TANDEM GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2009

Chairman's statement

Revenue for the year ended 31 January 2009 was £35,161,000 compared to £34,878,000 last year. There was a profit before goodwill impairment and taxation of £1,018,000 compared to £1,121,000 last year. Profit after goodwill impairment and before taxation was £593,000 (2008: £1,105,000).

Operations

In the second half of the year revenue was 1.9% up on the same period in the previous year. We stated in the interim report that a large amount of the Group's purchases are paid for in US dollars. The rate of exchange in the second half of the year was approximately 19% below the comparable period in the previous year. Increases in commodity prices and labour costs in Asia, alongside the additional currency expense resulted in the improved margin in the first half being eroded to a reduction of 0.7% for the full year.

With the poor weather in the summer and the uncertain economic climate, the performance in the year was encouraging.

Bicycles and accessories

Revenue in our bicycles and accessories businesses of £19,763,000 was 5.8% ahead of £18,675,000 last year. As a result of the pressure on margins, the operating profit before goodwill impairment reduced by 3.7% to £1,148,000 (2008: £1,192,000).

In view of a forecast decline in the bicycle accessories business the goodwill relating to that activity has been impaired by £425,000.

The Group continues to be a leading supplier of cycles in the UK with its established brands including Claud Butler, Dawes, and Falcon. Our UK based product development team continues to design and develop new ranges of bicycles to maintain our position at the forefront of the industry. During the year BMX and off road bikes under the brands Scorpion, Dirty and Barrosa were successfully launched.

Sports, leisure and toys

Revenue from our sports, leisure and toys businesses was 5.0% down on last year at £15,398,000 (2008: £16,203,000). Operating profit was £808,000 (2008: £800,000).

The Ben 10 and In The Night Garden licensed products performed well. Sales of Hedstrom outdoor play equipment were down on the previous year as national retailers switched to cheaper own label products.

Our product development team continues to work on new products and licences.

Improvements to shareholder value

Cancellation of the parent company's share premium account was completed on 18 August 2008. This enabled the Company to purchase 1,600,000 of its own shares on 20 August 2008. The Company will seek the authority from shareholders at the AGM to be held on 25 June 2009 to purchase more of its own shares. The Company would only exercise the authority if the effect of doing so would be to increase the earnings per share of the remaining shareholders and be in the best interests of shareholders generally. In addition, in exercising such authority, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

A large number of shareholders own a small number of shares, which they find uneconomical to sell. We are therefore offering shareholders holding 1,000 shares or less the opportunity, for a limited period, to sell their shares without any dealing costs. They will also be offered the opportunity to purchase more shares. Decreasing the number of small shareholders will reduce the administration costs of the Company. Further details of the offer will be sent to the relevant shareholders shortly.

Pensions

The Group operates two pension schemes that have defined benefit liabilities. Both of these schemes have no active members and are closed to new members. Despite this, these schemes continue to utilise cash resources and management time as government legislation and actuarial views change. During the year £216,000 was paid into the schemes to reduce the deficits in the funding and over £50,000 was paid out in government levies and administration costs.

As a result of a fall in the value of investments and a change in the Actuary's mortality assumptions, the net surplus in the schemes of £425,000 as at 31 January 2008 changed to a deficit of £964,000 as at 31 January 2009.

Employees

We wish to thank all management and employees for their contribution in maintaining the Group's profitability in difficult times. The established team of management and staff have the skills required to take the business forward.

Summary

In last year's annual report we forecast that the year ahead would be challenging. We came through the year with an increase in turnover and although we were faced with rising costs we held a tight control of operating expenses limiting the increase, before goodwill impairment, to less than 1%.

Trading conditions continue to be demanding but every effort will be made to maintain a level of profitability, generate cash and increase shareholder value.

Graham Waldron
Chairman
6 May 2009

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Consolidated income statement

