Tandem Group plc

Interim Results

The Group made a profit before tax of £335,000 for the six months ended 31 July 2007, compared to a loss of £373,000 in the same period last year. Group sales revenue increased by 11.8% from £16,143,000 to £18,052,000. This was an encouraging result despite the bad weather in the second quarter. No dividend is proposed.

CYCLES

The number of bicycles sold was 7.7% up on the same period last year. The average selling price was down, with lower sales of the higher priced models, resulting in sales revenue for our cycle businesses being 1.0% lower. With improved margins and a tight control of costs the operating profit, before exceptional items, increased by £246,000 compared to the first half last year.

We continue to design and develop new bicycles to provide our customers with innovative and exciting products.

SPORTS, LEISURE AND TOYS

Turnover in our sports, leisure and toys business increased by 32.4% over the same period last year. Traditionally the first half of the year for this business has been loss making, but improved sales revenue from our Hedstrom outdoor play equipment and new licences for Transformers and C'Mons have turned the half year into profit. We continue to increase sales of our Ben Sayers golf equipment through product development and a wider distribution.

New licences should generate further sales revenue in the second half of the year.

SUMMARY

I highlighted the situation with the Group's pension schemes in my statement with the results for the year ended 31 January 2007. The deficit has reduced by £680,000 since 31 January 2007 and work is continuing on ways to further decrease or eliminate the shortfall.

The Group is now in a position to explore ways to enhance shareholder value and a number of options are being considered for 2008.

So far this year the Group has enjoyed an improving sales trend which should continue for the rest of the year. The management teams of our individual businesses are clearly focused on their products, sales and operations and we therefore remain optimistic about the prospects for the current financial year.

Graham Waldron
Chairman

17 October 2007

For further information contact:

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	Note	6 months ended 31 July 2007 Unaudited £'000	6 months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Unaudited £'000
Continuing operations				
Revenue		18,052	16,143	33,785
Cost of sales		(12,586)	(11,651)	(23,169)
Gross profit		5,466	4,492	10,616
Distribution expenses		(3,338)	(2,859)	(4,890)
Administrative expenses		(1,622)	(1,876)	(4,806)
Operating profit/(loss)		506	(243)	920
Finance costs		(171)	(130)	(271)
Profit/(loss) before taxation		335	(373)	649
Tax (expense)/income		(1)	78	297
Profit/(loss) for the period		334	(295)	946
		Pence	Pence	Pence
Earnings/(loss) per share				
Basic	5	0.89	(0.78)	2.52
Diluted	5	0.89	(0.78)	2.52

	At 31 July 2007 Unaudited £'000	At 31 July 2006 Unaudited £'000	At 31 January 2007 Unaudited £'000
Non current assets			
Goodwill	2,677	2,677	2,677
Property, plant and equipment	522	480	403
Deferred taxation	1,167	633	1,354
	4,366	3,790	4,434
Current assets			
Inventories	5,994	5,577	5,676
Trade and other receivables	7,929	7,372	5,435
Cash and cash equivalents	2,357	1,421	551
	16,280	14,370	11,662
Total assets	20,646	18,160	16,096
Current liabilities			
Trade and other payables	(8,829)	(8,845)	(6,076)
Financial liabilities	(4,194)	(3,497)	(2,456)
Current tax liabilities	(352)	(213)	(365)
	(13,375)	(12,555)	(8,897)
Non current liabilities			
Pension schemes' deficits	(1,457)	(2,940)	(2,137)

Total liabilities	(14,832)	(15,495)	(11,034)
Net assets	5,814	2,665	5,062
Equity			
Share capital	1,503	1,503	1,503
Share premium	5,258	5,258	5,258
Other reserves	2,455	2,523	2,431
Profit and loss account	(3,402)	(6,619)	(4,130)
Total equity	5,814	2,665	5,062

	6 months ended 31 July 2007 Unaudited £'000	6 months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Unaudited £'000
Foreign exchange differences on translation of overseas subsidiaries	24	22	(70)
Actuarial gain on pension schemes	595	-	1,221
Movement in pension schemes' deferred tax provision	(204)	-	-
Net income recognised directly in equity	415	22	1,151
Net profit/(loss) for the period	334	(295)	946
Total recognised income and expense	749	(273)	2,097

