TANDEM GROUP PLC

("Tandem" or the "Company")

HALF YEARLY REPORT

The Board of Tandem announces its half yearly report for the 6 months to 31 July 2011.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the unaudited financial statements for the 6 months ended 31 July 2011.

The period has been one of great economic uncertainty and intense competition in our market. Despite these challenges we are well placed to take advantage of an economic upturn.

As we previously reported the Company carried out a share buyback during the period, purchasing 821,500 of its own shares on 14 February 2011 and a further 80,000 on 27 May 2011. Both purchases were transferred to treasury. We continue to evaluate share buyback opportunities and the earnings enhancing impact this has.

Results

Revenue for the 6 month period to 31 July 2011 was £16,665,000 compared to £19,062,000 in the same period last year.

More favourable currency rates and shipping costs helped to improve gross margin in the bicycles and accessories division. However, a large percentage of turnover in the sports, leisure and toys business is conducted in US dollars and sold on an FOB basis which hasn't allowed this segment to benefit in the same way.

Operating costs were contained to an increase of 1.6% reflecting the Group's attention to cost control.

Profit before tax was £553,000 (2010 - £648,000). Net assets increased to £7,835,000 (2010 - £7,707,000) despite a reduction in cash following the share buyback referred to above.

Bicycles and accessories

There was a reduction in revenue in our bicycles and accessories businesses by 7.0% to £11,072,000 (2010 - £11,900,000), partly attributable to a decrease in the seasonal promotional business with a national retailer.

A number of competitors have adopted a policy of heavy discounting in an attempt to maintain their market share and to reduce stock levels. Our strategy to uphold our brand values has meant a small reduction in turnover but a significant increase in profitability.

As we reported in our trading update of 9 September 2011, cycle demand has been under great pressure during the period. Your board have been quick to react to the changing market. We have been proactively taking steps to ensure our bicycle businesses continue to offer the quality, value and excellent customer service that our retailers and consumers have come to expect of us.

A number of new initiatives have been introduced with efforts primarily focussed on improving bicycle profit margins.

Alternative suppliers, having passed our safety and ethical audit criteria, have been identified and utilised during the period. This has helped to reduce cost and decrease lead times whilst maintaining product quality. As has always been the case, our bicycles continue to be designed in the UK.

Significant product development has been undertaken to increase the appeal of our bicycle offering. During the period we introduced a number of new hybrid, mountain and road bike promotions at key price points for our independent cycle dealers.

Our Dawes 'Heritage' range of cycles continues to go from strength to strength. The feedback from the introduction of our new electric cycle ranges has been encouraging although we believe that there is some way to go before demand for electric bicycles in the UK emulates continental Europe.

The introduction of the Claud Butler branded parts and accessories range supported by a fully functional business to business website, has been very successful.

As a result of these actions, profitability from our bicycle and accessories businesses increased to £808,000 in the period compared to £424,000 in the comparative period.

Sports, leisure and toys

There was a reduction in revenue in our sports, leisure and toys businesses to £5,593,000 in the 6 months to 31 July 2011 compared with £7,162,000 last year.

Revenue from our Ben 10 wheeled toy licence, which has performed so strongly for our sports, leisure and toys businesses over several years, was a significant factor in the decline. This was coupled with the reduced levels in consumer demand and cautious buying plans by national retailers.

There has been a reluctance by national retailers to commit to new licensed properties. This has inhibited growth opportunities in those ranges during the period.

There was an increase in turnover from some of our licensed properties including Ben & Holly's Little Kingdom, Fireman Sam, Transformers 2 and Star Wars: The Clone Wars. This was, however, more than offset by the reduction in Ben 10 highlighted above and a decline in other properties including In The Night Garden and Ironman 2.

Turnover in our Ben Sayers golf business increased by 21% during the period with strong performance from our package set range. We continue to invest in the areas necessary to grow the Ben Sayers brand with additional sales resources added and new supplier sources identified.

Sales of the Kickmaster football training brand also increased as more national retailers supported the range.

Our Hedstrom outdoor play brand performed similarly to the prior period although the range continues to come under increasing pressure from national retailer own label product.

Pot Black, our snooker, pool and indoor games range, was slightly behind the previous period, again under pressure from direct importing from large retailers.

Profit from our sports, leisure and toys businesses for the period was £138,000 compared to £655,000 in the prior period.

Trading update
Group revenue for the 37 week period to 14 October was approximately £24.3 million compared to £26.9 million in the comparative period last year.

Revenue in the bicycles and accessories businesses to 14 October was approximately £15.2 million against £16.0 million in the same period last year.

In the sports, leisure and toys businesses revenue for the 37 weeks to 14 October was approximately £9.1 million compared to £10.9 million last year.

Outlook
We reported last year that September and October 2010 were challenging months. The same period this year has been no exception. Accordingly, we have a cautious outlook for the short to medium term future.

