TANDEM GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2010

Chairman's statement

I am pleased to present our results for the year ended 31 January 2010.

When we started the financial year in February 2009, trading conditions were difficult in an uncertain economic climate. Retailers were unsure of demand and consequently were de-stocking some product lines and buying others cautiously. The trend towards direct deliveries ("FOB" sales) to our customers arranged by our Hong Kong office, which exclude distribution costs, continued. This has the effect of reducing revenue for the same quantities sold. Despite these factors, we continued to follow our strategy of maintaining profitability, to reduce borrowings and to strengthen the balance sheet. I am therefore pleased to report that revenue for the year ended 31 January 2010 increased 1.5% to £35,678,000 from £35,161,000 in the prior year. There was a profit before goodwill impairment and taxation of £1,023,000 compared to £1,018,000 last year. Profit after goodwill impairment and before taxation was £1,023,000 (2009 - £593,000).

Basic earnings per share was 17.67p per share compared with 5.34p last year, after adjusting for the share capital reorganisation that took place in September 2009.

The balance sheet continues to strengthen with cash less invoice finance liability as at 31 January 2010 being £1,190,000, an improvement of £1,658,000 over the previous year.

We do not propose to pay a dividend but will keep the position under review.

Further details of the operational activities can be found in the Business review below.

Share capital reorganisation
The share capital reorganisation was approved by shareholders at a General Meeting held on 24 September 2009. Before the reorganisation the Company had approximately 17,500 shareholders, a large proportion owning a small number of shares that would be uneconomic to sell. As part of the reorganisation small shareholders were able to receive cash for their shares without incurring dealing costs. The Company was also able to purchase 263,080 of its own shares and hold them in treasury, taking the total shares held in treasury to 519,080. Following the reorganisation we had fewer than 5,000 shareholders. We estimate this will save nearly £50,000 per annum in administration costs.

We will be sending out a letter in May to small shareholders giving them the chance to sell their shares without dealing costs.

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 £191,000 was paid into the schemes to reduce the deficits in the funding and over £76,000 was paid out in government levies and administration costs. Despite a rise in the value of investments, changes in the Actuary's mortality assumptions and discount rates have increased the net deficit in the schemes from £964,000 as at 31 January 2009 to £1,450,000 as at 31 January 2010.

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

In the last few months we have appointed two non-executive directors. Simon Morris brings a wealth of City experience in the mid-cap corporate market and will no doubt be a valuable contributor. Andy Bestwick is another excellent addition to the Board, bringing us experience in areas of product development, sourcing and sales which are very much allied to those of Tandem.

I will not be standing for re-election at the AGM to be held on 21 June 2010. Immediately following the AGM, Mervyn Keene will be appointed Non-Executive Chairman of the Company. Mervyn has managed the Group for a number of years and has been responsible for leading the team that has delivered consistent profitability over the last four years, with profit before tax and goodwill impairment of over a million pounds in each of the last three years. In addition, the balance sheet has strengthened considerably with the profit eliminating bank borrowings at 31 January 2010. At the same time Steve Grant, our Commercial Director, will be appointed Group Chief Executive and Jim Shears, currently Group Financial Controller and Company Secretary, will be appointed Group Finance Director. I am confident that these changes will continue to take the business forward and enable future growth and development.

EU Customs issues
A number of European bicycle companies have received notification from the EU Customs authorities that Generalised System of Preferences (GSP) forms issued by the Cambodian government between 2007 and 2009 were invalid. The impact of this is that it is alleged duty should have been paid at the full rate rather than the zero rate charged at the time of the importation. We understand that those companies affected are appealing against the notification. Although we have purchased a significant number of bicycles from Cambodia we have not received any notice to this effect. If we receive such notice, it is the Board's intention to vigorously defend and appeal against it as we believe there is no liability and strongly consider that we have acted properly and in good faith at all times.

We have, however, received notification from HM Revenue & Customs affirming their intention to seek confirmation from the authorities in Indonesia and Bangladesh that bicycles purchased from these countries and admitted to the United Kingdom at a preferential rate of Customs duty were manufactured there in accordance with the rules of origin. Once again we consider that we have acted in good faith in respect of these imports, in all cases having received preference certificates which have been issued by the proper authority in each exporting country. Over the last three years we have benefited from a reduction in duty of approximately £3 million through GSP forms issued by foreign governments.

Outlook
The Group has traded well during a very difficult economic period. We have been and continue to be faced with very significant cost pressures in respect of US dollar volatility, increases in freight and raw material prices, shipping line disruptions and Far East labour shortages. Sales for the 12 weeks to 23 April 2010 were 24% up on the previous year. We believe this growth is unlikely to continue into the second quarter as we received a large order for bicycles from a national retailer in the comparative period last year. We have secured business from the same retailer this year but at lower volumes.