	6 months ended 31 July 2007 Unaudited £'000	6 months ended 31 July 2006 Unaudited £'000	Year ended 31 January 2007 Unaudited £'000
Cash flows from operating activities			
Profit/(loss) for the period	334	(295)	946
Adjustments:			
Depreciation of property, plant and equipment	59	83	173
Loss on sale of property, plant and equipment	1	4	48
Finance costs	171	130	271
Taxation expense/(income)	1	(78)	(297)
Share based payments	3	-	27
Fair value adjustments of forward contracts	78	259	37
Adjustment for pension funding	(86)	(97)	(118)
Net cash inflow from operating activities before movements in working capital	561	6	1,087
(Increase)/decrease in inventories	(318)	87	(12)
Increase in trade and other receivables	(2,511)	(2,201)	(681)
Increase/(decrease) in trade and other payables	2,723	1,106	(1,048)
Cash generated/(utilised) from operations	455	(1,002)	(654)
Interest paid	(154)	(113)	(276)
Taxation paid	-	-	(85)
Net cash inflow/(outflow) from operating activities	301	(1,115)	(1,015)
Cash flows from investing activities			
Purchases of property, plant and equipment	(180)	(34)	(94)
Sale of property, plant and equipment	1	30	31

Net cash used in investing activities	(179)	(4)	(63)
Financing activities			
Increase/(decrease) in invoice financing	1,659	92	(726)
Capital element of finance lease rentals	-	-	(1)
Net cash from/(used in) financing activities	1,659	92	(727)
Net increase/(decrease) in cash and cash equivalents	1,781	(1,027)	(1,805)
Cash and cash equivalents at beginning of period	551	2,426	2,426
Effect of foreign exchange rate changes	25	22	(70)
Cash and cash equivalents at end of period	2,357	1,421	551

1 GENERAL INFORMATION

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

The principal activity of the Group is the manufacture 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 9a South Street, Crowland, Peterborough, PE6 0AH.

The interim financial statements for the period ended 31 July 2007 (including the comparatives for the periods ended 31 July 2006 and 31 January 2007) were approved by the board of directors on 17 October 2007. 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 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 January 2007, prepared under the United Kingdom Generally Accepted Accounting Principles ('UK GAAP'), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 237(2) of the Companies Act 1985.

2 ACCOUNTING POLICIES

Basis of preparation

The interim financial report has been prepared under the historical cost convention and in accordance with International Accounting Standard 34 Interim Financial Reporting and the requirements of International Financial Reporting Standard 1 First Time Adoption of International Reporting Standards relevant to interim reports. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 January 2007.

The Group has adopted International Financial Reporting Standards ('IFRS') for the first time in its consolidated financial statements. The transition to IFRS reporting has resulted in a change in the reported financial statements, notes thereto and accounting principles compared to the previous annual report. Note 3 provides further details on the transition from UK GAAP to IFRS.

These consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the EU and are effective at 31 January 2008 or are expected to be adopted and effective at 31 January 2008, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

The principal accounting policies of the Group are set out below.

Consolidation and investments in subsidiaries

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 February 2006.

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Material intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Income recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when they are received by the customer at the agreed place of delivery

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold

- the amount of revenue can be measured reliably

- it is probable that the economic benefits associated with the transaction will flow to the Group, and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment

The Group's goodwill and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Computer equipment, fixtures and fittings, vehicles and short leasehold land and buildings are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on these assets on a straight line basis over the estimated useful economic life of each asset.

The useful lives of property, plant and equipment can be summarised as follows:

Computer equipment	3 years
Fixtures and fittings	3 years
Vehicles	3 - 4 years
Short leasehold land and buildings	Over term of lease

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Leases

In accordance with IAS 17 (revised 2003), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Employee benefits

Defined contribution pension schemes

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Defined benefit pension schemes

Assets are measured at fair values. Liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for unrecognized actuarial gains or losses and past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognizes past service cost immediately.

Actuarial gains and losses are recognized immediately in the statement of recognised income and expense. The net surplus or deficit is presented with other net assets on the balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognized only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged to distribution and administrative expenses. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Post-employment benefits other than pensions are accounted for in the same way.

Short-term employee benefits, including holiday entitlement, are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Other long-term employee benefit obligations are accounted for at the net of the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Financial assets

The Group's financial assets include cash and trade receivables.

