

Tandem Group plc

Annual Report and Accounts
for the period ended 31 December 2011

Tandem Group plc

Welcome to Tandem Group plc

Tandem Group plc is a designer, developer and distributor of sports and leisure products.

Governance

Financials

Financial Calendar

Annual General Meeting	22 May 2012
Interim Results for 6 months to 30 June 2012	September 2012
Annual Results for year ended 31 December 2012	April 2013

Directors and Advisers

Directors

M P J Keene
Non-Executive Chairman

S J Grant
Chief Executive Officer

J C Shears
Group Finance Director

J S T Morris
Non-Executive Director

A Q Bestwick
Non-Executive Director

J C Shears
Company Secretary

Registered office
35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG

Registration
Registered in England No. 616818

Website
www.tandemgroup.co.uk

Nominated Adviser and Broker
Cairn Financial Advisers LLP
61 Cheapside, London, EC2V 6AX

Chartered Accountants and Statutory Auditor
Grant Thornton UK LLP
Enterprise House, 115 Edmund Street, Birmingham, B3 2HJ

Solicitors
Shoosmiths LLP
125 Colmore Road, Birmingham B3 3SH

Registrars
Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Telephone 0871 664 0300

Brands

Bicycles and accessories
Barrosa
Boss
British Eagle
CBR
Claud Butler
Dawes
Dirty
Elswick
Exile
Falcon
Holdsworth
Scorpion
Stinky Bitz
Townsend

Golf
Ben Sayers
Bioflow*

Snooker & pool
Pot Black

Football training
Kickmaster

Table sports
Pot Black

Outdoor play
Hedstrom
Mike the Knight*
Raa Raa the Noisy Lion*

Wheeled toys
Ben 10*
Ben 10 Ultimate Alien*
Ben and Holly's Little Kingdom*
Bob the Builder*
Doctor Who*
Fireman Sam*
Generator Rex*
Grow & Go
Little Charley Bear*
London 2012 Olympic and Paralympic Games*
Mike the Knight*
Octonauts*
Peppa Pig*
Power Rangers Samurai*
Raa Raa the Noisy Lion*
Rastamouse*
Ready Steady Ride
Star Wars*
Stunted
The Avengers*
Thomas & Friends*
Thundercats*
Tinga Tinga Tales*
Transformers Prime*

* Under licence

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 on page 3.

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 — 1.00 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. A significant factor in this movement was the change in the discount rate which is explained further in note 18.

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 focused 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.

A detailed segment review of performance and current trading is contained in the Business Review on page 3.

M P J Keene
Non-Executive Chairman

16 April 2012

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 licenced 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.

Business Review continued

Key performance indicators

A wide variety of daily key performance indicators are produced for all of our businesses to enable us to monitor performance against budget and the previous year. The key performance indicators that the Directors consider salient to the Group's performance are shown below:

	Period ended 31 December 2011 Actual	Period ended 31 December 2011 Target	Year ended 31 January 2011 Actual
Gross profit margin The ratio of gross profit to sales expressed as a percentage	**28.4%**	**28.3%**	28.4%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	**£309,000**	**£337,000**	£346,000
Net operating expenses % of sales The ratio of net operating expenses, before goodwill impairment and exceptional items, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage	**25.5%**	**24.5%**	24.9%
Interest cover The ratio of operating profit before goodwill impairment and exceptional items, to net interest payable on bank overdrafts and invoice finance facilities	**9.0**	**10.6**	16.7
Shareholders' return The ratio of net profit before goodwill impairment and exceptional items to shareholders' funds at the start of the year expressed as a percentage	**7.4%**	**13.5%**	15.5%
Adjusted earnings per share — pence The net profit before goodwill impairment and exceptional items divided by the weighted average number of ordinary shares in issue during the year	**13.4**	**24.3**	19.6

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks and uncertainties. The principal risks facing the business are set out as follows:

Suppliers

In order to achieve competitively priced products the Group has outsourced production, mainly to countries in Asia. Risks and uncertainties of this strategy include management issues at the factories, the possibility of changes in import duties and shipping delays. We manage this risk by having a local office in Hong Kong with a team that works closely with the factories and we develop contingency plans should the need arise to make changes.

Fluctuations in currency exchange rates

A significant amount of the Group's purchases are made in US dollars. As a Group, we are therefore exposed to foreign currency fluctuations. The Group manages its foreign exchange risk with forward foreign exchange contracts and other financial instruments to reduce the exposure. If these activities do not mitigate the exposure, then the results and the financial condition of the Group may be adversely impacted.

Licences

A number of the Group's brands are used under licence from global licensors. The licences are generally for between two and three years. If the licences are not renewed the Group would have to seek alternative licences in order to avoid a reduction in revenue. Should a licence prove unsuccessful the Group would be committed to a minimum royalty guarantee.

Competition

The companies in the Group operate in highly competitive markets. As a result there is constant pressure on margins and the additional risk of being unable to meet customer expectations. Policies of supply chain management and product development are in place to mitigate such risks.

Volatility in financial markets may require further cash contributions to our pension fund

The Group has commitments under defined benefit pension schemes. The Group is obliged to make contributions to the schemes based on actuarial valuations, which in turn are based on long-term assumptions. Volatility of the financial markets can affect the value of the assets in the schemes and may lead to a requirement to increase the cash contributed by the Group to the schemes. If the Group is required to make significant additional contributions, the financial position of the Group may be materially affected with a significant reduction in operating cash flows. In turn, this may adversely impact future developments of the business.

