TANDEM GROUP PLC
("Tandem" or the "Company")

HALF YEARLY REPORT

The Board of Tandem announces its half yearly report for the 6 months to 30 June 2012.

CHAIRMAN'S STATEMENT

Introduction
I am pleased to present the unaudited financial statements for the 6 months ended 30 June 2012. Following the change in the accounting reference date, a comparative proforma statement to 30 June 2011 has also been prepared.

We continued to face a number of challenges during the period, most notably the exceptionally poor weather and a difficult economic and retail environment. As a result turnover reduced but, with sustained margin and cost control, profit before tax increased compared to the same period last year.

Results
Revenue for the 6 month period to 30 June 2012 was £14,372,000 compared to £15,785,000 in the same period last year.

Operating expenses were reduced by 5.4% to £4,033,000 (2011 - £4,262,000).

Operating profit was £267,000 compared to £253,000 in the comparative period, an increase of 5.5%.

Profit before taxation increased to £193,000 compared to £137,000 in the prior period, partly attributable to a larger pension scheme finance charge last year.

Bicycles and accessories
Revenue in our bicycles and accessories businesses was £8,917,000 compared to £10,258,000 in the prior period.

The reduction in seasonal promotional national retailer business continued. Despite the administrative, logistical, warehousing, safety and testing issues involved, the current preference from a number of national retailers is to directly source product themselves. Although this position could reverse at some future point, in the short term it has had an impact on our business with national retailers.

Adverse weather conditions during the period had a material impact on both national retailer and independent bicycle dealer business. This was exacerbated by the continuing poor economic environment which has undoubtedly affected demand in the leisure cycling market.

Consequently, profit from the bicycle and accessories segment reduced from £561,000 in the prior period to £377,000 in the period ended 30 June 2012.

Sports, leisure and toys
Revenue in our sports, leisure and toys businesses was £5,455,000 in the 6 months to 30 June 2012 compared with £5,527,000 last year.

National retailers continue to exhibit cautious buying strategies. This has been the trend for more than a year now reflecting the difficult economic environment and a consumer preference for cheaper, generic items instead of higher priced, licensed product.

This risk averse strategy has meant that it has been more difficult to gain support for new licences, however, our classic licences of Thomas and Fireman Sam in particular have shown growth. This has been further enhanced by our newly acquired Peppa Pig licence, already a favourite with young children. Although a number of national retailers did not support the official London Olympic 2012 licence, it nevertheless made a valuable contribution during the period.

Sales of our own brands of Hedstrom and Pot Black were ahead of the previous period with turnover from our Ben Sayers golf business similar to last year.

Strong margin and cost control facilitated profit from the sports, leisure and toys business of £117,000 for the 6 month period to 30 June 2012 compared to £35,000 in the same period last year.

Trading update
Group revenue for the 37 week period to 14 September 2012 was approximately £22.0 million compared to £23.4 million in the comparative period last year.

Revenue in the bicycles and accessories businesses to 14 September 2012 was approximately £13.0 million against £14.6 million in the same period last year.

In the sports, leisure and toys businesses revenue for the 37 weeks to 14 September 2012 was approximately £9.0 million compared to £8.8 million last year.

Outlook
Against a difficult economic backdrop, our outlook continues to be cautious but optimistic. July was a particularly challenging trading month for the Group with the UK experiencing further dreadful weather which, when combined with the cumulative impact of the 3 previous months of poor weather, left retailers holding excessive stocks.

The feel-good factor from the fantastic results achieved by Team GB at the London 2012 Olympic Games has had a positive impact on cycling, particularly the road cycling sector. Consequently, Group performance in August was in line with the prior year and September 2012 is likely to exceed September 2011.

With the positive momentum in cycling following the Olympic Games and Tour de France we believe our Claud Butler and Dawes ranges provide an excellent choice for people wishing to take up cycling as a leisure pursuit.

Turnover continues to increase in both our Claud Butler and Dawes accessories businesses.

We are encouraged by our new licences including Peppa Pig and Skylanders. We have also signed further licences for 2013 including Bin Weevils, Mike the Knight, Monsuno, Tree Fu Tom and a number of others.

Our generic range of extreme stunt scooters is selling well and there are plans to expand this range next year.

We expect profit for the year to 31 December 2012 to be behind the prior year but all of our employees continue to work hard to deliver a satisfactory level of profitability in a challenging trading environment.

