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## **Chairman's Statement**

### **for the year ended 28 February 2015**

2014 was a challenging year for Tangent; our profits were down and our sales were flat; performance in certain areas of our business fell short of expectations. We have strengthened our senior management team in order to improve our results and will continue to make changes where necessary.

We operate a state of the art facility in Newcastle and have moved to two new premises in the City of London and Central London. We will continue to innovate and invest in new products and better services for our customers.

The market for buying online print continues to grow in both customers buying online and the different products they are buying. We have a platform that encourages diversity allowing individuals and small businesses similar access to products and services as are available to large corporations. We will continue to provide all our customers with high quality digital print.

In a highly competitive environment we cannot stand still. We are focused on delivering, be that through investment in our online platforms, production technologies or product innovations. The results for last year were disappointing to both shareholders and management. We are taking steps to confront our challenges and management recognises the need to improve in the coming year.



Michael P. Green  
Chairman

Date 18 May 2015

## **Directors and advisors**

for the year ended 28 February 2015

**Michael Green**

*Non-executive chairman*

**Timothy Green**

*Chief executive officer*

**Jamie Beaumont**

*Chief financial officer*

**Nicholas Green**

*Executive director*

**Kevin Cameron**

*Executive director*

**David Steyn**

*Non-executive director*

**Nigel Kissack**

*Non-executive director*

**Secretary**

*Kevin Cameron*

**Registered office**

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London W1W 5DW

**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 7QR

**Auditors**

*UHY Hacker Young LLP*

Quadrant House  
4 Thomas More Square  
London E1W 1YW

**Registrar**

*Capita Asset Services*

Northern House, Woodsome Park  
Fenay Bridge  
Huddersfield, HD8 0GA

**Solicitors**

*Travers Smith*

10 Snow Hill  
London EC1A 2AL

# Strategic Report

## for the year ended 28 February 2015

### CEO Report

#### Financial highlights

- Revenues were £26.25m (2014: £26.50m) down 0.9%
- Underlying operating profit fell 52.8% to £1.18m (2014: £2.50m)
- Profit before tax fell 80.4% to £0.46m (2014: £2.35m)
- Revenues from our retail websites were up at 37.1% of group total (2014: 34.4%)
- Underlying earnings per share<sup>1</sup> fell by 52.4% to 0.30p (2014: 0.63p)
- Net cash<sup>2</sup> is £1.58m (2014: £2.81m)

<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 and cash equivalents less all borrowings

<sup>3</sup> Prior year comparisons restated to reflect discontinued operations

### Consolidated performance

Sales of £26.25m for the full year 2014-15 were 0.9% lower than the prior year. Gross profit margin was down 2.2%. Sales of high margin products notably business card sales declined and were replaced with lower margin sales.

Underlying operating profit was £1.18m, with margin down from 9.4% to 4.5%, a direct result of the lower sales and gross profit margin. Costs of £0.71m associated with downsizing Tangent Snowball in the first half, rationalising Ravensworth in the second half and relocation expenses reduced profit before tax to £0.46m.

### Our businesses

#### Online

Tangent generates the majority of its print revenues online. Our broad customer base includes design professionals, print buyers and a growing number of design savvy consumers. They purchase from a broad range of products including business cards, brochures, leaflets and flyers, posters, wedding stationery and personalised wrapping paper (wrap.me). The majority are produced in-house at our Newcastle facility.

Overall, online print sales in FY 2015 grew more slowly than anticipated to £17.19m (2014: £15.94m), up 7.8%.

General demand to buy print online remains buoyant, demonstrated by a 25% year on year increase in sales at printed.com across a broadening range of products. Measures have been taken to rationalise our approach to the online print business, focusing more intently on driving sales through the growing printed.com platform. This will include the transfer of the goodprint business in to printed.com. For small businesses and sole traders, the printed.com offer is particularly compelling, with a dedicated part of the website tailored for particular groups, from wedding stationers to photographers. The opportunity to develop a greater breadth in our product offering and reach more customers remains significant.

We believe this streamlined approach will enable us to maximise our potential in the online print market. We will continue to launch new products where demand is growing and capacity from existing manufacturing can be most effectively utilised.

In line with this approach, going forwards, we will report the performance of printed.com, goodprint and Ravensworth combined. This more accurately reflects the overall structure of our print business which shares key overheads in production.

#### printed.com

Sales in printed.com of £7.60m were up 25.2% on the prior year (2014: £6.07m). The key to printed.com's success is constant innovation, with a relentless push to get the right products onto our website at the right price. This strategy continues to attract new customers, with 25,000+ ordering in the year. We also continue to see more customers returning year on year.

#### goodprint

The decrease in sales was acute for business cards, down 34.0% at £2.14m (2014: £3.24m) as the market has become increasingly competitive. Following the acquisition of Goodprint UK Ltd ("goodprint") in 2012, we integrated all of goodprint's print operations with those of printed.com, but retained the customer facing brands. We are now in the process of merging those brands. This will reduce costs, provide both printed.com and goodprint customers with a better range of products, and allow us to attract new customers with greater efficiency.

# Strategic Report

## for the year ended 28 February 2015

### Ravensworth

Ravensworth benefitted from a strengthening of the residential property market into the early part of FY 2015, but saw the market cool significantly with sales from October dropping 20% below the trend set in the first eight months of the year. This impacted profitability as the business experienced substantial diseconomies of scale before it was able to fully adjust to the changing market conditions.