Financial risks

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks. A summary of these risks is disclosed in note 16.

S J Grant
Chief Executive Officer

J C Shears
Group Finance Director

16 April 2012

Directors´ Report

The Directors submit their annual report with the audited financial statements for the eleven month period ended 31 December 2011. The accounting reference date was changed from 31 January to 31 December because the Board considers that this will better align the reporting period to the operations of the businesses. In the bicycles & accessories business new ranges are launched in January each year and a December year end in the sports, leisure & toys business will align more favourably with customers' selling periods. In addition, the variability in inventory levels due to the different dates of Chinese New Year, which can fall in either January or February, will be eliminated.

Principal activity

The Group is principally engaged in the design, development, sourcing and distribution of sports and leisure equipment. The Chairman's statement and Business review on pages 2 and 3 should be read in conjunction with this report.

Results and dividend

The results for the period ended 31 December 2011 are set out in the consolidated income statement on page 10. An interim dividend of 1.05 pence per share was paid on 25 November 2011 (period ended 31 July 2011 — 1.00 pence per share). 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.

Significant shareholders

As at 16 April 2012 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 1,346,980 shares held in treasury.

	Ordinary Shares of 25p	%
Jupiter Asset Management	540,941	11.6
S E Stride	383,320	8.2
M P J Keene	216,360	4.6
R C L Davis	145,200	3.1

Directors

The present Directors are as follows:

M P J Keene

Mervyn joined the Company in 1989 and became Managing Director of the former Garden Leisure Division. He was appointed Group Finance Director in 1993 and became Non-Executive Chairman in June 2010. He is a Fellow of the Association of Chartered Certified Accountants.

S J Grant

Steve joined MV Sports & Leisure Limited ('MV') from the accountancy profession in 1990 becoming Finance Director in that year. He was appointed Managing Director of MV in 1996 and became Chief Executive Officer of the Group in June 2010.

J C Shears

Jim joined the Company as Group Financial Controller in 2002. He was appointed Company Secretary in 2008 and Group Finance Director in June 2010. He previously worked for the Audit Commission, IFG Group plc and AWG plc where he held various financial roles. Jim is a Fellow of the Institute of Chartered Accountants in England and Wales.

J S T Morris

Simon has worked in corporate finance for over 30 years, initially at Lazard Brothers and Dillon Read and later with MSB Corporate Finance and Smith & Williamson. He was appointed to the Board in March 2010 and is an experienced Non-Executive Director.

A Q Bestwick

Andy was formerly Managing Director of Gardman Holdings Limited. He has considerable experience in product development, sourcing and supply chain management, particularly from Asia, and selling to national and independent retailers. He was appointed to the Board in April 2010.

The interests of the Directors and their immediate families (as defined by the Companies Act 2006) in the shares of the Company are shown below:

Held beneficially and fully paid

	16 April 2012 25p ordinary shares	31 December 2011 25p ordinary shares	1 February 2011 25p ordinary shares
M P J Keene	216,360	216,360	200,360
S J Grant	100,000	100,000	64,000
J C Shears	25,421	21,671	1,440

In accordance with the Articles of Association, S J Grant, whose service contract may be terminated by either party giving 12 months' written notice, retires at the Annual General Meeting and offers himself for re-election.

Details of the Directors' share options are disclosed in note 6.

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Directors´ Report continued

Share buyback

During the year the Company purchased 901,500 shares, at a nominal value of £226,000 for a consideration of £1,240,000, representing 14.99% of total called up share capital. The Company's investment in own shares now represents 22.40% of total called up share capital. These shares are held in Treasury.

Directors´ and officers´ liability insurance

Directors' and officers' liability insurance has been purchased by the Group during the year.

Business Review, key performance indicators (KPIs) and principal risks and uncertainties

A review of the Group's trading operations, KPIs and principal risks and uncertainties is contained in the Business Review on pages 3 and 4.

Environmental policies

Tandem Group plc recognises its responsibility to protect the environment. The Group manages its operations in ways that are environmentally sustainable and economically feasible and provides appropriate educational programmes for staff and other stakeholders.

All Directors and managers of Tandem Group plc and its subsidiaries are committed to ensuring that environmental issues are carefully considered during all planning and operational decision making.

The Group's environmental policy applies to all land, premises and activities within its control. The Group promotes the use of sustainable resources and discourages wasteful or damaging practices. Subsidiary companies within the Group develop their own local policies and arrangements for implementing and monitoring the Group's objectives.

As a major supplier of bicycles and wheeled toys in the UK we believe that we are contributing to a sustainable transport strategy, improving the environment by providing an emission free transport alternative and encouraging better health and fitness of the nation.

Corporate social responsibility

The Group has a Corporate Social Responsibility Committee (CSRC) which meets regularly, with members from each of the Group's operations, including the Hong Kong office.

The CSRC is responsible for ensuring that each business in the Group operates to the same broad guidelines defined in the Group policy statement issued by the CSRC. This statement deals with health and safety, employee well being, the Group's impact on the environment and its social responsibility.