Revenue for the year to 31 January 2011 is currently expected to be slightly down on the previous year principally due to the reduction in national retailer sales on bicycles and competition from new licences on sports, leisure and toys. Gross margin and profitability will also be under pressure as a result of the issues referred to above.

In spite of very competitive market conditions, we have over the last four years managed to maintain profitability and to strengthen our balance sheet. Current markets are particularly challenging but the Group is now in a position to actively explore opportunities for growth in our bicycles and accessories and sports, leisure and toys businesses, both organically and by acquisition.

In the year to 31 January 2010 the sports, leisure and toys business was significantly more profitable than bicycles. However, although this sector can grow profits rapidly, the nature of character licences make it far more volatile. By contrast, the bicycle business, with our well established brands, provides a platform for steady progression. We believe that the development of both businesses enhances the ability of the Group to achieve growth in the long term.

Further details about current trading and prospects are contained in the Business review below.

Graham Waldron
Chairman
28 April 2010

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Business review

Operations
In the second half of the year revenue was 2.4% down on the same period in the previous year. The gross margin percentage was in line with the comparative period last year. With overheads in the second half down 3.3% operating profit before goodwill impairment was 3.6% higher.

Revenue for the year ended 31 January 2010 increased 1.5% to £35,678,000 from £35,161,000 last year. Gross margin percentage reduced due to a change in the mix between direct bulk deliveries and sales from our UK warehouses. Rising costs in Asia and the volatile US dollar also had a negative impact on gross margin. To counter this, operating expenses were 14% down on the previous year. There were reductions across most overhead categories, most notably establishment costs, with the closure of a warehouse facility. However, the Board recognised the need to continue to promote brand awareness and accordingly advertising and marketing expenditure increased over the previous year.

This has resulted in a profit before goodwill impairment and taxation of £1,023,000 compared to £1,018,000 last year. Profit after goodwill impairment and before taxation was £1,023,000 (2009 - £593,000).

Bicycles and accessories
Revenue in our bicycles and accessories businesses of £21,951,000 was 11.1% ahead of last year (2009 - £19,763,000). The operating profit before management charges and goodwill impairment was £689,000 (2009 - £1,148,000).

Improved sales to national retailers increased revenue. A proportion of this business was shipped direct to our customers from our overseas production sources and as such had lower margins with no distribution costs and minimal UK overhead. Although our unit selling prices increased it was not possible to recover the full impact of rising costs in Asia and the volatile US dollar and as a consequence margins in the bicycle businesses were lower.

Unit sales to independent bicycle retailers were down on last year but with customers moving to models with higher price points, average selling price and therefore revenue in this sector was up. The Claud Butler and Dawes brands increased revenue. Sales of traditional bikes with mudguards, padded leather look seats, stands and baskets for ladies were considerably up on last year.

We continue to invest in marketing to support the brands by attending bicycle events, trade fairs and supporting customers with promotional literature, point of sale materials and equipment. Hits on our websites have increased as our brands develop further. This is a positive sign in a highly competitive market.

The stock of bicycles as at 31 January 2010 was over 33% down on the previous year. This was primarily due to the shipping of the 2009 range ahead of the two week closure for Chinese New Year which fell on 26 January 2009. As these goods were in transit prior to the year end they were classified as stock. In 2010 Chinese New Year was later, on 14 February 2010, enabling shipment of the new 2010 range after 31 January 2010.

Bicycles revenue for the 12 weeks to 23 April 2010 was 13% up on the previous year. We expect revenue to be behind last year in the second quarter due to a reduction in sales to national retailers mentioned in the Chairman's statement. However, increasing levels of demand from independent retailers combined with good weather during the summer should help to mitigate this shortfall.

Sports, leisure and toys

Revenue from our sports, leisure and toys business of £13,727,000 was 10.9% down on last year (2009 - £15,398,000). Operating profit before management charges increased to £1,201,000 (2009 - £808,000).

The demise of Woolworths, one of our largest customers, in late 2008 and the continued trend towards direct deliveries arranged by our Hong Kong office, which exclude distribution costs, reduced total revenue. Sales of Barbie and In the Night Garden were down on the same period last year whilst Thomas and Friends revenue was up significantly. However, the big success of the year were the Ben 10 wheeled products which won the award for Best Licensed Toy or Games Range at the industry's Licensing Award ceremony in September 2009. Sales of this range considerably exceeded expectations.

Our continued product development and innovative design enabled us to sustain our position as market leader for licensed wheeled toys. Although this helped to maintain margins in the sports, leisure and toys business, the main improvement to profitability was as a result of overhead savings. The increase towards FOB sales facilitated the closure of a warehouse and further reduced expenses in the UK.

Whilst our Ben Sayers golf business suffered from recessionary pressures and poor weather, we benefited from a complete period of the integration within the MV business reducing overheads further. A focus on new product development and strong product reviews has led to increased revenues for the 12 weeks to 23 April 2010.