Sales in FY 2015 were £7.45m, up 12.4% on the prior year, supported by a buoyant residential property market during the first half of the year. Following the cooling of the market from October 2014 onwards which severely impacted profitability in the business, costs have been reduced to reflect current business levels.

### Agency

#### Tangent Snowball ("TS")

TS is a digital marketing agency offering a blend of technology and creative insight. Its customer base includes global brands such as Carlsberg, PepsiCo, SAP and the Wolseley Group.

Sales during the year of £6.67m are down 18.5% (2014: £8.18m). TS revenues were affected by budget cuts from two key clients at the start of the year and the previously announced divestment of operations in Australia.

TS has reacted to the challenges with a smaller headcount and has started to see the benefits of operating with this leaner team. Digital marketing remains in demand but competition and in house skills continue to develop. New business was slower than targeted to relieve the current dependency on our existing customer base and senior management changes have now taken place.

#### Tangent On Demand ("T/OD")

T/OD is our innovative, print supplier, based in the City of London, with a focus on producing design-inspired print solutions to fashion retailers and advertising agencies.

Sales at T/OD grew by 0.4% to £2.39m (2014: £2.38m).

T/OD moved premises in FY 2015 and no longer shares overheads with Tangent Snowball. In FY 2016 we will report T/OD within the Online segment where all the print sales in Tangent reside. Historic comparisons will reflect this.

### Outlook

We have started the year in line with expectations, however profits are anticipated to be lower year on year in the first half of the year.

This year will see the rationalisation in our online print business take effect to better address our markets. We continue to drive innovation, developing new products and platforms to maximise revenues from existing customers and attract new ones.

We have also invested in our people and have welcomed some new talent in to key areas of the business to help drive growth and profitability.

Despite the challenges of the last year, there is a sizeable market to exploit and customers want the products we are offering. We believe the business is well placed to capitalise on these opportunities.

# Strategic Report

## for the year ended 28 February 2015

### CFO Report

#### Non-recurring expenses

During the year the board reviewed the operational and management structure of all business segments. That review resulted in a reduction in headcount and led to restructuring and redundancy costs of £0.59m. In addition all of Tangent's London based businesses moved premises during the year, which resulted in £0.12m in one off relocation expenses.

#### Discontinued operations

On 12 March 2014, Tangent completed the disposal of 81% of the issued share capital in Tangent Snowball PTY Limited, a company incorporated in Australia. Fees and expenses related to the sale (£0.06m) together with the loss on disposal (£0.06m) have been shown in the statement of comprehensive income under discontinued operations. The results of Tangent Snowball PTY Limited have not been included in the consolidated financial statements for the year to 28 February 2015 and have been included under discontinued operations in the consolidated statement of comprehensive income for the year to 28 February 2014.

#### Cash Flows

Tangent's cash and cash equivalents at 28 February 2015 amounted to £1.88m (2014: £3.09m), net cash, after deducting all outstanding debt, amounted to £1.58m (2014: £2.81m), a reduction of £1.23m over the year.

Cash generated from operations amounted to £1.86m (2014: £2.93m), representing 157.6% (2014: 117.2%) of underlying operating profit and 404.3% (2014: 124.7%) of profit before tax.

#### Capital Expenditure

Tangent continues to invest in printing equipment, IT infrastructure and the development of software platforms and websites to increase online sales. In addition, during 2014, Tangent re-located all of its London based businesses and investment was made in leasehold improvements as part of that move.

#### Capital Expenditure (continued)

During the year, £0.57m (2014: £0.50m) was spent on printing equipment and IT, £0.28m (2014: £0.03m) on leasehold improvements and £0.64m (2014: £0.56m) on software. Investment in equipment and IT is expected to continue at a similar level in the year to February 2016, reduce in software and not recur in leasehold improvements.

#### Balance Sheet

Tangent's balance sheet remains strong with net assets of £31.30m. This was £0.81m lower than 28 February 2014, impacted by £0.38m in share re-purchase costs and dividends paid (£0.66m) which exceeded retained earnings for the year ended 28 February 2015 by £0.45m.

Goodwill continues to be the largest asset on Tangent's balance sheet at £24.80m (2014: £24.80m). The carrying value of goodwill is tested annually for signs of impairment. Lower operating profits have resulted in a reduction in the headroom within the valuation of goodwill but no impairment was present at 28 February 2015. Full details are included in note 14 to the financial statements.

Trade and other receivables were £4.49m (2014: £5.31m) a reduction of £0.82m reflecting the increasing proportion of customers that pay upfront and online with debit and credit cards.

#### Dividend Declaration

The board is not proposing the payment of a final dividend.

#### Share Buyback

During the year Tangent bought back 3,945,000 £0.01 ordinary shares at a total cost £0.38m, these shares are being held in treasury. The Board has no current intention to make any further share buybacks.

# Strategic Report

## for the year ended 28 February 2015

### 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	2015	2014
Revenue	£26.25m	£26.50m
Revenue decline/growth	-0.9%	12.1%
Reduction/improvement in gross margin	-2.2%	4.4%
Employment costs as a percentage of sales	40.5%	37.7%
Underlying operating margin	4.5%	9.4%
Fully diluted underlying earnings per share	0.30 pence	0.63 pence
Cash conversion – % of underlying operating profit turned into operating cash flow	157.6%	117.2%

*All KPI's are based on continuing activities only.*

#### 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 remains to ensure that no waste created in our Newcastle print facility is sent to landfill.

Tangent recognises the value created by accreditation to the Forestry Stewardship Council (FSC) and has continued its commitment thereto. This ensures that paper stocks used conform to the FSC's chain of custody requirements.