Every new or prospective supplier must satisfactorily complete an audit before being validated by the Group. Follow up audits are undertaken on a regular basis once suppliers are accepted. With the benefits of language and location, the Group's Hong Kong office is able to control the audits of the suppliers in Asia. Other supplier audits are controlled from the UK.

The Group continues to be engaged in a number of projects, in conjunction with stakeholders, to reduce carbon dioxide emissions, safely and efficiently dispose of waste and, where possible, reuse and recycle products and packaging.

Employment policies

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. All employees are given equal opportunities for career development and promotion. Health and safety committee meetings are held within the operating businesses.

The necessity and importance of good communications and relations with all employees is well recognised and accepted throughout the Group. Employees are kept fully aware of management policies applicable to their respective duties. The Directors are committed to the principle of employee and executive share participation as evidenced by the existence of share option schemes. Options are granted under these schemes in order that employees can participate in the Group's performance.

Policy on payment of suppliers

Payment terms with suppliers are agreed before contracts are placed. It is the Group's code to abide by agreed payment terms with suppliers. The trade creditors of the Group at 31 December 2011 represent 43 days (31 January 2011 — 47 days) as a proportion of the total amount invoiced by suppliers during the year.

Statement of Directors´ responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Directors have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The audit partner has served in that capacity for five years which is the period normally recommended to ensure independence but is subject to Audit Committee discretion to extend for a further year.

The Audit Committee has determined that following recent Board changes, it is in the best interest of audit quality that the current audit partner should continue in his role for a further year. The Audit Committee is satisfied that by the application of safeguards, the extension does not undermine the objectivity and independence of the auditor. Grant Thornton UK LLP has agreed to this extension which will bring the total period served by the audit engagement partner to six years.

A resolution to reappoint Grant Thornton UK LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting includes Resolution No. 5 proposed as special business. This resolution seeks the authority from shareholders for the Company to purchase its own shares. The Company would only exercise the authority if the effect of doing so would be to increase the earnings per share of the remaining shareholders and be in the best interests of shareholders generally. In addition, in exercising such authority, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

By Order of the Board

J C Shears
Company Secretary

16 April 2012

Registered number: 00616818

Corporate Governance Statement

The principal steps taken by the Group are set out below.

The Company is controlled through the Board of Directors which comprises two Executive Directors and three independent Non-Executive Directors. The service contracts of the two Executive Directors may be terminated by either party giving 12 months' written notice. The remuneration and other emoluments of Executive Directors and senior managers are determined by the Remuneration Committee, of which M P J Keene, J S T Morris and A Q Beswick are members. Executive remuneration packages are subject to an annual review and are designed to attract, motivate and retain Directors and senior managers of a high calibre.

The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of its trading businesses, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. All Directors will submit themselves for re-election at least once every three years.

The Board has established three committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the Group Finance Director and the external auditor in attendance. The Nominations Committee meets when applicable to consider and recommend to the Board changes in the Board's composition. The Remuneration Committee reviews the terms and conditions of employment of the Directors and senior managers. M P J Keene and J S T Morris are members of the Audit Committee. M P J Keene and A Q Bestwick are members of the Nominations Committee. Independent external advice is taken when appropriate.

The Group encourages two-way communication with both its institutional and private investors and endeavours to respond quickly to all queries received verbally or in writing. The Executive Directors attended meetings with shareholders in the period ended 31 December 2011.

The Group has a comprehensive system for reporting financial results to the Board. Each operating unit prepares monthly results with a comparison against budget. Towards the end of each financial year the operating units prepare detailed budgets for the following year. Budgets and plans are reviewed by the Board before being formally adopted.

Quality and integrity of personnel is regarded as vital to the maintenance of the Group's system of internal control. Due to the relatively small number of key employees within the business, the Board has first hand knowledge of their performance.

The Executive management has defined the financial controls and procedures with which each operating unit is required to comply. Key controls over major business risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of the extent of their compliance with these controls and procedures.

Much of the Group's financial and management information is processed by and stored on computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. Also, the Group has put in place arrangements for computer processing to continue and data to be retained in the event of the complete failure of the Group's own data processing facility.

With a substantial part of purchases in United States dollars, hedging against foreign exchange fluctuations in this currency is recognised by the Directors as a key responsibility. The prudent use of various financial instruments minimises vulnerability to the volatility of the US dollar that may affect this net exposure.

A number of the Group's key functions, including treasury, taxation and insurance, are dealt with centrally by the Group Finance Director who reports to the Board on a monthly basis.

The Group meets its day to day working capital requirements through certain overdraft facilities. The bank facilities were renewed in April 2012 and the Group expects to operate within the facilities currently agreed.

