TANDEM GROUP PLC
PRELIMINARY RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2011

Chairman's statement

Introduction
I am pleased to present the results for the 11 month period ended 31 December 2011.

The accounting reference date was changed during the period to better align the reporting period to the operations of the businesses. In our bicycles and accessories business our new ranges are launched in January each year and a December year end in our sports, leisure and toys business is aligned more favourably with our customers' selling periods.

In addition, the variability in inventory levels due to the different dates of the Chinese New Year, which can fall in either January or February, has been eliminated.

As we reported on 15 February 2012 in our update to shareholders the period has been one of continued economic uncertainty in the very competitive markets in which we operate.

Results
Revenue for the 11 month period to 31 December 2011 was £29,042,000 (year ended 31 January 2011 - £34,610,000). This compared to revenue of £32,464,000 in the comparable period to 31 December 2010.

Profit before taxation for the period was £820,000 compared to £1,182,000 for the same period last year (year ended 31 January 2011 - £1,085,000).

Basic earnings per share for the period was 13.37p per share compared with 19.60p per share for the year ended 31 January 2011.

Net assets reduced from £8,665,000 at 31 January 2011 to £6,148,000 at 31 December 2011 principally as a result of the significant increase in the pensions schemes' deficits which increased by £2,220,000 following the year end valuation that we are required to undertake in accordance with International Accounting Standard number 19. This is discussed in more detail below.

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

Dividend
In accordance with our progressive dividend payment policy, we are proposing to pay a final dividend of 2.10 pence per share (year ended 31 January 2011 – 2.00 pence per share) which, when combined with the interim dividend of 1.05 pence per share (year ended 31 January 2011 – 1 pence per share), gives a total dividend of 3.15 pence per share for the period (year ended 31 January 2011 – 3.00 pence per share). Subject to shareholder approval at the Annual General Meeting to be held on 22 May 2012, the final dividend will be paid on 14 June 2012 to shareholders on the share register as at 18 May 2012. The ex-dividend date will be 16 May 2012.

Pensions
The Group operates two defined benefit pension schemes that are closed to new members. Neither of the schemes have any active members. Despite this, these schemes continue to utilise cash resources and management time as government legislation and actuarial views change. In the period to 31 December 2011 £180,000 (year ended 31 January 2011 - £192,000) was paid into the schemes to reduce the actuarially calculated funding deficits and over £76,000 (year ended 31 January 2011 - £65,000) was paid out in government levies and administration costs.

Notwithstanding the deficit funding contributions made by the Group and the fact that the schemes are closed, following the actuarial valuation carried out at the end of the period, the net deficit in the schemes increased from £479,000 at 31 January 2011 to £2,699,000 at 31 December 2011.

Employees
We wish to thank all management and employees for their continuing contribution and efforts in difficult trading conditions. Your Board believes that the established team of management and staff have the skills required to take the business forward and we are currently seeking to strengthen this position further with several new appointments.

Strategy
All Group companies continue to carry out Group strategic objectives. In particular, revenue from our parts and accessories ranges, which support our bike brands, has increased and we expect further growth in 2012 after successful trade shows in January.

We continue to design innovative new products, however, in the short term national retailers are reluctant to commit whilst disposable incomes are squeezed, instead preferring to select lower priced product.

Whilst we are focussed on our organic growth strategy we remain of the belief that significant growth can only be achieved by means of acquisition which we continue to explore.

Outlook
There is currently little evidence to suggest that 2012 will be anything other than challenging. Many of our national retailer customers in our sports, leisure and toys business continue to be under great pressure and there remains intense competition in the independent cycling market with a large number of brands competing for limited floor space.

Notwithstanding these challenges, our 2012 bicycle and accessories design and development programme should help to further enhance our Claud Butler and Dawes brands.

We expect our newly introduced in-house brands of Stunted, Ready Steady Ride and Grow & Go to extend our sports, leisure and toy offering and, coupled with our extensive range of licences, make a valuable contribution to the year.