Our ongoing commitment to ISO14001 (Environmental Management), continues to form a key part of our environmental and waste management policy.

Tangent is pleased to confirm that again this year, no waste produced in our Newcastle facility was sent to landfill.

#### Non-financial KPI's(continued)

##### Staff retention

Tangent recognises that staff retention is an important issue for both business continuity and profitability. Tangent offers competitive salary packages and uses staff appraisal systems to identify and satisfy training needs.

To monitor retention, Tangent reviews staff turnover to identify any trends and take action as and when required.

During the year to 28 February 2015 average monthly staff turnover was 2.0% (2014: 2.1%).

# Strategic Report

## for the year ended 28 February 2015

### 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 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.
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 in revenue from one or more of these clients may impact 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 capitalise on opportunity and deliver against 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.
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 18 May 2015



## Directors' Report

### for the year ended 28 February 2015

The directors present their report and audited financial statements of the company and the group for the year ended 28 February 2015.

#### Results and dividends

The consolidated profit for the year after tax amounted to £0.21m. The directors do not recommend the payment of a dividend. 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 Trusts 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

Jamie Beaumont was appointed as a director on 15 March 2015.

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

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

#### Directors' interests

At 28 February 2015 the directors' shareholdings were as follows:

	Ordinary shares of 1p each	
	28 February 2015	28 February 2014
Kevin Cameron	1,274,230	1,274,230
Michael Green	83,158,190	83,158,190
Nicholas Green	3,730,770	3,730,770
Timothy Green	5,272,781	5,272,781
David Steyn	550,000	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 2015

### Substantial shareholdings

The directors are aware of the following shareholdings of 3% or more of the issued share capital of the company at 18 May 2015.

Beneficial holder	Ordinary shares of 1p each	% of issued Ordinary share capital
Livingbridge	31,383,077	11.2%
Unicorn Asset Management	23,696,354	8.4%
Hargreave Hale	16,323,680	5.8%
Herald Investment Management	15,546,154	5.5%
Harwood Capital	14,000,000	5.0%
Octopus Asset Management	13,116,465	4.7%

### 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, details 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 £5,500 (2014: £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 18 May 2015

## **Directors' responsibilities**

### **for the year ended 28 February 2015**

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



Timothy Green  
Director

Date 18 May 2105

# **Corporate governance statement**

## **for the year ended 28 February 2015**

### **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 2015**

### **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 function is considered necessary.



Timothy Green  
Chief Executive

Date 18 May 2015

# Remuneration report

## for the year ended 28 February 2015

### 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 100% of basic salary per year were awarded to directors in November 2012 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:

		2015	2014
	Salary	Total	Total
	£000	£000	£000
Michael Green	30	30	30
Timothy Green	173	173	165
Nicholas Green	163	163	175
Kevin Cameron	110	110	105
David Steyn	30	30	30
Nigel Kissack	30	30	15
	536	536	520

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 £17,325 (2014: £16,500) were made for Timothy Green, £16,317 (2014: £15,500) for Nicholas Green to defined contribution schemes and £2,000 (2014: £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 £nil and £2,000 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 2015 19,032,032 (2014: 20,079,920) options were held by employees under the Unapproved Scheme and 8,457,956 (2014: 8,787,956) under the EMI Scheme. In total, 27,489,988 options were held at 28 February 2015 which represents 9.8% of the issued number of shares at the date of this report.

# Remuneration report

## for the year ended 28 February 2015

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

	Exercise price	At 1 March 2014	Exercised in year	At 28 February 2015	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	1,500,000	-	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	255,234	-	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
		24,032,234	-	24,032,234	10,032,234	

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 2014	Lapsed in year	At 28 February 2015	Number vested	Expiry date
Nicholas Green	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	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
		8,193,308	-	8,193,308	8,193,308	

No phantom options were granted during the year.



**David Steyn**  
Non-executive Director

Date 18 May 2015

## Independent auditors' report to the members of Tangent Communications PLC

We have audited the financial statements of Tangent Communications PLC for the year ended 28 February 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statements of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Company Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

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 and express an opinion on the financial statements in accordance with applicable law 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 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, the information given in the Directors' Report and the Strategic 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.

  
Subarna Banerjee (Senior statutory auditor)

for and on behalf of UHY Hacker Young, Statutory Auditor  
Quadrant House  
4 Thomas More Square  
London E1W 1YW  
Date 18 May 2015



## Consolidated statement of comprehensive income for the year ended 28 February 2015

		2015	2014
	Notes	£000	£000
Revenue	5	26,249	26,503
Cost of sales		(10,822)	(10,331)
<b>Gross profit</b>		<b>15,427</b>	<b>16,172</b>
Operating expenses		(14,251)	(13,489)
Share-based payment charge	25	—	(183)
<b>Underlying operating profit</b>		<b>1,176</b>	<b>2,500</b>
Non-recurring expenses	4	(708)	(131)
<b>Operating profit</b>	6	<b>468</b>	<b>2,369</b>
Finance costs	9	(12)	(18)
<b>Profit before tax</b>		<b>456</b>	<b>2,351</b>
Tax	10	(122)	(628)
<b>Profit for the year from continuing operations</b>		<b>334</b>	<b>1,723</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	33	(122)	(25)
<b>Profit for the year – attributable to equity shareholders</b>		<b>212</b>	<b>1,698</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		—	(42)
<b>Total comprehensive income for the year</b>		<b>212</b>	<b>1,656</b>
<b>Basic earnings per share (pence)</b>	11		
From continuing operations		0.12	0.62
From discontinued operations		(0.04)	(0.01)
From profit for the year		0.08	0.61
<b>Diluted earnings per share (pence)</b>			
From continuing operations		0.12	0.60
From discontinued operations		(0.04)	(0.01)
From profit for the year		0.08	0.59