Based on the Group's plans, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Report of the Independent Auditor

to the members of Tandem Group plc

We have audited the financial statements of Tandem Group plc for the period ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2011 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

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	4	(7,391)	(8,628)
Operating profit		867	1,205
Finance costs	5	(47)	(120)
Profit before taxation		820	1,085
Tax expense	7	(179)	—
Net profit for the year		641	1,085
Earnings per share	8	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.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet
At 31 December 2011

	Note	At 31 December 2011 £'000	At 31 January 2011 £'000
Non current assets			
Intangible fixed assets	9	2,236	2,236
Property, plant and equipment	10	284	336
Deferred taxation	17	1,792	1,165
		4,312	3,737
Current assets			
Inventories	11	5,190	7,636
Trade and other receivables	12	4,991	4,696
Cash and cash equivalents	13	2,446	2,721
		12,627	15,053
Total assets		16,939	18,790
Current liabilities			
Trade and other payables	14	(4,271)	(6,880)
Financial liabilities	15	(3,512)	(2,666)
Current tax liabilities		(309)	(100)
		(8,092)	(9,646)
Non current liabilities			
Pension schemes' deficits	18	(2,699)	(479)
Total liabilities		(10,791)	(10,125)
Net assets		6,148	8,665
Equity			
Share capital	19	1,503	1,503
Shares held in treasury	19	(337)	(115)
Share premium	19	13	—
Other reserves		2,876	2,785
Profit and loss account		2,093	4,492
Total equity		6,148	8,665

The financial statements were approved by the Board on 16 April 2012 and signed on its behalf by:

M P J Keene
Director

J C Shears
Director

The accompanying notes form an integral part of these financial statements.

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**

The share premium was created following the exercise of share options.

The merger reserve was created as a result of merger relief being claimed in respect of previous share issues.

Other reserves include a capital redemption reserve and a translation reserve. These reserves are non-distributable.

The profit and loss account includes all current and prior period results and share based payments as disclosed in the consolidated income statement.

The accompanying notes form an integral part of these financial statements.

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

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Tandem Group plc, a public limited company, is incorporated and domiciled in the United Kingdom. The Company acts as a holding company of the Group. The registered office and principal place of business of the Group is disclosed on the Directors and advisers page to these financial statements. The Group's principal activity is disclosed on page 5.

The financial statements for the period ended 31 December 2011 (including the comparatives for the year ended 31 January 2011) were approved by the Board of Directors on 16 April 2012. Under the security regulations act of the EU, amendments to the financial statements are not permitted after they have been approved.

The Group does not have an ultimate controlling related party.

2. Accounting policies

Basis of preparation

The principal accounting policies of the Group are set out below and are consistent with those applied in the prior year financial statements.

Overall considerations

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Group's latest approved budget where applicable. Judgements are based on the information available at each balance sheet date. Disclosure of the significant accounting estimates and judgements can be found on page 18.

Basis of consolidation

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 consolidated 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 these fair values, 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.

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

Foreign currency

The Group's consolidated financial statements are presented in sterling (£), which is also the functional currency of the parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary balance sheet items at year end exchange rates are recognised in the consolidated income statement.

In the Group's financial statements, all items and transactions of Group entities with a functional currency other than sterling were translated into sterling upon consolidation. Assets and liabilities have been translated into sterling at the closing rate at the balance sheet date. Income and expenses have been translated into sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged or credited to the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into sterling at the closing rate.

The Group has taken advantage of the exemption in IFRS1 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 but includes later translation differences.

2. Accounting policies continued

Income recognition

Revenue is measured by reference to the fair value of consideration receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the sale of goods, 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.

Business combinations and goodwill

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment as described below.

Impairment

The Group's goodwill and property, plant and equipment is 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 that include goodwill 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

Property, plant and equipment is 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. Material residual value estimates and useful economic lives are updated as required and at least annually. The useful lives of property, plant and equipment can be summarised as follows:

Short leasehold land and buildings	Length of lease
Vehicles	3 — 4 years
Plant and machinery	3 — 10 years

Inventories

All inventories and work in progress are stated at the lower of cost and net realisable value. Cost is based on the first in first out method and, where appropriate, includes a proportion of related overhead expenditure.

Governance

Financials

Notes to the Financial Statements continued

2. Accounting policies continued

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers whose members are responsible for allocating resources and assessing performance of the operating segments.

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, irrespective of whether some of these lease payments are payable in advance at the date of inception of the lease.

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 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 on the initial recognition of goodwill, nor on the initial recognition of assets or liabilities unless acquired in a business combination or in a transaction that affects tax or accounting profit. 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 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 consolidated income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to other comprehensive income are charged or credited directly to other comprehensive income.

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 an 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

Scheme assets are measured at fair values. Scheme 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 unrecognised 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 recognises past service cost immediately.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income. The net surplus or deficit is presented in non current assets or liabilities on the consolidated balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised 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 operating expenses. Interest on the scheme liabilities and the expected return on scheme assets are included in finance costs or income in the consolidated income statement. Post-employment benefits other than pensions are accounted for in the same way.

Other employee benefits

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.

2. Accounting policies continued

Financial assets

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

All financial assets are recognised when the entity becomes party to the contractual provisions of an instrument. All financial assets are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Interest and other cash flows resulting from holding financial assets are recognised in the consolidated income statement using the effective interest rate method, 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 asset's carrying amount and the present value of estimated future cash flows.

Forward foreign exchange contracts

From time to time the Group enters into forward contracts for the purchase or sale of foreign currencies. These are classified as derivatives and carried at fair value through profit or loss in the consolidated financial statements. Any remeasurement gains or losses are taken to the consolidated income statement.

Forward exchange contracts are entered into to mitigate exposure to foreign exchange fluctuations relating to purchases made in foreign currencies, principally the US dollar. The Group's policy is to reduce substantially the risk associated with purchases denominated in foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows. The foreign exchange contracts do not meet the criteria for treatment as an effective hedge and accordingly any gain or loss is recognised immediately in the consolidated income statement.

Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash at bank and in hand and short term highly liquid investments such as bank deposits less advances from banks repayable within three months from the date of advance.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. When the Company purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled or reissued.

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

The merger reserve was created as a result of merger relief being claimed in respect of previous share issues.

Other reserves include a capital redemption reserve and a translation reserve. These reserves are non-distributable.

The profit and loss account includes all current and prior period results and share-based payments as disclosed in the consolidated income statement.

Share-based employee remuneration

The Group operates equity settled share-based remuneration plans for its senior 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.

All share-based remuneration is ultimately recognised as an expense in the consolidated income statement with a corresponding credit to reserves, 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 fewer 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.

Notes to the Financial Statements continued

2. Accounting policies continued

Financial liabilities

The Group's financial liabilities include trade and other payables, invoice finance and forward exchange contracts.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised in the consolidated income statement.

Finance charges are charged to the consolidated income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Invoice finance liabilities are recognised at the time the Group becomes a party to the contractual provisions of the invoice finance agreement.

Significant accounting estimates and judgements

Certain estimates and judgements need to be made by the Directors of the Group which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required if, for example, as at the reporting date not all liabilities have been settled and certain assets and liabilities are recorded at fair value which requires a number of estimates and assumptions to be made.

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. The basis of review of the carrying value of goodwill is as detailed in note 9 to the consolidated financial statements.

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 discount rate, life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements. 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. As disclosed in note 12 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.

2. Accounting policies continued

Key judgements

The Directors do not consider they have had to make any critical judgements in applying the accounting policies which are described above.

Standards and interpretations not yet applied

The following new standards and interpretations, which are yet to become mandatory, have not been applied in the Group's consolidated financial statements for the period ended 31 December 2011:

- IFRS9 Financial Instruments (effective 1 January 2015)
- IFRS10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS11 Joint Arrangements (effective 1 January 2013)
- IFRS12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS13 Fair Value Measurement (effective 1 January 2013)
- IAS19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS27 (Revised), Separate Financial Statements (effective 1 January 2013)

Based on the current business model and accounting policies, the Group does not expect material impacts on the consolidated financial statements when the standards become effective.

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 period			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

Notes to the Financial Statements continued

3. Segmental reporting continued

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
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 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. Operating expenses

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Distribution costs	**4,607**	5,110
Administrative expenses	**2,784**	3,518
Total operating expenses as shown in the consolidated income statement	**7,391**	8,628
The operating expenses disclosed above include the following charges:		
Employee benefits expenses (note 6)	**3,282**	3,890
Depreciation	**74**	98
Other expenses	**4,035**	4,640
	7,391	8,628

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (year ended 31 January 2011 — £3,000) and in the capacity as auditor of the subsidiary companies was £60,000 (year ended 31 January 2011 — £58,000). Non audit remuneration in respect of tax services totalled £13,000 (year ended 31 January 2011 — £19,000).

5. Finance costs

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Finance costs		
Interest payable on bank overdrafts and invoice finance facilities	**(96)**	(72)
Expected return on pension scheme assets less interest on liabilities	**49**	(48)
	(47)	(120)

Notes to the Financial Statements continued

6. Directors´ and employees´ remuneration
Employee benefits expense

Expense recognised for employee benefits is analysed below:

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Wages and salaries	2,879	3,402
Social security costs	281	337
Share-based employee remuneration	5	12
Pension scheme contributions — defined contribution schemes	117	139
	3,282	3,890
	Number	Number
The average number of people (including Directors) employed by the Group during the year was:	94	100

Directors´ remuneration

	Period ended 31 December 2011					
	Salary/Fee £'000	Performance bonus £'000	Benefits in kind £'000	Pension contribution £'000	Total £'000	Year ended 31 January 2011 £'000
M P J Keene	46	—	—	—	46	116
S J Grant	135	—	4	16	155	235
J C Shears	93	—	3	12	108	98[1]
J S T Morris	18	—	—	—	18	17[2]
A Q Bestwick	18	—	—	—	18	16[3]
G Waldron	—	—	—	—	—	58[4]
	310	—	7	28	345	540

[1] J C Shears was appointed to the Board on 21 June 2010
[2] J S T Morris was appointed to the Board on 23 March 2010
[3] A Q Bestwick was appointed to the Board on 14 April 2010
[4] G Waldron resigned from the Board on 21 June 2010

In addition to the above the total charge for Employer's National Insurance for the period was £38,000 (year ended 31 January 2011 — £33,000). During the year and in the previous year the Group contributed to defined contribution pension schemes for S J Grant and J C Shears. The related share based remuneration charge was £4,000 (year ended 31 January 2011 — £7,000) of which £3,000 (year ended 31 January 2011 — £nil) related to J C Shears, £1,000 (year ended 31 January 2011 — £3,000) related to S J Grant and £nil (year ended 31 January 2011 — £4,000) related to M P J Keene.

A gain of £13,000 was realised by M P J Keene following the exercise of share options during the period.

The Group considers the key management of the business to be the Directors of Tandem Group plc.