Dividend
We declare an interim dividend of 1.1p per share (2011 – 1.05p per share) to be paid to shareholders on or before 2 November 2012. The ex-dividend date is 3 October 2012 and the record date 5 October 2012.

MPJ Keene
Chairman
21 September 2012

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 June 2012

	Note	**6 months ended 30 June 2012 *Unaudited* £'000**	Proforma 6 months ended 30 June 2011 *Unaudited* £'000	11 months ended 31 December 2011 *Audited* £'000
Revenue		**14,372**	15,785	29,042
Cost of sales		**(10,072)**	(11,270)	(20,784)
Gross profit		**4,300**	4,515	8,258
Operating expenses		**(4,033)**	(4,262)	(7,391)
Operating profit		**267**	253	867
Finance costs		**(74)**	(116)	(47)
Profit before taxation		**193**	137	820
Tax expense		**(9)**	(38)	(179)
Net profit for the period		**184**	99	641
		Pence	Pence	Pence
Earnings per share				
Basic	3	**3.95**	2.01	13.37
Diluted	3	**3.92**	1.94	13.04

All figures relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2012

	6 months ended 30 June 2012 *Unaudited* **£'000**	Proforma 6 months ended 30 June 2011 *Unaudited* £'000	11 months ended 31 December 2011 *Audited* £'000
Profit for the period	**184**	99	641
Other comprehensive income:			
Foreign exchange differences on translation of overseas subsidiaries	**(30)**	(36)	91
Actuarial loss on pension schemes	**—**	—	(2,449)
Movement in pension schemes' deferred tax provision	**—**	—	568
Other comprehensive income for the period	**(30)**	(36)	(1,790)
Total comprehensive income attributable to equity shareholders of Tandem Group plc	**154**	63	(1,149)

All figures relate to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2012

	At 30 June 2012 *Unaudited* **£'000**	Proforma At 30 June 2011 *Unaudited* £'000	At 31 December 2011 *Audited* £'000
Non current assets			
Goodwill	**2,236**	2,236	2,236
Property, plant and equipment	**295**	316	284
Deferred taxation	**1,792**	1,165	1,792
	4,323	3,717	4,312
Current assets			
Inventories	**7,407**	7,179	5,190
Trade and other receivables	**6,699**	7,365	4,991

Cash and cash equivalents	**2,018**	462	2,446
	16,124	15,006	12,627
Total assets	**20,447**	18,723	16,939
Current liabilities			
Trade and other payables	**(7,849)**	(5,451)	(4,271)
Financial liabilities	**(3,656)**	(5,127)	(3,512)
Current tax liabilities	**(174)**	(341)	(309)
	(11,679)	(10,919)	(8,092)
Non current liabilities			
Pension schemes' deficits	**(2,616)**	(397)	(2,699)
Total liabilities	**(14,295)**	(11,316)	(10,791)
Net assets	**6,152**	7,407	6,148
Equity			
Share capital	**1,503**	1,503	1,503
Shares held in treasury	**(353)**	(337)	(337)
Share premium	**13**	13	13
Other reserves	**2,846**	2,749	2,876
Profit and loss account	**2,143**	3,479	2,093
Total equity	**6,152**	7,407	6,148

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2012

	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
At 1 February 2011	1,503	(115)	—	1,036	1,427	322	4,492	8,665
Net profit for the period	—	—	—	—	—	—	99	99
Retranslation of overseas subsidiaries	—	—	—	—	—	(36)	—	(36)
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	—	*(36)*	99	63
Share based payments	—	—	—	—	—	—	3	3
Exercise of share options	—	4	13	—	—	—	(8)	9
Share buyback	—	(226)	—	—	—	—	(1,014)	(1,240)
Dividends paid	—	—	—	—	—	—	(93)	(93)
Total transactions with owners	—	*(222)*	*13*	—	—	*(36)*	*(1,013)*	*(1,258)*
At 30 June 2011	1,503	(337)	13	1,036	1,427	286	3,479	7,407
Net profit for the period	—	—	—	—	—	—	542	542
Retranslation of overseas subsidiaries	—	—	—	—	—	127	—	127
Net actuarial loss on pension schemes	—	—	—	—	—	—	(1,881)	(1,881)
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	—	127	(1,339)	(1,212)