## Consolidated statement of changes in equity for the year ended 28 February 2015

	Notes	Share capital £000	Share premium £000	Own shares £000	Other Reserves £000	Retained earnings £000	Total equity £000
<b>At 28 February 2013</b>		<b>2,790</b>	<b>8,584</b>	<b>—</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>—</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>—</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>—</b>	<b>4,025</b>	<b>16,698</b>	<b>32,115</b>
<b>Comprehensive income:</b>							
Profit for the year		—	—	—	—	212	212
Other comprehensive income		—	—	—	—	—	—
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>212</b>	<b>212</b>
<b>Transactions with owners:</b>							
Dividend	12	—	—	—	—	(663)	(663)
Credit to equity for equity-settled share-based payments		—	—	—	10	—	10
Transfer on exercise of options		—	—	—	(39)	39	—
Own shares acquired in the year	27	—	—	(379)	—	—	(379)
Issue of shares	24	8	—	—	—	—	8
<b>Total transactions with owners</b>		<b>8</b>	<b>—</b>	<b>(379)</b>	<b>(29)</b>	<b>(624)</b>	<b>(1,024)</b>
<b>At 28 February 2015</b>		<b>2,813</b>	<b>8,587</b>	<b>(379)</b>	<b>3,996</b>	<b>16,286</b>	<b>31,303</b>

# Consolidated balance sheet

at 28 February 2015

	Notes	2015 £000	2014 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14	26,288	25,939
Property, plant and equipment	15	2,121	1,950
Deferred tax asset	16	141	230
		<b>28,550</b>	<b>28,119</b>
<b>Current assets</b>			
Inventories	18	414	236
Trade and other receivables	19	4,492	5,311
Cash and cash equivalents	30	1,875	3,094
		<b>6,781</b>	<b>8,641</b>
<b>Total assets</b>		<b>35,331</b>	<b>36,760</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	20	(143)	(194)
Trade and other payables	21	(3,505)	(3,590)
Current tax liabilities		(143)	(637)
Provisions for liabilities	22	(33)	(34)
		<b>(3,824)</b>	<b>(4,455)</b>
<b>Non-current liabilities</b>			
Borrowings	20	(148)	(91)
Provisions for liabilities	22	(56)	(99)
		<b>(204)</b>	<b>(190)</b>
<b>Total liabilities</b>		<b>(4,028)</b>	<b>(4,645)</b>
<b>Net assets</b>		<b>31,303</b>	<b>32,115</b>
<b>Equity</b>			
Share capital	24	2,813	2,805
Share premium	26	8,587	8,587
Own shares	27	(379)	—
Other reserves	28	3,996	4,025
Retained earnings		16,286	16,698
<b>Total equity attributable to equity shareholders of the company</b>		<b>31,303</b>	<b>32,115</b>

These financial statements were approved by the Board of directors on 18 May 2015 and were signed on its behalf by:

 Kevin Cameron

Director



Timothy Green

Director

Registered number: 03867805

**Tangent Communications PLC**  
Annual report and accounts 2015

## Consolidated statement of cash flows

for the year ended 28 February 2015

	Notes	2015 £000	2014 £000
<b>Cash from operations</b>			
Cash generated from operations	29	1,861	2,932
Interest paid		(12)	(18)
Tax paid		(527)	(633)
<b>Net cash inflow from operating activities</b>		<b>1,322</b>	<b>2,281</b>
<b>Investing activities</b>			
Disposal of subsidiary	33	(22)	—
Development of software	14	(644)	(563)
Purchase of property, plant and equipment	15	(847)	(527)
Sale of property, plant and equipment	15	—	29
<b>Net cash used in investing activities</b>		<b>(1,513)</b>	<b>(1,061)</b>
<b>Financing activities</b>			
Dividends paid	12	(663)	(558)
Purchase of own shares	27	(379)	—
Repayment of borrowings		(210)	(186)
New finance leases raised		216	—
Proceeds on issue of shares (net of costs)	24	8	18
<b>Net cash outflow from financing activities</b>		<b>(1,028)</b>	<b>(726)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(1,219)</b>	<b>494</b>
Cash and cash equivalents at beginning of year		3,094	2,642
Effect of foreign exchange rate changes		—	(42)
<b>Cash and cash equivalents at end of year</b>	30	<b>1,875</b>	<b>3,094</b>

## Company statement of changes in equity for the year ended 28 February 2015

	Notes	Share capital £000	Share premium £000	Own shares £000	Other reserves £000	Retained earnings £000	Total Equity £000
<b>At 29 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
<b>Comprehensive income:</b>							
Loss for the year		—	—	—	—	(410)	(410)
<b>Total comprehensive income</b>		—	—	—	—	(410)	(410)
<b>Transactions with owners:</b>							
Equity dividend	12	—	—	—	—	(663)	(663)
Credit to equity for equity-settled share-based payments		—	—	—	10	—	10
Transfer on exercise of options		—	—	—	(39)	39	—
Own shares acquired in the year	27	—	—	(379)	—	—	(379)
Issue of shares	24	8	—	—	—	—	8
<b>Total transactions with owners</b>		8	—	(379)	(29)	(624)	(1,024)
<b>At 28 February 2015</b>		2,813	8,587	(379)	2,835	4,800	18,656