	Note	Year ended 31 January 2009			Year ended 31 January 2008		
		Before goodwill impairment £'000	**Goodwill impairment £'000**	**After goodwill impairment £'000**	Before goodwill impairment £'000	Goodwill impairment £'000	After goodwill impairment £'000
Revenue	3	**35,161**	**—**	**35,161**	34,878	—	34,878
Cost of sales		**(24,193)**	**—**	**(24,193)**	(23,753)	—	(23,753)
Gross profit		**10,968**	**—**	**10,968**	11,125	—	11,125
Operating expenses		**(9,842)**	**(425)**	**(10,267)**	(9,757)	(16)	(9,773)
Operating profit		**1,126**	**(425)**	**701**	1,368	(16)	1,352
Finance costs		**(173)**	**—**	**(173)**	(280)	—	(280)
Finance income		**65**	**—**	**65**	33	—	33
Profit before taxation		**1,018**	**(425)**	**593**	1,121	(16)	1,105
Tax expense		**(278)**	**—**	**(278)**	—	—	—
Net profit for the year		**740**	**(425)**	**315**	1,121	(16)	1,105
Earnings per share	4			**Pence**			Pence
Basic				**0.85**			2.94
Diluted				**0.85**			2.91

All figures relate to continuing operations.

Consolidated balance sheet

At 31 January 2009

	2009	2008
	£'000	£'000
Non current assets		
Goodwill	**2,236**	2,661
Property, plant and equipment	**488**	510
Deferred taxation	**1,009**	970
Pension scheme surplus	**—**	264
	3,733	4,405
Current assets		
Inventories	**7,583**	5,582
Trade and other receivables	**5,786**	5,556
Cash and cash equivalents	**2,121**	2,389
	15,490	13,527
Total assets	**19,223**	17,932
Current liabilities		
Trade and other payables	**(8,536)**	(7,792)
Financial liabilities	**(2,589)**	(2,300)
Current tax liabilities	**(276)**	(326)
	(11,401)	(10,418)
Non current liabilities		
Pension schemes' deficits	**(964)**	(546)
Deferred taxation	**—**	(74)
	(964)	(620)
Total liabilities	**(12,365)**	(11,038)
Net assets	**6,858**	6,894
Equity		
Share capital	**1,503**	1,503
Shares held in treasury	**(64)**	—
Share premium	**—**	5,258
Other reserves	**3,009**	2,426
Profit and loss account	**2,410**	(2,293)
Total equity	**6,858**	6,894

Consolidated statement of recognised income and expense

	Year ended 31 January 2009	Year ended 31 January 2008
	£'000	£'000
Foreign exchange differences on translation of overseas assets	**583**	(5)
Actuarial (loss)/gain on pension schemes	**(938)**	1,281
Movement in pension schemes' deferred tax provision	**191**	(562)
Net (expense)/income recognised directly in equity	**(164)**	714
Net profit for the year	**315**	1,105
Total recognised income and expense	**151**	1,819

Consolidated cash flow statement

	Year ended 31 January 2009	Year ended 31 January 2008
	£'000	£'000
Cash flows from operating activities		
Net profit for the year	**315**	1,105
Adjustments:		
Depreciation of property, plant and equipment	**186**	152
Goodwill impairment	**425**	16
Loss/(profit) on sale of property, plant and equipment	**1**	(11)
Finance cost	**173**	280
Finance income	**(65)**	(33)
Taxation paid	**(133)**	(89)
Tax expense	**278**	—
Share based payments	**16**	13
Fair value adjustments of forward contracts	**(394)**	(42)
Net cash inflow from operating activities before movements in working capital	**802**	1,391
(Increase)/decrease in inventories	**(2,001)**	94
Decrease/(increase) in trade and other receivables	**242**	(225)
Increase in trade and other payables	**333**	1,203
Cash (utilised)/generated from operations	**(624)**	2,463
Cash flows from investing activities		
Purchases of property, plant and equipment	**(168)**	(259)
Sale of property, plant and equipment	**8**	11
Net cash used in investing activities	**(160)**	(248)
Cash flows from financing activities		
Increase/(decrease) in invoice financing	**289**	(115)
Interest paid	**(147)**	(257)
Payment to acquire own shares	**(203)**	—
Net cash used in financing activities	**(61)**	(372)
Net (decrease)/increase in cash and cash equivalents	**(845)**	1,843
Cash and cash equivalents at beginning of year	**2,389**	551
Effect of foreign exchange rate changes	**577**	(5)
Cash and cash equivalents at end of year	**2,121**	2,389

Notes to the preliminary results

1. General information

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The consolidated income statement, the consolidated balance sheet at 31 January 2009, the consolidated statement of recognised income and expense, the consolidated cash flow statement and the associated notes for the year then ended have been extracted from the Group's financial statements upon which the auditor’s opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985. The statutory accounts for the year ended 31 January 2009 will be delivered to the Registrar of Companies following the Group’s Annual General Meeting.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the IFRS as issued by the International Accounting Standards Board.