All financial assets are recognised on their settlement date. All financial assets are initially recognised at fair value, plus transaction costs.

Interest and other cash flows resulting from holding financial assets are recognised in profit or loss when receivable, regardless of how the related carrying amount of financial assets is measured.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other reserves comprise of merger reserve, capital reserve and foreign currency reserve.

Retained earnings include all current and prior period results as disclosed in the income statement.

Share based employee remuneration

All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 February 2006 are recognised in the consolidated financial statements. The Group operates equity-settled share based remuneration plans for remuneration of its employees.

All employee services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if a different number of share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Financial liabilities

The Group's financial liabilities include bank overdrafts, an invoice financing loan and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in the finance cost in the income statement.

Trade payables are recognised initially at their nominal value and subsequently measured at amortised cost less settlement payments.

Other provisions, contingent liabilities and contingent assets

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the consolidated balance sheet.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets and therefore not recognised.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the 'Foreign currency reserve' in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

3 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The transition from previous UK GAAP to IFRS has been made in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The Group's interim financial statements for the six months ended 31 July 2007 and the comparatives presented for the periods ended 31 July 2006 and 31 January 2007 comply with all presentation recognition and measurement requirements of IFRS applicable for accounting periods ending on 31 January 2008.

The following reconciliations and explanatory notes thereto describe the effects of the transition for the financial periods ended 31 July 2006 and 31 January 2007. All explanations should be read in conjunction with the IFRS accounting policies of Tandem Group plc.

The reconciliation of the Group's profit and loss reported under previous UK GAAP to its profit and loss under IFRS for the periods ended 31 July 2006 and 31 January 2007 may be summarised as follows:

Reconciliation for the period ended 31 July 2006

	£'000
Loss for the period transferred to reserves previously reported under UK GAAP	(207)
Reversal of goodwill amortisation	92
Accounting for forward contracts at fair value	(258)
Related deferred tax on forward contracts	78
Net loss for the period as restated under IFRS	(295)

Reconciliation for the year ended 31 January 2007

	£'000
Profit for the year transferred to reserves previously reported under UK GAAP	796
Reversal of goodwill amortisation	175
Accounting for forward contracts at fair value	(37)
Related deferred tax on forward contracts	12
Net profit for the year as restated under IFRS	946

The reconciliation of the Group's equity reported under previous UK GAAP to its equity under IFRS as at 31 January 2006, 31 July 2006 and at 31 January 2007 may be summarised as follows:

	31 January 2006 £'000	31 July 2006 £'000	31 January 2007 £'000

Reversal of goodwill amortisation	-	92	175
Accounting for prior year forward contracts at fair value	-	(4)	(4)
Accounting for forward contracts at fair value	(4)	(258)	(37)
Related deferred tax on forward contracts	-	78	12
Total adjustment to equity	(4)	(92)	146
UK GAAP equity shareholders' funds	2,941	2,757	4,916
IFRS equity shareholders' funds	2,937	2,665	5,062

The re-measurement of balance sheet items as at 31 January 2006, 31 July 2006 and at 31 January 2007 may be summarised as follows:

Reconciliation as at 31 January 2006

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Deferred tax provision	354	198	552
Financial liabilities	(3,141)	(5)	(3,146)
Pension schemes' deficits	(2,003)	(198)	(2,201)
Other reserves	(2,462)	(38)	(2,500)
Profit and loss account	6,281	43	6,324

Reconciliation as at 31 July 2006

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Goodwill	2,585	92	2,677
Deferred tax provision	356	277	633
Financial liabilities	(3,227)	(270)	(3,497)
Pension schemes' deficits	(2,742)	(198)	(2,940)
Other reserves	(2,462)	(61)	(2,523)
Profit and loss account	6,459	160	6,619

Reconciliation as at 31 January 2007

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Goodwill	2,502	175	2,677
Deferred tax provision	700	654	1,354
Financial liabilities	(2,414)	(42)	(2,456)
Pension schemes' deficits	(1,496)	(641)	(2,137)
Other reserves	(2,489)	58	(2,431)
Profit and loss account	4,334	(204)	4,130

Profit and loss reported under UK GAAP for the periods ended 31 July 2006 and 31 January 2007 is reconciled to IFRS as follows:

Reconciliation for the period ended 31 July 2006

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Revenue	16,143	-	16,143
Cost of sales	(11,393)	(258)	(11,651)
Gross profit	4,750	(258)	4,492
Operating expenses	(4,735)	-	(4,735)
Amortisation of goodwill and intangibles	(92)	92	-
Operating result	(77)	(166)	(243)
Finance costs	(130)	-	(130)
Result for the period before taxation	(207)	(166)	(373)
Tax income	-	78	78

Net result for the period	(207)	(88)	(295)

Reconciliation for the year ended 31 January 2007

	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Revenue	33,785	-	33,785
Cost of sales	(23,132)	(37)	(23,169)
Gross profit	10,653	(37)	10,616
Operating expenses	(9,696)	-	(9,696)
Amortisation of goodwill and intangibles	(175)	175	-
Operating result	782	138	920
Finance costs	(271)	-	(271)
Result for the period before taxation	511	138	649
Tax income	285	12	297
Net result for the year	796	150	946

The Group has modified its former balance sheet and income statement structure on transition to IFRS. The main changes may be summarised as follows:

. the elimination of amortisation of goodwill charged under UK GAAP. Goodwill is now subject to an annual impairment test. The effect of this adjustment was to add back amortisation of £175,000 as at 31 January 2007 and £92,000 at 31 July 2006.

. forward foreign currency contracts are accounted for at fair value under IFRS resulting in a loss through the profit and loss account in the 6 months to 31 July 2007 of £78,000 and a loss in the year to 31 January 2007 of £37,000. The balance sheet values of the related financial instrument liabilities were £120,000 at 31 July 2007, £42,000 at 31 January 2007 and £264,000 at 31 July 2006.

. the deferred tax asset in relation to defined benefit pension schemes is now shown as part of the deferred tax asset balance within non-current assets. Under UK GAAP this asset was netted off the pension scheme liability in the balance sheet.

Explanation of material adjustments to the cash flow statement

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

. under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'.

. income taxes paid during the period ended 31 July 2007 are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under previous GAAP.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

4 SEGMENTAL REPORTING

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

Sports,

	Bicycles and accessories £'000	leisure and toys £'000	Total £'000
6 months to 31 July 2006 Restated			
Revenue	9,957	6,186	16,143
Segment result	118	(359)	(241)
Unallocated corporate expenses			(2)
Operating profit			(243)
Finance costs			(130)
Result for the period before taxation			(373)
Tax income			78
Net result for the period			(295)
Year ended 31 January 2007 Restated			
Revenue	19,852	13,933	33,785
Segment result	1,260	147	1,407
Unallocated corporate expenses			(487)
Operating profit			920
Finance costs			(271)
Result for the period before taxation			649
Tax income			297
Net result for the period			946
6 months to 31 July 2007			
Revenue	9,859	8,193	18,052
Segment result	562	126	688
Unallocated corporate expenses			(182)
Operating profit			506
Finance costs			(171)
Result for the period before taxation			335
Tax expense			(1)
Net result for the period			334

5 EARNINGS PER SHARE

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

	6 months ended 31 July 2007 £'000	6 months ended 31 July 2006 £'000	Year ended 31 January 2007 £'000
Net result for the period	334	(295)	946
Weighted average shares in issue used for basic earnings per share	37,584,412	37,584,412	37,584,412
Weighted average dilutive shares under option	460,000	88,219	-
Number of shares that would have been issued at fair value	(402,450)	(79,120)	-
Average number of shares used for diluted	37,641,962	37,593,511	37,584,412

earnings per share

	Pence	Pence	Pence
Basic earnings/(loss) per share	0.89	(0.78)	2.52
Diluted earnings/(loss) per share	0.89	(0.78)	2.52

6 RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 February 2006	1,503	5,258	2,501	(6,324)	2,938
Total recognised income and expense	-	-	22	(295)	(273)
At 31 July 2006	1,503	5,258	2,523	(6,619)	2,665
Total recognised income and expense	-	-	(92)	2,462	2,370
Share based payments	-	-	-	27	27
At 31 January 2007	1,503	5,258	2,431	(4,130)	5,062
Total recognised income and expense	-	-	24	725	749
Share based payments	-	-	-	3	3
At 31 July 2007	1,503	5,258	2,455	(3,402)	5,814