6. Directors´ and employees´ remuneration continued

Share-based employee remuneration

The following options were held at 31 December 2011 under the Group's share option schemes:

Number of shares	1 February 2011	Granted during period	Exercised during period	31 December 2011	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme						
Directors						
M P J Keene	86,400	—	—	**86,400**	78.91p	31/01/10 — 14/06/17
S J Grant	83,200	—	—	**83,200**	78.91p	31/01/10 — 14/06/17
	—	27,475	—	**27,475**	107.00p	31/01/14 — 14/06/21
J C Shears	8,000	—	—	**8,000**	78.91p	31/01/10 — 14/06/17
	—	67,000	—	**67,000**	107.00p	31/01/14 — 14/06/21
Other employees	148,000	—	—	**148,000**	78.91p	31/01/10 — 14/06/17
	—	37,400	—	**37,400**	107.00p	31/01/14 — 14/06/21
1996 Approved Share Option Scheme						
Directors						
M P J Keene	15,200	—	—	**15,200**	71.88p	01/05/06 — 01/05/13
	16,000	—	(16,000)	**—**	62.50p	26/09/09 — 26/06/16
S J Grant	20,800	—	—	**20,800**	71.88p	01/05/06 — 01/05/13
	16,000	—	—	**16,000**	62.50p	26/06/09 — 26/06/16
Other employees	59,200	—	—	**59,200**	71.88p	01/05/06 — 01/05/13
	32,000	—	—	**32,000**	62.50p	26/06/09 — 26/06/16

The weighted average share price of the share options exercised during the period was 108.0p.

The Group has the following outstanding share options and exercise prices:

	31 December 2011			31 January 2011		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2006 (up to 2013)	**95,200**	**71.88**	**1.3**	95,200	71.88	2.2
2009 (up to 2016)	**48,000**	**62.50**	**4.5**	64,000	62.50	5.4
2010 (up to 2017)	**325,600**	**78.91**	**5.5**	325,600	78.91	6.4
2014 (up to 2021)	**131,875**	**107.00**	**9.5**	—	—	—

Notes to the Financial Statements continued

6. Directors´ and employees´ remuneration continued

The ordinary share mid-market price on 31 December 2011 was 85.0p (year ended 31 January 2011 — 159.5p). During the period, the highest mid-market price was 153.5p (year ended 31 January 2011 — 171.5p) and the lowest was 80.0p (year ended 31 January 2011 — 64.0p). The weighted average exercise price of the options in issue was 82.7p (year ended 31 January 2011 — 75.4p).

The fair value of options granted was determined for IFRS2 using the Black–Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 62.50p (year ended 31 January 2011 — 62.50p) to 107.00 (year ended 31 January 2011 — 78.91p);
- 36.3% (year ended 31 January 2011 — 36.3%) to 48.0% (year ended 31 January 2011 — 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.60% (year ended 31 January 2011 — 0.60%); and
- all options are assumed to vest after three and a half years from the date of grant of the options.

In total £5,000 (year ended 31 January 2011 — £12,000) of share-based employee remuneration expense has been included in the consolidated income statement. No liabilities were recognised due to share-based transactions.

7. Tax expense

The relationship between the expected tax expense at 26.4% (year ended 31 January 2011 — 28.0%) and the actual tax income recognised in the consolidated income statement can be reconciled as follows:

	Period ended 31 December 2011 £'000	**%**	Year ended 31 January 2011 £'000	%
Profit before taxation	**820**		1,085	
Tax rate	**26.4%**		28.0%	
Expected tax expense	**216**	**26.4**	304	28.0
Expenses not deductible for tax purposes	**19**	**2.4**	(40)	(3.7)
Movement in unrecognised deferred tax asset	**(444)**	**(54.1)**	(172)	(15.9)
Effect of differing rates on overseas taxation	**10**	**1.2**	(229)	(21.1)
Effect of change in tax rate	**215**	**26.2**	137	12.6
Adjustments in respect of prior periods	**163**	**19.9**	—	—
Actual tax expense	**179**	**21.8**	—	—
Actual tax expense comprises:				
Current tax expense	**238**		72	
Deferred tax (credit)/charge	**(59)**		(72)	
	179		—	

There is no tax expense or credit in relation to share-based payments credited to equity. At 31 December 2011 there are trading losses and loan relationship deficits of approximately £14,291,000 (31 January 2011 — £14,141,000) available for carry forward against future profits of the same trade.

8. 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 for the year	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

9. Goodwill

	Goodwill £'000
Gross carrying amount at 1 February 2010, 1 February 2011 and 31 December 2011	7,193
Impairment provisions at 1 February 2010, 1 February 2011 and 31 December 2011	4,957
Net book value	
At 31 December 2011	2,236
At 31 January 2011	2,236

Goodwill above relates to the following cash-generating units:

	Date of acquisition	Goodwill on acquisition £'000	Carrying value of goodwill £'000
Pot Black	28 September 2000	1,906	965
Dawes Cycles	26 June 2001	895	695
Ben Sayers	25 February 2002	715	576
Others (fully impaired)		3,677	—
		7,193	2,236

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and is tested annually for impairment.

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Notes to the Financial Statements continued

9. Goodwill continued

The key assumptions for each of the cash-generating units include stable growth and profit margins, which have been determined based on past experience in this market. Internal and external market data has been used in setting the assumptions. It is considered that this is the best available input for forecasting this market.