# Company balance sheet

at 28 February 2015

	Notes	2015 £000	2014 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	17	30,406	30,406
Property, plant and equipment	15	13	3
Deferred tax asset	16	135	135
		<b>30,554</b>	<b>30,544</b>
<b>Current assets</b>			
Trade and other receivables	19	62	393
Cash and cash equivalents	30	—	442
		<b>62</b>	<b>835</b>
<b>Total assets</b>		<b>30,616</b>	<b>31,379</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	(11,960)	(11,289)
<b>Total liabilities</b>		<b>(11,960)</b>	<b>(11,289)</b>
<b>Net assets</b>		<b>18,656</b>	<b>20,090</b>
<b>Equity</b>			
Share capital	24	2,813	2,805
Share premium	26	8,587	8,587
Own shares	27	(379)	—
Other reserves	28	2,835	2,864
Retained earnings		4,800	5,834
<b>Total equity attributable to equity shareholders of the company</b>		<b>18,656</b>	<b>20,090</b>

These financial statements were approved by the Board of directors on 18 May 2015 and were signed on its behalf by:



Kevin Cameron



Timothy Green

Director

Director

Registered number: 03967805

## Company statement of cash flows

for the year ended 28 February 2015

	Note	2015 £000	2014 £000
<b>Cash from operations</b>			
Cash generated/(used in) from operations	29	605	(273)
<b>Net cash from operating activities</b>		<b>605</b>	<b>(273)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	(13)	—
<b>Net cash used in investing activities</b>		<b>(13)</b>	<b>—</b>
<b>Financing activities</b>			
Dividends paid	12	(663)	(558)
Purchase of own shares	27	(379)	—
Proceeds on issue of shares	24	8	18
<b>Net cash outflow from financing activities</b>		<b>(1,034)</b>	<b>(540)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(442)</b>	<b>(813)</b>
Cash and cash equivalents at beginning of year		442	1,255
<b>Cash and cash equivalents at end of year</b>	30	<b>—</b>	<b>442</b>

# Notes to the financial statements

## for the year ended 28 February 2015

### 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.

### 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 2015. 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 2015

### 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 five 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 seven 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 2015

### **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 uncollectable, 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.

### **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.

# Notes to the financial statements

## for the year ended 28 February 2015

### 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.

### 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.

# Notes to the financial statements

## for the year ended 28 February 2015

### 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:-

		Effective date
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
IFRS 11	Joint Arrangements	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
IAS 28	Investments in Associates and Joint Ventures (2011)	1 January 2014

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 2018

Tangent has not early adopted this amended standard.

The directors do not currently believe that the adoption of this standard will have a material impact on Tangent's financial statements in the periods of its initial application.

# Notes to the financial statements

## for the year ended 28 February 2015

### 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, the board reviewed the operational and management structure of all business segments. That review resulted in a reduction in headcount, restructuring and employment termination costs. In addition, Tangent moved its London head offices, resulting in one off relocation costs. These costs 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	589
Relocation expenses	119
	<hr/> 708 <hr/>

### 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.

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

*Agency* - 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.

# Notes to the financial statements

## for the year ended 28 February 2015

### 5. Segment Information (continued)

The segment results for the year ended 28 February 2015 were as follows:

	Agency	Online	PLC	Total
	£000	£000	£000	£000
Revenue	9,293	17,611	—	26,904
Less inter segment sales	(234)	(421)	—	(655)
Revenues from external customers	9,059	17,190	—	26,249
<b>Results</b>				
Underlying operating profit	687	899	(410)	1,176
Non-recurring costs	(263)	(445)	—	(708)
Profit from operations	424	454	(410)	468
Net finance costs				(12)
Profit before tax				456
Income tax expense				(122)
Loss for the year from discontinued activities				(122)
Profit for the year				212
<b>Other segment information</b>				
	Agency	Online	PLC	Total
	£000	£000	£000	£000
Depreciation	427	241	3	671
Amortisation	241	54	—	295

### 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 segment's revenue for the year were as follows:

Customer one 23%

Customer two 16%

# Notes to the financial statements

## for the year ended 28 February 2015

### 5. Segment Information (continued)

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

	Agency	Online	PLC	Total
	£000	£000	£000	£000
Revenue	10,786	16,488	—	27,274
Less inter segment sales	(223)	(548)	—	(771)
Revenues from external customers	10,563	15,940	—	26,503
<b>Results</b>				
Underlying operating profit	1,209	1,801	(510)	2,500
Restructuring costs	(131)	—	—	(131)
Profit from operations	1,078	1,801	(510)	2,369
Net finance costs				(18)
Profit before tax				2,351
Income tax expense				(628)
Loss for the year from discontinued operations				(25)
Profit for the year				1,698

	Agency	Online	PLC	Total
	£000	£000	£000	£000
<b>Other segment information</b>				
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 segment's revenue for the year were as follows:

Customer one	15%
Customer two	11%

### Geographical information

	2015	2014
	£000	£000
<b>Revenues from external customers</b>		
United Kingdom	24,032	23,226
Europe	2,167	3,151
Other countries	50	126
	26,249	26,503
<b>Non-current assets</b>		
United Kingdom	28,550	28,114
Australia	—	5
	28,550	28,119

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 2015

### 6. Operating profit

The operating profit includes the following costs:

		2015	2014
	Notes	£000	£000
Employee benefits	8	10,626	9,989
Direct purchases for goods and services provided		6,996	6,382
Depreciation and amortisation		966	953
Other expenses		6,485	6,679
Non-recurring expenses	4	708	131
		<b>25,781</b>	<b>24,134</b>

### 7. Auditors' remuneration

	2015	2014
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual Financial Statements	60	60
Tax services	10	15
Other services	12	18
	<b>82</b>	<b>93</b>

The other services were £12,000 (2014: £14,000) for reviewing the group half year accounts and £nil for consultancy services (2014: £4,000).