Some large national retailers are developing their own brands rather than using well known licensed brands. They can design and source these products themselves or buy them from experienced companies such as us. It is a credit to our product development and sourcing teams that we are able to secure these sales ahead of the competition, albeit at lower margins.

The success of our sports, leisure and toys business depends on securing licences that perform well, designing and developing product and sourcing at competitive prices. We have experienced staff both in the UK and Hong Kong that achieves success at these tasks.

We have taken on a number of new licences for 2010. These new licences, particularly in wheeled toys, include Moxie Girlz, Iron Man 2, Star Wars and Doctor Who. Due to the nature of the business we are already creating products for the 2011 ranges and have successfully secured licences for Ben & Holly's Little Kingdom, Tinga Tinga Tales and Angelina Ballerina.

Sports, leisure and toys revenue for the 12 weeks to 23 April 2010 was 43% up on the previous year. Whilst this is a promising start to the year, we anticipate that revenue may fall behind last year in the second half due to the high levels of sales for Ben 10 in the same period of last year and competition from new licences. However, we are encouraged by the potential that our new licences are showing.

Consolidated income statement

	Note	Year ended 31 January 2010			Year ended 31 January 2009		
		Before goodwill impairment £'000	**Goodwill impairment £'000**	**After goodwill impairment £'000**	Before goodwill impairment £'000	Goodwill impairment £'000	After goodwill impairment £'000
Revenue	3	**35,678**	**—**	**35,678**	35,161	—	35,161
Cost of sales		**(25,998)**	**—**	**(25,998)**	(24,193)	—	(24,193)
Gross profit		**9,680**	**—**	**9,680**	10,968	—	10,968
Operating expenses		**(8,463)**		**(8,463)**	(9,842)	(425)	(10,267)
Operating profit		**1,217**		**1,217**	1,126	(425)	701
Finance costs		**(194)**	**—**	**(194)**	(173)	—	(173)
Finance income		**—**	**—**	**—**	65	—	65
Profit before taxation		**1,023**	**—**	**1,023**	1,018	(425)	593
Tax expense		**(22)**	**—**	**(22)**	(278)	—	(278)
Net profit for the year		**1,001**	**—**	**1,001**	740	(425)	315

	Note	2010	2009
Earnings per share	4	**Pence**	Restated Pence
Basic		**17.67**	5.34
Diluted		**17.67**	5.31

Consolidated statement of comprehensive income

	Year ended 31 January 2010	Year ended 31 January 2009
	£'000	£'000
Profit for the year	**1,001**	315
Other comprehensive income:		
Foreign exchange differences on translation of overseas assets	**(250)**	583
Actuarial loss on pension schemes	**(578)**	(938)
Movement in pension schemes' deferred tax provision	**136**	191
Other comprehensive income for the year	**(692)**	(164)
Total comprehensive income for the year attributable to owners of the parent company	**309**	151

All figures relate to continuing operations.

Consolidated balance sheet

	At 31 January 2010 £'000	At 31 January 2009 £'000
Non current assets		
Goodwill	**2,236**	2,236
Property, plant and equipment	**368**	488
Deferred taxation	**1,365**	1,009
	3,969	3,733
Current assets		
Inventories	**4,991**	7,583
Trade and other receivables	**3,956**	5,786
Cash and cash equivalents	**3,046**	2,121
	11,993	15,490
Total assets	**15,962**	19,223
Current liabilities		
Trade and other payables	**(5,352)**	(8,536)
Financial liabilities	**(1,856)**	(2,589)
Current tax liabilities	**(301)**	(276)
	(7,509)	(11,401)
Non current liabilities		
Pension schemes' deficits	**(1,450)**	(964)
Total liabilities	**(8,959)**	(12,365)
Net assets	**7,003**	6,858
Equity		
Share capital	**1,503**	1,503
Shares held in treasury	**(129)**	(64)
Other reserves	**2,759**	3,009
Profit and loss account	**2,870**	2,410
Total equity	**7,003**	6,858