Despite our view that 2012 will be challenging, Group performance in the 15 weeks to 13 April 2012 was ahead of the previous year in both our bicycles and accessories and our sports, leisure and toys businesses. Your Board believe that the Group continues to be well placed to benefit from an economic upturn and we expect to be able to deliver another profitable year.

M P J Keene
Chairman

16 April 2012

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Business review

Operations
For the 5 months ended 31 December 2011 revenue was £12,377,000 compared to £13,402,000 in the same 5 month period last year.

Revenue for the 11 month period ended 31 December 2011 was £29,042,000 compared to £34,610,000 last year and £32,464,000 for the 11 month period to 31 December 2010. The gross margin percentage of 28.4% was maintained during the period.

Operating expenses were 7% lower at £7,391,000 compared to the same period last year.

The net finance cost was £47,000 (year ended 31 January 2011 - £120,000).

Group profit before taxation in the period was £820,000 compared to £1,085,000 last year.

The tax expense for the period was £179,000 (year ended 31 January 2011 - £nil) which was attributable to overseas taxation charges.

There were no significant capital expenditure projects undertaken during the period.

The deferred taxation asset increased by £627,000 to £1,792,000 at 31 December 2011, principally as a result of the increase in the pension scheme liability.

There was a reduction in the level of inventory held from £7,636,000 at 31 January 2011 to £5,190,000 at 31 December 2011, which we believe is more appropriate to the size of the Group.

The net funds/debt position reduced from net funds of £55,000 to net debt of £1,066,000 at 31 December 2011, although this was impacted by the buyback of own shares totalling £1,240,000 undertaken during the period.

Bicycles and accessories
Revenue in our bicycles and accessories businesses of £18,235,000 compared to £20,032,000 in the year to 31 January 2011 and £19,064,000 in the period ended 31 December 2010.

However, as a result of strong margin control and reduced operating expenses, the operating profit before management charges was £946,000 (year ended 31 January 2011 - £625,000) compared to £673,000 in the same period last year.

Following an encouraging start to the year, performance from our bicycle businesses in the second half of the period was behind last year. Strong retail pressure and heavy discounting in the high street resulted in a reduced margin during the Christmas trading period. Nevertheless, our strategy to uphold brand values and deliver quality, value and excellent customer service has enabled the increased profit for the bicycle businesses for the full 11 month period to 31 December 2011.

We expect our focus on brand values will help to deliver another satisfactory performance in our cycles businesses and we continue to explore ways to increase revenue without sacrificing margin.

Following a successful Taipei Cycle Show in March we are also increasing our market penetration with an enhanced export sales offering and we will look to attend more trade shows around the world in the future.

Bicycles revenue for the 15 weeks to 13 April 2012 was 3.3% ahead of the same period last year.

Sports, leisure and toys
Revenue from our sports, leisure and toys business of £10,807,000 (year ended 31 January 2011 - £14,578,000) was behind the same period last year of £13,400,000. Operating profit before management charges reduced to £491,000 (year ended 31 January 2011 - £1,279,000) from £1,181,000 in the same 11 month period last year.

Revenue from our sports, leisure and toys business remained lower than last year with a number of national retailer customers continuing to exhibit a cautious buying strategy and report weak financial performance. Whilst Ben 10 remained our strongest licence, revenue was behind the exceptionally high levels of previous years. As a result, profitability for the sports, leisure and toys business was significantly behind the same period last year.

We are encouraged by the potential that some of our new licences, including Mike The Knight and Peppa Pig, are showing although this is being hindered by a weak retail environment.

The introduction of our generic ranges of Stunted, Ready Steady Ride and Grow & Go should help to mitigate the current reduction in sales of our licensed products until a new children's favourite becomes established.

We are concerned by the amount of imitation 2012 London Olympic Games merchandise that is being sold by some national retailers which may have a detrimental impact. However, we expect sales of our official Olympic bicycle, cycling accessory and wheeled toy ranges to increase considerably in the 3 months prior to the Games commencing.

