

Tandem Group plc

Interim Report
for the six months ended
31 July 2010

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the unaudited financial statements for the 6 months ended 31 July 2010. Although the period has been one of uncertainty, with volatility in raw material prices, freight costs and the US dollar coupled with shipping line disruptions and far east labour shortages, we have increased revenue and profit before tax compared to the same period last year and strengthened our balance sheet.

Results

Revenue for the 6 month period to 31 July 2010 increased to £19,062,000 from £18,949,000 in the comparative period last year. Profit before tax improved by 18.5% to £648,000 (2009 - £547,000). Net assets also increased by 6.0% to £7,707,000 (2009 - £7,268,000).

Bicycles and accessories

Bicycles and accessories businesses revenue decreased by 7.8% to £11,900,000 (2009 - £12,912,000) as a result of a reduction in the value of a promotional contract with a national retailer.

Turnover with our independent bicycle retailers increased and, as we previously reported, revenue from our Dawes cycle business in particular showed growth ahead of market performance.

Despite the significant cost pressures, operating profit in our bicycles and accessories businesses increased to £424,000 compared to £284,000 in the same period last year.

Sports, leisure and toys

There was an increase in revenue of 18.6% in our sports, leisure and toys businesses to £7,162,000 against £6,037,000 last year.

Our established licensed properties including Ben 10, Thomas and Fireman Sam performed strongly during the period and we have been encouraged by sales from our new licences including Iron Man 2, Moxie Girlz and Star Wars.

Revenue from all of our own brands of Ben Sayers, Hedstrom, Kickmaster and Pot Black was ahead of the comparative period. Sales of Ben Sayers package sets in particular were ahead of expectations.

Operating profit in the sports, leisure and toys businesses for the period was £655,000, an increase of 5.5% on £621,000 in the same period last year.

Trading update

Group revenue for the 37 week period to 15 October was approximately £26.9 million compared to £27.3 million in the comparative period last year.

In the bicycles and accessories businesses revenue to 15 October was approximately £16.0 million against £17.3 million in the prior year. As we have previously reported, turnover from a bicycle promotional contract with a national retailer was £1.4 million lower than the comparative period at the half year and we expect this to be £2 million lower by the end of the year.

As previously stated, sales in the sports, leisure and toys sector from our Ben 10 license were behind the exceptionally high levels experienced in the same period last year. Furthermore, Thomas sales were also down following the license for the battery operated train reverting to a new master toy licensee. Despite this, revenue for the 37 week period to 15 October was approximately £10.9 million compared to £9.9 million last year, with continuing strong performance from our own brands and new licences.

Outlook

September and October have been challenging months, particularly in the bicycles and accessories businesses, due to cautious consumer spending and delayed purchasing by independent retailers of our junior models for Christmas. As a result we remain cautious about the Group's outlook for the Christmas trading period.

Bicycle selections with national retailers have increased for Spring/Summer 2011.

We are also pleased to report that stock availability has been brought forward for our 2011 bicycle ranges which should enable improved sales in January to our independent dealers following our annual trade shows.

Reaction to our new 2011 sports, leisure and toys product ranges has been good. I am pleased to report that Spring/Summer 2011 catalogue listings continue to grow and exceed our expectations. In particular, selections of our new licences, Ben & Holly's Little Kingdom and Tinga Tinga Tales, are very encouraging.

With Chinese New Year being early next year, we expect January 2011 sales to be ahead of last year as goods are shipped before the holiday period.

Summary

Following the detailed strategic review undertaken earlier this year, your Board has started to implement the measures necessary to achieve our objectives of enhancing shareholder value. This involves achieving growth both organically and by the careful identification of suitable acquisitions. We are investing in human resources, infrastructure and the additional brand and marketing activities necessary to support our sustainable growth objectives in the medium to long term. We will be keeping investors informed of developments.

Dividend

In line with our announcement on 3 September 2010, we declare an interim dividend of 1p per share to shareholders on the share register as at 27 October 2010 for payment before 26 November 2010.