### 8. Employee information

		2015	2014
	Note	£000	£000
Wages and salaries		9,462	8,795
Social security costs		1,046	915
Pension contributions		118	96
Share-based payment charge	25	—	183
		<b>10,626</b>	<b>9,989</b>

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

	2015	2014
	Number	Number
London	159	133
Newcastle	126	122
Cheltenham	9	13
	<b>294</b>	<b>268</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 2015

### 9. Finance costs

	2015	2014
	£000	£000
Finance leases charges	12	18

### 10. Taxation

	2015	2014
	£000	£000
Current income tax:		
UK corporation tax	42	621
Adjustment in respect of prior years	(9)	4
Total current income tax charge	33	625
Deferred taxation:		
Origination of temporary differences	80	3
Adjustment in respect of prior years	9	—
Total deferred tax charge	89	3
Tax charge in the consolidated statement of comprehensive income	122	628

UK corporation tax is calculated at 21% (2014: 23%) of the estimated assessable profit for the period.

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

	2015	2014
	£000	£000
Profit before tax	456	2,351
Tax at the weighted average tax rate of 21% (2014: 23%)	96	541
Tax effects of:		
Expenditure not deductible for tax purposes	38	77
Other adjustments	(12)	10
Tax charge for the year	122	628

The group has tax losses available to carry forward against future profits amounting to £229,000 (2014: £229,000).

### 11. Earnings per share

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

	2015	2014
	£000	£000
Profit from continuing operations attributable to shareholders	334	1,723
Loss from discontinued operations attributable to shareholders	(122)	(25)
Profit attributable to shareholders	212	1,698

## Notes to the financial statements for the year ended 28 February 2015

### 11. Earnings per share (continued)

	2015	2014
	Number	Number
	000	000
<b>Weighted average number of shares:</b>		
For basic earnings per share	277,062	278,341
Adjustment for options outstanding	8,176	8,902
For diluted earnings per share	285,238	287,243
	Pence per Share	Pence per Share
<b>Earnings per share:</b>		
<b>Basic (pence)</b>		
From continuing operations	0.12	0.62
From discontinued operations	(0.04)	(0.01)
From profit for the year	0.08	0.61
<b>Diluted (pence)</b>		
From continuing operations	0.12	0.60
From discontinued operations	(0.04)	(0.01)
From profit for the year	0.08	0.59

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

	2015	2014
	£000	£000
Recommended final dividend for the year of nil (2014: 0.24p) per share	—	671

The Directors do not recommend a final dividend in respect of the year ending 28 February 2015.

	2015	2014
	£000	£000
Final dividend paid for the year of 0.24p (2014: 0.2p) per share	663	558

### 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 £410,000 (2014: £421,000) has been included in the consolidated statement of comprehensive income.

## Notes to the financial statements for the year ended 28 February 2015

### 14. Intangible assets

	Goodwill	Software assets	Other intangible assets	Total
Group	£000	£000	£000	£000
<b>Cost</b>				
At 1 March 2013	24,801	810	117	25,728
Additions	—	563	—	563
At 28 February 2014	24,801	1,373	117	26,291
Additions	—	644	—	644
<b>At 28 February 2015</b>	<b>24,801</b>	<b>2,017</b>	<b>117</b>	<b>26,935</b>
<b>Amortisation and impairment</b>				
At 1 March 2013	—	33	117	150
Amortisation during the year	—	202	—	202
At 28 February 2014	—	235	117	352
Amortisation during the year	—	295	—	295
<b>At 28 February 2015</b>	<b>—</b>	<b>530</b>	<b>117</b>	<b>647</b>
<b>Net book value</b>				
<b>At 28 February 2015</b>	<b>24,801</b>	<b>1,487</b>	<b>—</b>	<b>26,288</b>
At 28 February 2014	24,801	1,138	—	25,939

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* and *Ravensworth*; and

##### Agency

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% (2014: 3%).

# Notes to the financial statements

## for the year ended 28 February 2015

### 14. Intangible assets (continued)

The rate used to discount forecast future cash flows for both business segments is 8.5% (2014: 10%).

In 2015, no impairment charge has been made against goodwill for either CGU (2014: £nil). Headroom in the *Online* CGU is £6.96 million and £4.11million 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 11.4% to remove the headroom in the *Online* CGU and to 10.5% to remove the headroom in the *Agency* CGU.
- Removing the long term growth rate for the *Online* CGU does not result in any impairment and the rate would need to fall below 0.3% to create any impairment in the *Agency* CGU.
- Cash flows over the next five years would need to reduce by 34% to remove the headroom in the *Online* CGU and by 26% 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 2013	718	5,789	6,507
Exchange difference	—	(5)	(5)
Additions	29	498	527
Disposals	—	(88)	(88)
At 28 February 2014	747	6,194	6,941
Additions	280	567	847
Disposals	(241)	(755)	(996)
<b>At 28 February 2015</b>	<b>786</b>	<b>6,006</b>	<b>6,792</b>
<b>Depreciation</b>			
At 1 March 2013	382	3,937	4,319
Exchange difference	—	(3)	(3)
Charge for the year	61	690	751
Disposals	—	(76)	(76)
At 28 February 2014	443	4,548	4,991
Charge for the year	62	609	671
Disposals	(241)	(750)	(991)
<b>At 28 February 2015</b>	<b>264</b>	<b>4,407</b>	<b>4,671</b>
<b>Net book value</b>			
<b>At 28 February 2015</b>	<b>522</b>	<b>1,599</b>	<b>2,121</b>
At 29 February 2014	304	1,646	1,950

Included within net book value of plant and equipment is £446,000 (2014: £397,000) in respect of assets held under finance leases. Included within the depreciation charge for the year is £68,000 (2014: £212,000) in respect of assets held under finance leases.