The key areas of estimation uncertainty and judgment in the financial statements are as detailed below:

Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows.

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Inventory

The Group reviews the net realisable value of and demand for its inventory on an ongoing basis to ensure recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices are the timing and success of future technological innovations, competitor actions, suppliers prices and economic trends. If total inventory losses differ, the Group’s consolidated net income in the year would have improved or declined, depending upon whether the actual results were better or worse than expected.

Bad debt provision

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels. The recovery of certain debts is dependent on the individual circumstances of customers. There are a number of debts which remain outstanding past their due date, which the Directors believe to be recoverable.

Deferred tax assets

In determining the deferred tax asset to be recognised the Directors carefully review the recoverability of these assets on a prudent basis and reach a judgement based on the best available information. Estimates and judgements used in the financial statements are based on historical experience and other assumptions that the Directors and management consider reasonable and are consistent with the Group’s latest budgeted forecasts where applicable. Judgements are based on the information available at each balance sheet date. Although these estimates are based on the best information available to the Directors, actual results may ultimately differ from those estimates.

3. **Segmental reporting**

For management purposes the Group is organised into two operating segments. The revenues, results and net assets for these segments are shown below:

(a) By business segment

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
Year ended 31 January 2009			
Revenue	**19,763**	**15,398**	**35,161**
Segment result before goodwill impairment	**1,148**	**808**	**1,956**
Goodwill impairment	**(425)**	**—**	**(425)**
Segment result after goodwill impairment	**723**	**808**	**1,531**
Unallocated corporate expenses			**(830)**
Operating profit			**701**
Finance costs			**(173)**
Finance income			**65**
Profit before taxation			**593**
Tax expense			**(278)**
Net profit for the year			**315**
Segment assets	**12,123**	**4,227**	**16,350**
Unallocated assets			**3,616**
			19,966
Segment liabilities	**(8,963)**	**(2,625)**	**(11,588)**
Unallocated liabilities			**(1,520)**
			(13,108)
Consolidated net assets			**6,858**
Capital additions	**33**	**135**	**168**
Depreciation and goodwill impairment	**480**	**131**	**611**
Year ended 31 January 2008			
Revenue	18,675	16,203	34,878
Segment result before goodwill impairment	1,192	800	1,992
Goodwill impairment	(16)	—	(16)
Segment result after goodwill impairment	1,176	800	1,976
Unallocated corporate expenses			(624)
Operating profit			1,352
Finance costs			(280)
Finance income			33
Profit before taxation			1,105
Tax expense			—
Net profit for the year			1,105
Segment assets	8,923	4,818	13,741
Unallocated assets			5,346
			19,087
Segment liabilities	(6,506)	(4,294)	(10,800)
Unallocated liabilities			(1,393)
			(12,193)
Consolidated net assets			6,894
Capital additions	157	102	259
Depreciation and goodwill impairment	84	84	168

(b) By geographical segment

	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Year ended 31 January 2009				
Revenue	**33,397**	**1,432**	**332**	**35,161**
Assets	**16,891**	**—**	**3,075**	**19,966**
Liabilities	**(12,223)**	**—**	**(885)**	**(13,108)**
Net assets	**4,668**	**—**	**2,190**	**6,858**
Capital additions	**168**	**—**	**—**	**168**
Year ended 31 January 2008				
Revenue	32,425	1,748	705	34,878
Assets	16,902	—	2,185	19,087
Liabilities	(11,028)	—	(1,165)	(12,193)
Net assets	5,874	—	1,020	6,894
Capital additions	259	—	—	259

4. Earnings per share

The calculation of earnings per share is based on the net profit and ordinary shares in issue during the year as follows:

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Net profit for the year	**315**	1,105
Weighted average shares in issue used for basic earnings per share	**36,865,508**	37,584,412
Weighted average dilutive shares under option	**178,394**	419,304
Average number of shares used for diluted earnings per share	**37,043,902**	38,003,716
	Pence	Pence
Basic earnings per share	**0.85**	2.94
Diluted earnings per share	**0.85**	2.91

5. Dividend

No dividend on the ordinary shares is being proposed (2008 - £nil).

6. Annual report and accounts

The annual report and accounts will be posted to shareholders shortly and will be available on the Company's website, www.tandemgroup.co.uk.

7. Annual General Meeting

The Annual General Meeting will be held at 11:00 a.m. on 25 June 2009 at 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.