The recoverable amounts were determined based on a value-in-use calculation, covering a detailed one year conservative forecast, followed by an extrapolation of expected cash flow over the next four years at growth rates of between 5.0% and 7.5%, which represents a conservative long-term average growth rate, followed by year five cash flows in perpetuity. The growth rates used do not exceed the long term average growth for the market in which the Group operates but they exceed the overall long-term average growth rates for the UK. This is appropriate because this sector is expected to continue to grow at above-average rates for the foreseeable future.

A forecast period of ten years has been used representing the expected minimum period that the business model is sustainable assuming no significant changes in the business.

The discount rate used is 13.29%, being the Group's weighted average cost of capital, which is considered to be suitable for each cash-generating unit as they operate in similar markets.

If the growth rate was assumed to be nil in the Directors' opinion there would still be no provision for impairment required. No further sensitivities have been applied to the calculation.

Goodwill and impairment policies are detailed in note 2 to these consolidated financial statements.

10. Property, plant and equipment

	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Gross carrying amount				
At 1 February 2010	446	22	2,077	2,545
Additions	49	—	17	66
Disposals	—	—	(25)	(25)
At 1 February 2011	495	22	2,069	2,586
Additions	—	—	22	22
Disposals	—	—	(5)	(5)
Foreign exchange adjustments	1	—	5	6
At 31 December 2011	**496**	**22**	**2,091**	**2,609**
Depreciation				
At 1 February 2010	322	22	1,833	2,177
Provided in the year	30	—	68	98
Eliminated on disposals	—	—	(25)	(25)
At 1 February 2011	352	22	1,876	2,250
Provided in the period	28	—	46	74
Eliminated on disposals	—	—	(5)	(5)
Foreign exchange adjustments	1	—	5	6
At 31 December 2011	**381**	**22**	**1,922**	**2,325**
Net book value at 31 December 2011	**115**	**—**	**169**	**284**
Net book value at 31 January 2011	143	—	193	336

All assets stated above are secured by a fixed and floating charge over the assets of the Group.

11. Inventories

	At 31 December 2011 £'000	At 31 January 2011 £'000
Finished goods for resale	**5,190**	7,636

Cost of sales includes material costs of £19,606,000 (year ended 31 January 2011 — £23,369,000) and other costs of £1,178,000 (year ended 31 January 2011 — £1,408,000).

12. Trade and other receivables

	At 31 December 2011 £'000	At 31 January 2011 £'000
Trade receivables	**4,597**	4,239
Prepayments and accrued income	**357**	356
Other receivables	**37**	101
	4,991	4,696

Trade and other receivables are usually due within 30 and 90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables as the amounts recognised resemble a large number of receivables from various customers.

The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and accordingly a provision of £92,000 (year ended 31 January 2011 — £54,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Amounts brought forward	**54**	115
Amounts written off	**(27)**	(25)
Impairment loss	**82**	11
Impairment loss reversed	**(17)**	(47)
At period/year end	**92**	54

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Notes to the Financial Statements continued

12. Trade and other receivables continued

Some of the unimpaired trade receivables were past due as at the reporting date. The age of trade receivables at the reporting date was:

	At 31 December 2011 £'000	At 31 January 2011 £'000
Not past due	2,971	3,395
Past due 0 – 90 days	1,625	802
Past due 91 – 180 days	—	30
Past due more than 180 days	1	12
	4,597	4,239

13. Cash and cash equivalents

	At 31 December 2011 £'000	At 31 January 2011 £'000
Cash and cash equivalents per consolidated cash flow statement	2,446	2,721

Cash and cash equivalents consist of cash at bank and in hand. All cash at bank and in hand held by subsidiary undertakings is available for use by the Group.

14. Trade and other payables

	At 31 December 2011 £'000	At 31 January 2011 £'000
Trade payables	2,809	4,751
Other payables	1,462	2,129
	4,271	6,880

The Directors consider, due to their short duration, that the carrying amounts recognised in the consolidated balance sheet to be a reasonable approximation of the fair value of trade and other payables.

15. Financial liabilities

	At 31 December 2011 £'000	At 31 January 2011 £'000
Invoice finance liability	3,512	2,666

16. Financial assets and liabilities

The financial assets of the Group, all of which fall due within one year, comprise:

	At 31 December 2011			At 31 January 2011		
	Loans and receivables £'000	Assets not within the scope of IAS39 £'000	Total £'000	Loans and receivables £'000	Assets not within the scope of IAS39 £'000	Total £'000
Cash and cash equivalents:						
— Sterling	1,212	—	1,212	1,143	—	1,143
— US dollars	1,062	—	1,062	1,431	—	1,431
— Euro	(7)	—	(7)	(17)	—	(17)
— Others	179	—	179	164	—	164
	2,446	—	2,446	2,721	—	2,721
Trade and other receivables	4,634	357	4,991	4,322	374	4,696
Inventories	—	5,190	5,190	—	7,636	7,636
Current assets	7,080	5,547	12,627	7,043	8,010	15,053

The financial liabilities of the Group, all of which fall due within one year, comprised:

	At 31 December 2011			At 31 January 2011		
	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS39 £'000	Total £'000
Trade and other payables	3,231	1,040	4,271	5,344	1,536	6,880
Invoice finance liability	3,512	—	3,512	2,666	—	2,666
Current tax liability	—	309	309	—	100	100
Current liabilities	6,743	1,349	8,092	8,010	1,636	9,646

The Group is exposed through its operations to one or more of the following financial risks:

Interest rate risk

The Group's banking and invoice finance facilities are subject to variable interest rates. As a result, changes in interest rates could have an impact on the net result for the year and to equity. Interest rate sensitivities have not been presented here as the Directors do not consider the amounts to be material to the financial statements.