Share based payments	—	—	—	—	—	—	2	2
Dividends paid	—	—	—	—	—	—	(49)	(49)
Total transactions with owners	*—*	*—*	*—*	*—*	*—*	*127*	*(1,386)*	*(1,259)*
At 31 December 2011	1,503	(337)	13	1,036	1,427	413	2,093	6,148
Net profit for the period	—	—	—	—	—	—	184	184
Retranslation of overseas subsidiaries	—	—	—	—	—	(30)	—	(30)
Total comprehensive income for period attributable to equity shareholders	*—*	*—*	*—*	*—*	*—*	*(30)*	*184*	*154*
Share based payments	—	—	—	—	—	—	3	3
Share buyback	—	(16)	—	—	—	—	(39)	(55)
Dividends paid	—	—	—	—	—	—	(98)	(98)
Total transactions with owners	*—*	*(16)*	*—*	*—*	*—*	*(30)*	*50*	*4*
At 30 June 2012	**1,503**	**(353)**	**13**	**1,036**	**1,427**	**383**	**2,143**	**6,152**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 June 2012

	6 months ended 30 June 2012 *Unaudited* **£'000**	Proforma 6 months ended 30 June 2011 *Unaudited* £'000	11 months ended 31 December 2011 *Audited* £'000
Cash flows from operating activities			
Net profit for the period	**184**	99	641
Adjustments:			
Depreciation of property, plant and equipment	**42**	40	74
Loss on sale of property, plant and equipment	**6**	—	—
Finance costs	**74**	116	47
Tax expense	**9**	38	179
Taxation paid	**(238)**	(127)	(59)
Share based payments	**3**	3	5
Net cash inflow from operating activities before movements in working capital	**80**	169	887
(Increase)/decrease in inventories	**(2,217)**	(461)	2,446
Increase in trade and other receivables	**(1,708)**	(2,265)	(354)
Increase/(decrease) in trade and other payables	**3,548**	2,933	(2,701)
Net cash (utilised)/generated from operations	**(297)**	376	278
Cash flows from investing activities			
Purchases of property, plant and equipment	**(59)**	(22)	(22)
Net cash used in investing activities	**(59)**	(22)	(22)
Cash flows from financing activities			
Increase in invoice financing	**144**	1,381	846
Interest paid	**(33)**	(50)	(95)
Exercise of share options	—	9	9
Dividends paid	**(98)**	(93)	(142)
Payment to acquire own shares	**(55)**	(1,240)	(1,240)
Net cash (used in)/generated from financing activities	**(42)**	7	(622)

Net (decrease)/increase in cash and cash equivalents	**(398)**	361	(366)
Cash and cash equivalents at beginning of period	**2,446**	137	2,721
Effect of foreign exchange rate changes	**(30)**	(36)	91
Cash and cash equivalents at end of period	**2,018**	462	2,446

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, the market of that name operated by 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 Group changed its accounting reference date to 31 December on 30 November 2011. Consequently, a proforma unaudited comparative statement for the period ended 30 June 2011 has been included in this half yearly report.

The interim financial statements for the period ended 30 June 2012 (including the comparatives for the periods ended 30 June 2011 and 31 December 2011) were approved by the Board of Directors on 21 September 2012. 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 period ended 31 December 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 30 June 2012 is based on the actuarial valuation under IAS19 at 31 December 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 December 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 30 June 2012			
Revenue	**8,917**	**5,455**	**14,372**
Segment result	**377**	**117**	**494**
Unallocated corporate expenses			**(227)**
Operating profit			**267**
Finance costs			**(74)**
Result for the period before taxation			**193**
Tax expense			**(9)**
Net profit for the period			**184**
Proforma 6 months to 30 June 2011			
Revenue	10,258	5,527	15,785
Segment result	561	35	596
Unallocated corporate expenses			(343)
Operating profit			253
Finance costs			(116)
Result for the period before taxation			137
Tax expense			(38)
Net profit for the period			99
11 months to 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 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 period			641

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 30 June 2012	Proforma 6 months ended 30 June 2011	11 months ended 31 December 2011
	£'000	£'000	£'000
Net profit for the period	**184**	99	641
Weighted average shares in issue used for basic earnings per share	**4,653,258**	4,925,297	4,793,162
Weighted average dilutive shares under option	**41,345**	168,257	124,192
Average number of shares used for diluted earnings per share	**4,694,603**	5,093,554	4,917,354
	Pence	Pence	Pence
Basic earnings per share	**3.95**	2.01	13.37
Diluted earnings per share	**3.92**	1.94	13.04

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