# Notes to the financial statements

## for the year ended 28 February 2015

### 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 2013	4	2	6
Additions	—	—	—
At 28 February 2014	4	2	6
Additions	—	13	13
<b>At 28 February 2015</b>	<b>4</b>	<b>15</b>	<b>19</b>
<b>Depreciation</b>			
At 1 March 2013	1	2	3
Charge for the year	—	—	—
At 28 February 2014	1	2	3
Charge for the year	3	—	3
<b>At 28 February 2015</b>	<b>4</b>	<b>2</b>	<b>6</b>
<b>Net book value</b>			
<b>At 28 February 2015</b>	<b>—</b>	<b>13</b>	<b>13</b>
At 29 February 2014	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	
	2015	2014	2015	2014
	£000	£000	£000	£000
At 1 March	230	233	135	118
Movement in the year arising from:				
Accelerated capital allowances	(89)	(20)	—	—
Other short term timing differences	—	17	—	17
<b>At 28 February</b>	<b>141</b>	<b>230</b>	<b>135</b>	<b>135</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 (2014: £229,000) available for offset against suitable future profits.

# Notes to the financial statements

## for the year ended 28 February 2015

### 17. Investments in subsidiaries

	2015	2014
Company	£000	£000
<b>Cost</b>		
At 1 March	30,670	30,670
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 8.5% (2014: 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%
Goodprint UK Limited	Online retail	100%

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

#### ***Joint Ventures***

In addition to the above subsidiaries the company holds 50% of the issued share capital of Zui Limited, a company registered in England. Zui recorded a loss of £nil for the year ended 28 February 2015 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	
	2015	2014	2015	2014
	£000	£000	£000	£000
Work in progress	85	—	—	—
Consumables	329	236	—	—
Consumables	414	236	—	—

# Notes to the financial statements

## for the year ended 28 February 2015

### 19. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade receivables	3,544	4,398	—	4
Allowance for doubtful debts	(141)	(204)	—	—
	3,403	4,194	—	4
Other receivables	243	181	7	13
Owed by group companies	—	—	—	330
Prepayments and accrued income	846	936	55	46
	4,492	5,311	62	393

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 £141,000 has been included at the year end, the movement in that provision is as follows:

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Balance at the beginning of the year	204	230	—	—
Impairment losses recognised on receivables	44	19	—	—
Amounts written off during the year as uncollectable	(107)	(45)	—	—
Balance at the end of the year	141	204	—	—

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	
	2015	2014	2015	2014
	£000	£000	£000	£000
Current	2,317	3,192	—	4
Overdue by less than 30 days	590	419	—	—
30-60 days overdue	151	268	—	—
60-90 days overdue	197	169	—	—
More than 90 days overdue	148	146	—	—
Balance at the end of the year	3,403	4,194	—	4

## Notes to the financial statements for the year ended 28 February 2015

### 20. Borrowings

Group borrowings comprise finance leases with repayments due as follows:

	Minimum lease Payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	£000	£000	£000	£000
Within one year	152	203	143	194
After one but not more than five years	156	93	148	91
	308	296	291	285
Less finance charges allocated to future years	(17)	(11)	—	—
Present value of finance lease borrowings	291	285	291	285

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 2015 the effective borrowing rate was 4% (2014: 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	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade payables	1,822	1,437	105	35
Other taxes and social security	679	744	16	26
Other creditors	11	20	12	4
Accruals	993	1,389	41	75
Owed to group companies	—	—	11,786	11,149
	3,505	3,590	11,960	11,289

Trade payables and accruals principally comprise amounts outstanding for trade purchase and ongoing costs. The average credit period taken to pay trade purchase is 43 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 2015

### 22. Provisions for liabilities

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
At 1 March	133	180	—	—
Settled in the year	(44)	(47)	—	—
<b>At 28 February</b>	<b>89</b>	<b>133</b>	<b>—</b>	<b>—</b>
Current	33	34	—	—
Non-current	56	99	—	—
	<b>89</b>	<b>133</b>	<b>—</b>	<b>—</b>

The provisions for liabilities of £89,000 at 28 February 2015 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	
	2015 £000	2014 £000	2015 £000	2014 £000
Australian dollars	63	90	—	—
American dollars	1	—	—	—
Euros	165	391	—	—
	<b>229</b>	<b>481</b>	<b>—</b>	<b>—</b>

#### **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.

# Notes to the financial statements

## for the year ended 28 February 2015

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

#### 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	Floating rate financial assets	Fixed rate Financial Liabilities	Floating rate financial assets
	2015	2015	2014	2014
	£000	£000	£000	£000
Cash balances	—	1,875	—	3,094
Finance leases	(291)	—	(285)	—
	(291)	1,875	(285)	3,094

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	
	2015	2014	2015	2014
	000	000	£000	£000
<b>Allotted and fully paid</b>				
At 1 March	280,313	278,813	2,805	2,790
Issued in the year	954	1,500	8	15
<b>At 28 February</b>	<b>281,267</b>	<b>280,313</b>	<b>2,813</b>	<b>2,805</b>

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 2015 the number of shares in issue was 281,267,536 and at the date of this report 281,267,536 were in issue.