Sports, leisure and toys revenue for the 15 weeks to 13 April 2012 was 12.0% ahead of last year.

S J Grant
Chief Executive Officer

J C Shears
Group Finance Director

16 April 2012

Consolidated income statement

	Note	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Revenue	3	**29,042**	34,610
Cost of sales		**(20,784)**	(24,777)
Gross profit		**8,258**	9,833
Operating expenses		**(7,391)**	(8,628)
Operating profit		**867**	1,205
Finance costs		**(47)**	(120)
Profit before taxation		**820**	1,085
Tax expense		**(179)**	—
Net profit for the year		**641**	1,085
Earnings per share	4	**Pence**	Pence
Basic		**13.37**	19.60
Diluted		**13.04**	18.98

Consolidated statement of comprehensive income

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Net profit for the year	**641**	1,085
Other comprehensive income:		
Foreign exchange differences on translation of overseas assets	**91**	26
Actuarial (loss)/gain on pension schemes	**(2,449)**	827
Movement in pension schemes' deferred tax provision	**568**	(272)
Other comprehensive income for the year	**(1,790)**	581
Total comprehensive income for the year attributable to equity shareholders	**(1,149)**	1,666

All figures relate to continuing operations.

Consolidated balance sheet

	At 31 December 2011 £'000	At 31 January 2011 £'000
Non current assets		
Intangible fixed assets	**2,236**	2,236
Property, plant and equipment	**284**	336
Deferred taxation	**1,792**	1,165
	4,312	3,737
Current assets		
Inventories	**5,190**	7,636
Trade and other receivables	**4,991**	4,696
Cash and cash equivalents	**2,446**	2,721
	12,627	15,053
Total assets	**16,939**	18,790
Current liabilities		
Trade and other payables	**(4,271)**	(6,880)
Financial liabilities	**(3,512)**	(2,666)
Current tax liabilities	**(309)**	(100)
	(8,092)	(9,646)
Non current liabilities		
Pension schemes' deficits	**(2,699)**	(479)
Total liabilities	**(10,791)**	(10,125)
Net assets	**6,148**	8,665
Equity		
Share capital	**1,503**	1,503
Shares held in treasury	**(337)**	(115)
Share premium	**13**	—
Other reserves	**2,876**	2,785
Profit and loss account	**2,093**	4,492
Total equity	**6,148**	8,665

Consolidated statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2010	1,503	(129)	—	1,036	1,427	296	2,870	7,003
Net profit for the year	—	—	—	—	—	—	1,085	1,085
Re-translation of overseas subsidiaries	—	—	—	—	—	26	—	26
Net actuarial gain on pension schemes	—	—	—	—	—	—	555	555
Total comprehensive income for the year attributable to equity shareholders	—	—	—	—	—	26	1,640	1,666
Share based payments	—	—	—	—	—	—	12	12
Exercise of share options	—	14	—	—	—	—	26	40
Dividends paid	—	—	—	—	—	—	(56)	(56)
Total transactions with owners	—	14	—	—	—	26	1,622	1,662
Balance at 1 February 2011	1,503	(115)	—	1,036	1,427	322	4,492	8,665
Net profit for the year	—	—	—	—	—	—	641	641
Re-translation of overseas subsidiaries	—	—	—	—	—	91	—	91
Net actuarial loss on pension schemes	—	—	—	—	—	—	(1,881)	(1,881)
Total comprehensive income for the year attributable to equity shareholders	—	—	—	—	—	91	(1,240)	(1,149)
Share based payments	—	—	—	—	—	—	5	5
Exercise of share options	—	4	13	—	—	—	(8)	9
Share buyback	—	(226)	—	—	—	—	(1,014)	(1,240)
Dividends paid	—	—	—	—	—	—	(142)	(142)
Total transactions with owners	—	(222)	13	—	—	91	(2,399)	(2,517)
Balance at 31 December 2011	**1,503**	**(337)**	**13**	**1,036**	**1,427**	**413**	**2,093**	**6,148**