MPJ Keene
Chairman
20 October 2010

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 31 July 2010

	Note	6 months ended 31 July 2010 Unaudited £'000	6 months ended 31 July 2009 <i>Unaudited</i> £'000	Year ended 31 January 2010 <i>Audited</i> £'000
Revenue		19,062	18,949	35,678
Cost of sales		(14,152)	(14,367)	(25,998)
Gross profit		4,910	4,582	9,680
Operating expenses		(4,197)	(3,967)	(8,463)
Operating profit		713	615	1,217
Finance costs		(65)	(68)	(194)
Profit before taxation		648	547	1,023
Tax (expense)/credit		(47)	187	(22)
Net profit for the period		601	734	1,001
		Pence	Pence (restated)	Pence
Earnings per share				
Basic	3	10.89	12.75	17.67
Diluted	3	10.70	12.75	17.67

All figures relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 31 July 2010

	6 months ended 31 July 2010 Unaudited £'000	6 months ended 31 July 2009 2009 Unaudited £'000	Year ended 31 January 2010 Audited £'000
Profit for the period	601	734	1,001
Other comprehensive income:			
Foreign exchange differences on translation of overseas subsidiaries	57	(330)	(250)
Actuarial loss on pension schemes	—	—	(578)
Movement in pension schemes' deferred tax provision	(19)	(22)	136
Other comprehensive income for the period	38	(352)	(692)
Total comprehensive income attributable to equity shareholders of Tandem Group plc	639	382	309

All figures relate to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 July 2010

	At 31 July 2010 Unaudited £'000	At 31 July 2009 Unaudited £'000	At 31 January 2010 Audited £'000
Non current assets			
Goodwill	2,236	2,236	2,236
Property, plant and equipment	372	425	368
Deferred taxation	1,342	1,222	1,365
	3,950	3,883	3,969
Current assets			
Inventories	6,706	6,731	4,991
Trade and other receivables	8,120	6,333	3,956
Cash and cash equivalents	2,785	1,989	3,046
	17,611	15,053	11,993
Total assets	21,561	18,936	15,962
Current liabilities			
Trade and other payables	(8,950)	(6,842)	(5,352)
Financial liabilities	(3,086)	(3,517)	(1,856)
Current tax liabilities	(436)	(423)	(301)
	(12,472)	(10,782)	(7,509)
Non current liabilities			
Pension schemes' deficits	(1,382)	(886)	(1,450)
Total liabilities	(13,854)	(11,668)	(8,959)
Net assets	7,707	7,268	7,003
Equity			
Share capital	1,503	1,503	1,503
Shares held in treasury	(115)	(64)	(129)
Other reserves	2,816	2,679	2,759
Profit and loss account	3,503	3,150	2,870
Total equity	7,707	7,268	7,003

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 July 2010

	Share capital £'000	Shares held in treasury £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 February 2009	1,503	(64)	1,036	1,427	546	2,410	6,858
Net profit for the period	—	—	—	—	—	734	734
Retranslation of overseas subsidiaries	—	—	—	—	(330)	—	(330)
Share based payments	—	—	—	—	—	6	6
At 31 July 2009	1,503	(64)	1,036	1,427	216	3,150	7,268
Net profit for the period	—	—	—	—	—	267	267
Retranslation of overseas subsidiaries	—	—	—	—	80	—	80
Net actuarial loss on pension schemes	—	—	—	—	—	(442)	(442)
Share buyback	—	(65)	—	—	—	(114)	(179)
Share based payments	—	—	—	—	—	9	9
At 31 January 2010	1,503	(129)	1,036	1,427	296	2,870	7,003
Net profit for the period	—	—	—	—	—	601	601
Retranslation of overseas subsidiaries	—	—	—	—	57	—	57
Exercise of share options	—	14	—	—	—	26	40
Share based payments	—	—	—	—	—	6	6
At 31 July 2010	1,503	(115)	1,036	1,427	353	3,503	7,707

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 31 July 2010

	6 months ended 31 July 2010 Unaudited £'000	6 months ended 31 July 2009 <i>Unaudited</i> £'000	Year ended 31 January 2010 <i>Audited</i> £'000
Cash flows from operating activities			
Net profit for the period	601	734	1,001
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	49	72	132
Finance costs	65	68	194
Tax expense/(credit)	47	(187)	22
Taxation paid	(53)	(34)	(282)
Share based payments	6	6	15
Fair value adjustments of forward contracts	—	763	437
Net cash inflow from operating activities before movements in working capital	715	1,422	1,519
(Increase)/decrease in inventories	(1,715)	852	2,592
(Increase)/decrease in trade and other receivables	(4,141)	(1,198)	1,173
Increase/(decrease) in trade and other payables	3,644	(1,430)	(3,095)
Net cash (utilised)/generated from operations	(1,497)	(354)	2,189
Cash flows from investing activities			
Purchases of property, plant and equipment	(53)	(12)	(16)
Net cash used in investing activities	(53)	(12)	(16)
Cash flows from financing activities			
Increase/(decrease) in invoice financing	1,230	602	(733)
Interest paid	(38)	(42)	(89)
Exercise of share options	40	—	—
Payment to acquire own shares	—	—	(179)
Net cash from/(used in) financing activities	1,232	560	(1,001)
Net (decrease)/increase in cash and cash equivalents	(318)	194	1,172
Cash and cash equivalents at beginning of period	3,046	2,121	2,121
Effect of foreign exchange rate changes	57	(326)	(247)
Cash and cash equivalents at end of period	2,785	1,989	3,046