We continue to focus on our flagship brands of Claud Butler and Dawes. We are also encouraged by the reaction to the launch of our BMX Scorpion and Dirty ranges and our 2011 range of traditional pavement cycles.

The Claud Butler parts and accessories offering has been extended for the second half of 2011 and into 2012 with additional resources deployed to support the anticipated growth.

The Dawes parts and accessories range and a new high specification carbon fibre range were successfully launched at the NEC Cycle Show at the end of September. We expect these to make a positive contribution in the future.

We have signed a number of strong licences for 2012 and beyond which include The Avengers, Generator Rex, Power Rangers and ThunderCats. For younger children we are delighted to have secured the licences for Mike The Knight, Little Charley Bear, The Octonauts, Raa Raa The Noisy Lion and Rastamouse.

Amongst our licences there is the potential for growth when the economy improves. We also plan to launch a competitive range of generic products at key price points to satisfy consumer demand for value as household budgets are constricted.

We remain encouraged by the interest in our licensed range of wheeled products for the 2012 London Olympic and Paralympic games for which we expect sales to peak between Easter 2012 and the start of the games.

Despite these positives we anticipate that the profit for the year to 31 January 2012 will be behind the comparative in 2011 although we continue our efforts to maintain an acceptable level of profitability.

Dividend
In line with our announcement on 9 September 2011, we declare an interim dividend of 1.05p per share (2010 – 1.00p per share) to be paid to shareholders on or before 25 November 2011. The ex-dividend date is 26 October 2011 and the record date 28 October 2011.

MPJ Keene
Chairman
19 October 2011

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 31 July 2011

	Note	**6 months ended 31 July 2011** ***Unaudited*** **£'000**	6 months ended 31 July 2010 *Unaudited* £'000	Year ended 31 January 2011 *Audited* £'000
Revenue		**16,665**	19,062	34,610
Cost of sales		**(11,762)**	(14,152)	(24,777)
Gross profit		**4,903**	4,910	9,833
Operating expenses		**(4,264)**	(4,197)	(8,628)
Operating profit		**639**	713	1,205
Finance costs		**(86)**	(65)	(120)
Profit before taxation		**553**	648	1,085
Tax expense		**(26)**	(47)	-
Net profit for the period		**527**	601	1,085
		Pence	Pence	Pence
Earnings per share				
Basic	3	**11.04**	10.89	19.60
Diluted	3	**10.66**	10.70	18.98

All figures relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 31 July 2011

	6 months ended 31 July 2011	6 months ended 31 July 2010	Year ended 31 January 2011

	Unaudited **£'000**	*Unaudited* £'000	*Audited* £'000
Profit for the period	**527**	601	1,085
Other comprehensive income:			
Foreign exchange differences on translation of overseas subsidiaries	**(36)**	57	26
Actuarial gain on pension schemes	**—**	—	827
Movement in pension schemes' deferred tax provision	**—**	(19)	(272)
Other comprehensive income for the period	**(36)**	38	581
Total comprehensive income attributable to equity shareholders of Tandem Group plc	**491**	**639**	**1,666**

All figures relate to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 July 2011

	At 31 July 2011 ***Unaudited*** **£'000**	At 31 July 2010 *Unaudited* £'000	At 31 January 2011 *Audited* £'000
Non current assets			
Goodwill	**2,236**	2,236	2,236
Property, plant and equipment	**310**	372	336
Deferred taxation	**1,165**	1,342	1,165
	3,711	3,950	3,737
Current assets			
Inventories	**7,170**	6,706	7,636
Trade and other receivables	**6,758**	8,120	4,696
Cash and cash equivalents	**1,136**	2,785	2,721
	15,064	17,611	15,053
Total assets	**18,775**	21,561	18,790
Current liabilities			
Trade and other payables	**(6,439)**	(8,950)	(6,880)
Financial liabilities	**(3,662)**	(3,086)	(2,666)
Current tax liabilities	**(434)**	(436)	(100)
	(10,535)	(12,472)	(9,646)
Non current liabilities			
Pension schemes' deficits	**(405)**	(1,382)	(479)
Total liabilities	**(10,940)**	(13,854)	(10,125)

Net assets	**7,835**	7,707	8,665
Equity			
Share capital	**1,503**	1,503	1,503
Shares held in treasury	**(337)**	(115)	(115)
Other reserves	**2,749**	2,816	2,785
Profit and loss account	**3,920**	3,503	4,492
Total equity	**7,835**	7,707	8,665