## Notes to the financial statements

### for the year ended 28 February 2015

#### 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:

	2015		2014	
	Number	WAEP	Number	WAEP
	000	Pence	000	Pence
At 1 March	28,868	1.93	28,744	2.22
Lapsed	(423)	(0.03)	(1,554)	(0.41)
Exercised	(955)	(0.15)	(1,500)	(0.06)
Granted	—	—	3,178	0.11
At 28 February	27,490	1.75	28,868	1.84
Exercisable at 28 February	13,490		14,868	

For the share options outstanding at 28 February 2015 exercise prices ranged between nil and 13.25p per share and the weighted average remaining contractual life was 4.88 years.

#### Fair values

The total share-based payment charge for the year, calculated in accordance with IFRS 2 'Share-based Payments' was £nil (2014: £183,000).

#### 26. Share premium account

	£000
Balance at 1 March 2013	8,584
Premium arising on the issue of equity shares	3
Balance at 28 February 2014	8,587
<b>Balance at 28 February 2015</b>	<b>8,587</b>

#### 27. Own shares

	£000
Acquired during the year	379
<b>Balance at 28 February 2015</b>	<b>379</b>

The own shares reserve represents the cost of shares in Tangent Communications PLC purchased in the market and held in treasury. The number of ordinary shares held in treasury by the company at 28 February 2015 was 3,945,000.

# Notes to the financial statements

## for the year ended 28 February 2015

### 28. Other reserves

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
ESOP reserve	(3)	(3)	(3)	(3)
Share-based payments reserve	1,464	1,493	1,464	1,493
Merger reserve	1,374	1,374	1,374	1,374
Restructure reserve	1,161	1,161	—	—
	<b>3,996</b>	<b>4,025</b>	<b>2,835</b>	<b>2,864</b>

The ESOP reserve represents the cost of Tangent shares held by the employee share ownership trust. At 28 February 2015 the employee share ownership trust held a total of 928,340 (2014: 1,428,340) ordinary shares, with a market value of £30,000 (2014: £132,000).

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.

### 29. Cash generated from operations

	2015	2014
Group	£000	£000
Profit before tax for the year	212	1,698
Income tax expense	122	628
Depreciation and amortisation of non-current assets	966	953
Loss on disposal of discontinued activities	57	—
Profit on sale of plant and equipment	—	(17)
Net interest charge	12	18
Share-based payment charge	10	183
	<b>1,379</b>	<b>3,463</b>
Movements in working capital		
Increase in inventories	(178)	(9)
Decrease/(increase) in receivables	748	(113)
Decrease in payables and provisions	(88)	(409)
Cash generated from operations	<b>1,861</b>	<b>2,932</b>

# Notes to the financial statements

## for the year ended 28 February 2015

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

	2015	2014
Company	£000	£000
Operating loss for the year	(410)	(438)
Depreciation and amortisation of non-current assets	3	—
Share-based payment charge	10	89
Decrease/(Increase) in trade and other receivables	331	(103)
Increase in trade and other payables	671	179
Cash generated/(used in) operations	605	(273)

### 30. 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 2015.

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Cash at bank and in hand	1,875	3,094	—	442

### 31. Operating lease commitments

	2015	2014
	£000	£000
Minimum lease payments under operating leases recognised as an expense in the year	666	526

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

	2015	2014
	£000	£000
Within one year	42	37
After one but not more than five years	33	33
	75	70

#### Land and building leases

	2015	2014
	£000	£000
Within one year	656	350
After one but not more than five years	2,266	698
After five years	1,126	828
	4,048	1,876

# Notes to the financial statements

## for the year ended 28 February 2015

### 32. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

#### 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. Director's emoluments are set out in the remuneration report on pages 13 to 14.

#### Trading Transactions

During the year the group paid £15,000 in rent to a company controlled by Michael Green, there was no outstanding balance at the balance sheet date.

During the year the group sold goods and services to Nails Inc. Limited, all transactions were considered to be on an arms-length basis. Nails Inc. Limited is deemed to be a related party by virtue of Michael Green's common interest in both entities.

The value of the transactions and balance outstanding at the year-end is detailed below.

	Amounts owed by related party		Sale of good and services	
	2015	2014	2015	2014
	£000	£000	£000	£000
Nails Inc Limited	222	47	496	306

### 33. Disposal of subsidiary

On 12 March 2014 Tangent completed the disposal of 81% of the issued share capital in Tangent Snowball PTY Limited. It is the group's intention to retain the remaining 19%, the cost of which has been reclassified under investments and amounts to less than £1,000. The results of Tangent Snowball PTY Limited have not been included in the consolidated statement of comprehensive income for the year to 28 February 2015 and the net assets of the subsidiary as at 1 March 2014, the date from which control changed, were as follow:-

	2015
	£000
Property, plant and equipment	5
Trade receivables	71
Bank and cash balances	22
Trade payables	(41)
	57
Loss on disposals	(57)
Total consideration	—

Cash and cash equivalents disposed of	(22)
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The loss from discontinued operations was composed as follow:-

	2015	2014
	£000	£000
Loss on disposal of subsidiary	(57)	—
Fees and expenses attributable to the disposal	(65)	—
Trading losses attributable to discontinued operations	—	(25)
Cash used in operations	(122)	(25)