Consolidated statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium account £'000	Merger Reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2008	1,503	—	5,258	1,036	1,427	(37)	(2,293)	6,894
Share-based payments	—	—	—	—	—	—	16	16
Share buyback	—	(64)	—	—	—	—	(139)	(203)
Cancellation of share premium account	—	—	(5,258)	—	—	—	5,258	—
Transactions with owners	—	(64)	(5,258)	—	—	—	5,135	(187)
Net profit for the year	—	—	—	—	—	—	315	315
Retranslation of overseas subsidiaries	—	—	—	—	—	583	—	583
Net actuarial loss on pension schemes	—	—	—	—	—	—	(747)	(747)
Total comprehensive income attributable to owners of the parent company	—	—	—	—	—	583	(432)	151
Balance at 1 February 2009	1,503	(64)	—	1,036	1,427	546	2,410	6,858
Share-based payments	—	—	—	—	—	—	15	15
Share buyback	—	(65)	—	—	—	—	(114)	(179)
Transactions with owners	—	(65)	—	—	—	—	(99)	(164)
Net profit for the year	—	—	—	—	—	—	1,001	1,001
Retranslation of overseas subsidiaries	—	—	—	—	—	(250)	—	(250)
Net actuarial loss on pension schemes	—	—	—	—	—	—	(442)	(442)
Total comprehensive income attributable to owners of the parent company	—	—	—	—	—	(250)	559	309
Balance at 31 January 2010	**1,503**	**(129)**	**—**	**1,036**	**1,427**	**296**	**2,870**	**7,003**

Consolidated cash flow statement

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Cash flows from operating activities		
Net profit for the year	**1,001**	315
Adjustments:		
Depreciation of property, plant and equipment	**132**	186
Goodwill impairment	**—**	425
Loss on sale of property, plant and equipment	**—**	1
Finance cost	**194**	173
Finance income	**—**	(65)
Taxation paid	**(282)**	(133)
Tax expense	**22**	278
Share based payments	**15**	16
Fair value adjustments of forward contracts	**437**	(394)
Net cash inflow from operating activities before movements in working capital	**1,519**	802
Decrease/(increase) in inventories	**2,592**	(2,001)
Decrease in trade and other receivables	**1,173**	242
(Decrease)/increase in trade and other payables	**(3,095)**	333
Cash generated/(utilised) from operations	**2,189**	(624)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(16)**	(168)
Sale of property, plant and equipment	**—**	8
Net cash used in investing activities	**(16)**	(160)
Cash flows from financing activities		
(Decrease)/increase in invoice financing	**(733)**	289
Interest paid	**(89)**	(147)
Payment to acquire own shares	**(179)**	(203)
Net cash used in financing activities	**(1,001)**	(61)
Net increase/(decrease) in cash and cash equivalents	**1,172**	(845)
Cash and cash equivalents at beginning of year	**2,121**	2,389
Effect of foreign exchange rate changes	**(247)**	577
Cash and cash equivalents at end of year	**3,046**	2,121

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 434 of the Companies Act 2006. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet at 31 January 2010, the consolidated statement of changes in equity, 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 439 of the Companies Act 2006. The statutory accounts for the year ended 31 January 2010 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 provisioning

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:

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
Year ended 31 January 2010			
Revenue	21,951	13,727	35,678
Segment result before management charges	689	1,201	1,890
Management charges	(564)	(104)	(668)
Segment result after goodwill impairment and management charges	125	1,097	1,222
Unallocated corporate expenses			(5)
Operating profit			1,217
Finance costs			(194)
Finance income			—
Profit before taxation			1,023
Tax expense			(22)
Net profit for the year			1,001
Segment assets	9,081	3,847	12,928
Unallocated assets			4,121
			17,049
Segment liabilities	(5,468)	(2,716)	(8,184)
Unallocated liabilities			(1,862)
			(10,046)
Consolidated net assets			7,003
Capital additions	3	13	16
Depreciation and goodwill impairment	55	77	132

	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

The Group's revenues and non-current assets are divided into the following geographical areas:

Year ended 31 January 2010	**United Kingdom £'000**	**Europe £'000**	**Rest of the World £'000**	**Total £'000**
Revenue	**33,939**	**1,504**	**235**	**35,678**
Non-current assets	**3,955**	**—**	**14**	**3,969**

Year ended 31 January 2009	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Revenue	33,397	1,432	332	35,161
Non-current assets	3,702	—	31	3,733

There were two customers (2009 – two) whose revenues from transactions amounted to ten per cent or more of the Group's revenue.

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 2010 £'000	Year ended 31 January 2009 Restated £'000
Net profit for the year – before goodwill impairment	**1,001**	740
Net profit for the year – after goodwill impairment	**1,001**	315
Weighted average shares in issue used for basic earnings per share	**5,665,222**	5,898,455
Weighted average dilutive shares under option	**—**	28,400
Average number of shares used for diluted earnings per share	**5,665,222**	5,926,855
	Pence	Pence
Basic earnings per share – before goodwill impairment	**17.67**	12.55
Basic earnings per share – after goodwill impairment	**17.67**	5.34
Diluted earnings per share	**17.67**	5.31

There was no dilutive effect of shares under option for the year ended 31 January 2010 because the option exercise prices were greater than the average market share price. The weighted average shares in issue for the year ended 31 January 2009 have been restated for the share consolidation and sub-division which became unconditional on 24 September 2009.

5. **Dividend**

No dividend on the ordinary shares is being proposed (2009 - £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 21 June 2010 at 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.