Consolidated cash flow statement

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Cash flows from operating activities		
Net profit for the year	**641**	1,085
Adjustments:		
Depreciation of property, plant and equipment	**74**	98
Finance costs	**47**	120
Taxation paid	**(59)**	(135)
Tax expense	**179**	—
Share based payments	**5**	12
Net cash inflow from operating activities before movements in working capital	**887**	1,180
Decrease/(increase) in inventories	**2,446**	(2,645)
Increase in trade and other receivables	**(354)**	(813)
(Decrease)/increase in trade and other payables	**(2,701)**	1,270
Cash generated/(utilised) from operations	**278**	(1,008)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(22)**	(66)
Net cash used in investing activities	**(22)**	(66)
Cash flows from financing activities		
Increase in invoice financing	**846**	810
Interest paid	**(95)**	(71)
Exercise of share options	**9**	40
Dividends paid	**(142)**	(56)
Payment to acquire own shares	**(1,240)**	—
Net cash (utilised)/generated in financing activities	**(622)**	723
Net decrease in cash and cash equivalents	**(366)**	(351)
Cash and cash equivalents at beginning of year	**2,721**	3,046
Effect of foreign exchange rate changes	**91**	26
Cash and cash equivalents at end of year	**2,446**	2,721

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 December 2011, the consolidated statement of changes in equity, the consolidated cash flow statement and the associated notes for the period 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 498 of the Companies Act 2006. The statutory accounts for the period ended 31 December 2011 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 principal accounting policies adopted by the Group, which have been applied consistently, are set out in the statutory financial statements for the period ended 31 December 2011.

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

Key areas of estimation uncertainty

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.

Key judgements

The Directors, do not consider they have had to make any critical judgements in applying the accounting policies.

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
Period ended 31 December 2011			
Revenue	18,235	10,807	29,042
Segment result before management charges	946	491	1,437
Management charges	(389)	(170)	(559)
Segment result after goodwill impairment and management charges	557	321	878
Unallocated corporate expenses			(11)
Operating profit			867
Finance costs			(47)
Profit before taxation			820
Tax expense			(179)
Net profit for the year			641
Segment assets	9,331	3,481	12,812
Unallocated assets			4,127
			16,939
Segment liabilities	(5,517)	(3,454)	(8,971)
Unallocated liabilities			(1,820)
			(10,791)
Consolidated net assets			6,148
Capital additions	10	12	22
Depreciation and goodwill impairment	40	34	74

Year ended 31 January 2011	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
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 goodwill impairment and 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
Segment assets	11,506	2,749	14,255
Unallocated assets			6,496
			20,751
Segment liabilities	(8,065)	(3,088)	(11,153)
Unallocated liabilities			(933)
			(12,086)
Consolidated net assets			8,665
Capital additions	7	59	66
Depreciation and goodwill impairment	52	46	98

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

Period ended 31 December 2011	**United Kingdom £'000**	**Europe £'000**	**Rest of the World £'000**	**Total £'000**
Revenue	**27,526**	**964**	**552**	**29,042**
Non current assets	**4,303**	**—**	**9**	**4,312**

Year ended 31 January 2011	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Revenue	32,528	1,390	692	34,610
Non current assets	3,734	—	3	3,737

There were no customers (year ended 31 January 2011 – two) whose revenue from transactions amounted to 10% 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 period/year as follows:

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Net profit	**641**	1,085
Weighted average shares in issue (excluding shares held in Treasury) used for basic earnings per share	**4,793,162**	5,536,482
Weighted average dilutive shares under option	**124,192**	179,533
Average number of shares used for diluted earnings per share	**4,917,354**	5,716,015
	Pence	Pence
Basic earnings per share	**13.37**	19.60
Diluted earnings per share	**13.04**	18.98

5. Dividend

The Directors are proposing a final dividend of 2.10 pence per share (year ended 31 January 2011 – 2.00 pence per share) payable to shareholders on the register on 18 May 2012 and will be paid on 14 June 2012. The ex-dividend date will be 16 May 2012.

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 22 May 2012 at 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.