of interest on floating rate liabilities is 1.75% above bank base rate and 4% on fixed rate liabilities.

#### **Fair value of financial instruments**

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

#### **Borrowing facilities**

Tangent has agreed a £1m overdraft facility at a rate of 1.75% over base rate secured by cross guarantees and debentures. The overdraft facility has rarely been drawn but improves the financial flexibility of the group. The finance lease liabilities as set out in note 20 are all secured on the assets against which the borrowings were provided.

### 24. Share capital

	Number of ordinary 1p shares		Nominal value	
	2014 000	2013 000	2014 £000	2013 £000
<b>Allotted and fully paid</b>				
At 1 March	278,813	176,445	2,790	1,766
Issued in the year	1,500	102,368	15	1,024
<b>At 28 February</b>	<b>280,313</b>	<b>278,813</b>	<b>2,805</b>	<b>2,790</b>

# Notes to the financial statements

## for the year ended 28 February 2014

### 24. Share capital (continued)

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 2014 the number of shares in issue was 280,312,981 and at the date of this report 280,889,648 were in issue.

### 25. Share-based payments

Details of the share option schemes are included in the Remuneration Report on pages 13 to 14.

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

	2014		2013	
	Number	WAEP	Number	WAEP
	000	Pence	000	Pence
At 1 March	28,744	2.22	14,744	4.32
Lapsed	(1,554)	(0.41)	—	—
Exercised	(1,500)	(0.06)	—	—
Granted	3,178	0.11	14,000	Nil
At 28 February	28,868	1.84	28,744	2.22
Exercisable at 28 February	14,868		13,312	

For the share options outstanding at 28 February 2014 exercise prices ranged between nil and 13.25p per share and the weighted average remaining contractual life was 5.98 years.

### Fair values

The fair value of share options granted in the year was calculated using the Black Scholes pricing model. The volatility, measured as the standard deviation of expected share price return, is based on statistical analysis of the Tangent share price from July 2005 to the date of grant, which resulted in an assumed volatility of 55%. The other key inputs were a risk free rate of return of 2%, a dividend yield 3% and an expected life of 10 years.

The total share-based payment charge for the year, calculated in accordance with IFRS 2 'Share-based Payments' was £183,000 (2013: £110,000), included in this charge is £20,000 in relation to an unapproved share option scheme being granted to employees.

### 26. Share premium account

	£000
Balance at 1 March 2012	101
Premium arising on the issue of equity shares	9,121
Expenses of issue of equity shares	(638)
Balance at 28 February 2013	8,584
Premium arising on the issue of equity shares	3
Balance at 28 February 2014	8,587

# Notes to the financial statements

## for the year ended 28 February 2014

### 27. Other reserves

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
ESOP reserve	(3)	(3)	(3)	(3)
Share-based payments reserve	1,493	1,366	1,493	1,366
Merger reserve	1,374	1,374	1,374	1,374
Restructure reserve	1,161	1,161	—	—
	<b>4,025</b>	<b>3,898</b>	<b>2,864</b>	<b>2,737</b>

The ESOP reserve represents the cost of Tangent shares held by the employee share ownership trust. At 28 February 2014 the employee share ownership trust held a total of 1,428,340 (2013: 1,428,340) ordinary shares, with a market value of £132,000 (2013: £129,000).

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

The merger reserve arose on the acquisition of a subsidiary in prior years.

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

### 28. Cash generated from operations

	2014	2013
Group	£000	£000
Profit before tax for the year	<b>2,326</b>	856
Depreciation and amortisation of non-current assets	<b>953</b>	751
(Profit)/loss on sale of plant and equipment	<b>(17)</b>	6
Net interest charge	<b>18</b>	25
Share-based payment charge	<b>183</b>	110
	<b>3,463</b>	<b>1,748</b>
Movements in working capital		
Increase in inventories	<b>(9)</b>	(56)
Increase in receivables	<b>(113)</b>	(206)
(Decrease)/increase in payables and provisions	<b>(409)</b>	35
Cash generated from operations	<b>2,932</b>	<b>1,521</b>

# Notes to the financial statements

## for the year ended 28 February 2014

### 28. Cash generated from operations (continued)

	2014	2013
Company	£000	£000
Operating loss for the year	(438)	(370)
Depreciation and amortisation of non-current assets	—	1
Share-based payment charge	89	34
Increase in trade and other receivables	(103)	(218)
Increase in trade and other payables	179	3,836
Cash (used in)/generated from operations	(273)	3,283

### 29. Cash and cash equivalents

For the purpose of the consolidated and company cash flow statement cash and cash equivalents comprise the following at 28 February 2014.

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Cash at bank and in hand	3,094	2,642	442	1,255

### 30. Operating lease commitments

	2014	2013
	£000	£000
Minimum lease payments under operating leases recognised as an expense in the year	526	465

At the balance sheet date Tangent had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases which are as follows:

#### Motor vehicle and equipment leases

	2014	2013
	£000	£000
Within one year	37	48
After one but not more than five years	33	25
	70	73

#### Land and building leases

	2014	2013
	£000	£000
Within one year	350	471
After one but not more than five years	698	849
After five years	828	974
	1,876	2,294

# Notes to the financial statements

## for the year ended 28 February 2014

### 31. Related party transactions

#### *Compensation of key management personnel*

Key management personnel of the group are defined as those persons having authority and responsibility for the planning, directing and controlling the activities of the group, directly or indirectly. Key management of the group are therefore considered to be the directors of Tangent Communications plc. During the year the group paid £15,000 in rent to a company controlled by Michael Green, other than that there were no transactions with the key management, other than their emoluments, which are set out in the remuneration report on pages 13 to 14.

### 32. Post balance sheet events

On 16 May 2014 the directors recommended payment of a dividend which is subject to approval at the 2014 annual general meeting. Details are set out in note 12.

On 12 March 2014 Tangent Marketing Services Limited, a 100% subsidiary of Tangent Communications PLC disposed of 81% of the issued share capital in Tangent Snowball PTY Limited. It is the group's intention to retain the remaining 19% of the issued share capital of Tangent Snowball PTY Limited. It is estimated that a loss on disposal of £120,000 will be charged in the year to 28 February 2015.

In March 2014 Tangent launched an all employee share incentive plan ("SIP") to encourage employees to buy shares in Tangent. The SIP is an all-employee trust arrangement approved by UK HM Revenue and Customs under which employees are able to buy ordinary shares in Tangent ("Partnership Shares") using monthly deductions from salary and to receive allocations of free matching Tangent shares on a one-for-one basis ("Matching Shares"). Further shares may be awarded to qualifying employees under the SIP, conditional upon performance targets being met (in accordance with Part 5 of Schedule 5 of ITEPA 2003).

Whilst at an early stage take up has been encouraging with 15% of staff participating in the first months.