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 July 2011

	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 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
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	*57*	*601*	*658*
Share based payments	—	—	—	—	—	6	6
Exercise of share options	—	14	—	—	—	26	40
Total transactions with owners	—	*14*	—	—	*57*	*633*	*704*
At 31 July 2010	1,503	(115)	1,036	1,427	353	3,503	7,707
Net profit for the period	—	—	—	—	—	484	484
Retranslation of overseas subsidiaries	—	—	—	—	(31)	—	(31)
Net actuarial gain on pension schemes	—	—	—	—	—	555	555
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	(31)	1,039	1,008
Share based payments	—	—	—	—	—	6	6
Dividends paid	—	—	—	—	—	(56)	(56)
Total transactions with owners	—	—	—	—	*(31)*	989	958
At 1 February 2011	1,503	(115)	1,036	1,427	322	4,492	8,665
Net profit for the period	—	—	—	—	—	527	527
Retranslation of overseas subsidiaries	—	—	—	—	(36)	—	(36)

Total comprehensive income for period attributable to equity shareholders	—	—	—	—	*(36)*	*527*	*491*
Share based payments	—	—	—	—	—	3	3
Exercise of share options	—	4	—	—	—	5	9
Share buyback	—	(226)	—	—	—	(1,014)	(1,240)
Dividends paid	—	—	—	—	—	(93)	(93)
Total transactions with owners	—	*(222)*	—	—	*(36)*	*(572)*	*(830)*
At 31 July 2011	**1,503**	**(337)**	**1,036**	**1,427**	**286**	**3,920**	**7,835**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 31 July 2011

	6 months ended 31 July 2011 *Unaudited* **£'000**	6 months ended 31 July 2010 *Unaudited* £'000	Year ended 31 January 2011 *Audited* £'000
Cash flows from operating activities			
Net profit for the period	**527**	601	1,085
Adjustments:			
Depreciation of property, plant and equipment	**39**	49	98
Finance costs	**86**	65	120
Tax expense	**26**	47	—
Taxation paid	**(14)**	(53)	(135)
Share based payments	**3**	6	12
Net cash inflow from operating activities before movements in working capital	**667**	715	1,180
Decrease/(increase) in inventories	**466**	(1,715)	(2,645)
Increase in trade and other receivables	**(2,061)**	(4,141)	(813)
(Decrease)/increase in trade and other payables	**(224)**	3,644	1,270
Net cash utilised from operations	**(1,152)**	(1,497)	(1,008)
Cash flows from investing activities			
Purchases of property, plant and equipment	**(13)**	(53)	(66)
Net cash used in investing activities	**(13)**	(53)	(66)
Cash flows from financing activities			
Increase in invoice financing	**995**	1,230	810
Interest paid	**(55)**	(38)	(71)
Exercise of share options	**9**	40	40
Dividends paid	**(93)**	—	(56)
Payment to acquire own shares	**(1,240)**	—	—
Net cash (used in)/from financing activities	**(384)**	1,232	723
Net decrease in cash and cash equivalents	**(1,549)**	(318)	(351)
Cash and cash equivalents at beginning of period	**2,721**	3,046	3,046
Effect of foreign exchange rate changes	**(36)**	57	26

Cash and cash equivalents at end of period	**1,136**	2,785	2,721

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 2011 (including the comparatives for the periods ended 31 July 2010 and 31 January 2011) were approved by the Board of Directors on 19 October 2011. 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 2011, 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 2011 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 2011 is based on the actuarial valuation under IAS19 at 31 January 2011 updated for movements in net defined benefit pension income and contributions paid during the half year period. 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 2012.

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 2011			
Revenue	**11,072**	**5,593**	**16,665**

Segment result	**808**	**138**	**946**
Unallocated corporate expenses			**(307)**
Operating profit			**639**
Finance costs			**(86)**
Result for the period before taxation			**553**
Tax expense			**(26)**
Net profit for the period			**527**

6 months to 31 July 2010

Revenue	11,900	7,162	19,062
Segment result	424	655	1,079
Unallocated corporate expenses			(366)
Operating profit			713
Finance costs			(65)
Result for the period before taxation			648
Tax expense			(47)
Net profit for the period			601

Year ended 31 January 2011

Revenue	20,032	14,578	34,610
Segment result before management charges	625	1,279	1,904
Management charges	(571)	(98)	(669)
Segment result after management charges	54	1,181	1,235
Unallocated corporate expenses			(30)
Operating profit			1,205
Finance costs			(120)
Profit before taxation			1,085
Tax expense			—
Net profit for the year			1,085

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 2011	6 months ended 31 July 2010	Year ended 31 January 2011
	£'000	£'000	£'000
Net profit for the period	**527**	601	1,085
Weighted average shares in issue used for basic earnings per share	**4,774,470**	5,520,563	5,536,482
Weighted average dilutive shares under option	**167,075**	96,632	179,533

Average number of shares used for diluted earnings per share	**4,941,545**	5,617,195	5,716,015
	Pence	Pence	Pence
Basic earnings per share	**11.04**	10.89	19.60
Diluted earnings per share	**10.66**	10.70	18.98

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19 October 2011