NOTES TO THE HALF YEARLY REPORT

1 GENERAL INFORMATION

Tandem Group plc is a public limited company incorporated and domiciled in the United Kingdom with its shares listed on AIM of the London Stock Exchange.

The principal activity of the Group is the design, development and distribution of sports and leisure equipment.

The ultimate parent company of the Group is Tandem Group plc whose principal place of business and registered office address is 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.

The interim financial statements for the period ended 31 July 2010 (including the comparatives for the periods ended 31 July 2009 and 31 January 2010) were approved by the Board of Directors on 20 October 2010. Under the Security Regulations Act of the European Union ("EU"), amendments to the financial statements are not permitted after they have been approved.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 January 2010, prepared under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498(3) of the Companies Act 2006.

This interim financial information has been prepared using the accounting policies set out in the Group's 2010 statutory accounts. Copies of the annual statutory accounts and the interim report may be obtained by writing to Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG and can be found on the Company's website at www.tandemgroup.co.uk.

The net retirement benefit obligation recognised at 31 July 2010 is based on the actuarial valuation under IAS19 at 31 January 2010 updated for movements in net defined benefit pension income and contributions paid during the half year period. The deferred tax effect of movements in the net retirement benefit obligation has also been recognised in the half year. A full valuation for IAS19 financial reporting purposes will be carried out for incorporation in the audited financial statements for the year ending 31 January 2011.

2 SEGMENTAL REPORTING

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

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
6 months to 31 July 2010			
Revenue	<u>11,900</u>	<u>7,162</u>	<u>19,062</u>
Segment result	<u>424</u>	<u>655</u>	<u>1,079</u>
Unallocated corporate expenses			<u>(366)</u>
Operating profit			<u>713</u>
Finance costs			<u>(65)</u>
Result for the period before taxation			<u>648</u>
Tax expense			<u>(47)</u>
Net profit for the period			<u><u>601</u></u>
6 months to 31 July 2009			
Revenue	<u>12,912</u>	<u>6,037</u>	<u>18,949</u>
Segment result	<u>284</u>	<u>621</u>	<u>905</u>
Unallocated corporate expenses			<u>(290)</u>
Operating profit			<u>615</u>
Finance costs			<u>(68)</u>
Result for the period before taxation			<u>547</u>
Tax credit			<u>187</u>
Net profit for the period			<u><u>734</u></u>
Year ended 31 January 2010			
Revenue	<u>21,951</u>	<u>13,727</u>	<u>35,678</u>
Segment result before management charges	<u>689</u>	<u>1,201</u>	<u>1,890</u>
Management charges	<u>(564)</u>	<u>(104)</u>	<u>(668)</u>
Segment result after management charges			<u>1,222</u>
Unallocated corporate expenses			<u>(5)</u>
Operating profit			<u>1,217</u>
Finance costs			<u>(194)</u>
Profit before taxation			<u>1,023</u>
Tax expense			<u>(22)</u>
Net profit for the year			<u><u>1,001</u></u>

3 EARNINGS PER SHARE

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

	6 months ended 31 July 2010 £'000	6 months ended 31 July 2009 Restated £'000	Year ended 31 January 2010 £'000
Net profit for the period	<u>601</u>	<u>734</u>	<u>1,001</u>
Weighted average shares in issue used for basic earnings per share	5,520,563	5,757,480	5,665,222
Weighted average dilutive shares under option	96,632	—	—
Average number of shares used for diluted earnings per share	<u>5,617,195</u>	<u>5,757,480</u>	<u>5,665,222</u>
	Pence	Pence	Pence
Basic earnings per share	<u>10.89</u>	<u>12.75</u>	<u>17.67</u>
Diluted earnings per share	<u>10.70</u>	<u>12.75</u>	<u>17.67</u>