Liquidity risk

Liquidity risk is managed centrally on a Group basis. Bank and invoice finance facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and capital expenditure.

Notes to the Financial Statements continued

16. Financial assets and liabilities continued

Credit risk

The Group faces credit risk due to the credit it extends to customers in the normal course of business. All customers are subject to strict credit checking and acceptance procedures in order to minimise the risk to the Group. Credit limits are agreed and closely monitored on a local level.

Foreign currency risk

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast purchases in US dollars and other currencies. All forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The decision to hedge is influenced by the size of the exposure, the certainty of it arising and the exchange rate prevailing at the time. Foreign currency sensitivities have not been presented here as the amounts would not be material to the financial statements.

The fair values for these contracts have been estimated using relevant market exchange and interest rates.

The Group's US dollar forward contracts relate to cash flows that have been forecast for 2012. At 31 December 2011, no gain or losses (31 January 2011 — £nil) have been recorded in the consolidated income statement in relation to these instruments. There is no fair value adjustment for foreign exchange contracts held at 31 December 2011.

17. Deferred taxation

Deferred taxation arising from temporary differences and unused tax losses can be summarised as follows:

	At 31 January 2010 £'000	Movement in the year £'000	At 31 January 2011 £'000	Movement in the year £'000	**At 31 December 2011 £'000**
Provided					
Pension obligations	(406)	272	(134)	(568)	**(702)**
Accelerated capital allowances	(497)	(14)	(511)	130	**(381)**
Short-term temporary differences	(7)	(8)	(15)	(17)	**(32)**
Unused tax losses	(455)	(50)	(505)	(172)	**(677)**
Total	(1,365)	200	(1,165)	(627)	**(1,792)**
Presented as:					
Deferred tax asset	(1,365)	200	(1,165)	(627)	**(1,792)**
Unprovided					
Accelerated capital allowances	(75)	58	(17)	15	**(2)**
Short-term temporary differences	(48)	18	(30)	26	**(4)**
Unused tax losses	(2,819)	171	(2,648)	311	**(2,337)**
Capital losses	(2,158)	359	(1,799)	133	**(1,666)**
ACT	(648)	—	(648)	1	**(647)**
Total	(5,748)	606	(5,142)	486	**(4,656)**

The provision of a deferred tax asset is based on the future trading forecasts for the Group. A deferred tax asset has not been recognised in respect of certain trading losses, capital losses, excess management expenses and advance corporation tax (ACT) as the Group does not anticipate sufficient taxable trading profits, capital gains, utilisation of management expenses or recovery of ACT, respectively, to arise within the foreseeable future.

18. Pension scheme arrangements

The Group operates two funded pension schemes, The Tandem Group Pension Plan and The Casket Group Retirement and Death Benefit Scheme. In addition, subsidiary companies of the Group contribute to other defined contribution schemes and individual pension plans.

The Directors, in conjunction with the schemes' actuary, have carefully appraised the assumptions used to value the pension schemes as at 31 December 2011. One significant assumption used is the discount rate. The discount rate reflects the estimated timing of benefit payments. The Directors are of the opinion that it is appropriate to use a rate of 5.30% (year ended 31 January 2011 — 5.70%) as, in their opinion, this more appropriately reflects the estimated timing of benefits and total present value of the defined benefit obligation. In accordance with the International Accounting Standard there were high quality, deep market, corporate bonds with a yield of 5.30% at 31 December 2011 and accordingly the Directors have adopted this discount rate in the valuations.

The Tandem Group Pension Plan

A contributory pension scheme, the Tandem Group Pension Plan, has two sections. One provides benefits based on final pensionable salary, the other provides benefits based on defined contributions. The scheme is closed to new members.

The assets of the scheme are held separately from those of the Group, being invested with managed funds.

Contributions to the final salary section are determined by an independent qualified actuary on the basis of the triennial valuation using the Defined Accrued Benefit Method.

The present value of the defined benefit obligations as at the balance sheet dates is as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Present value of defined benefit obligation at the beginning of the period/year	**8,237**	8,464	7,383	7,190	10,749
Current service cost	—	—	—	—	14
Contributions	—	—	—	—	2
Interest cost	**415**	458	479	439	513
Actuarial loss/(gain)	**1,503**	(105)	1,090	248	(1,227)
Benefits paid	**(535)**	(580)	(488)	(494)	(1,021)
Payment due to members following buyout of non-statutory increases	—	—	—	—	(352)
Past service saving	—	—	—	—	(1,488)
Present value of defined benefit obligation at the end of the period/year	**9,620**	8,237	8,464	7,383	7,190

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Notes to the Financial Statements continued

18. Pension scheme arrangements continued

For determination of the pension obligation, the following actuarial assumptions were used:

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
Discount rate	5.30%	5.70%	5.60%	6.70%	6.30%
Increase in pensionable salaries	—%*	—%*	—%*	—%*	3.60%
Increase in pensions in payment	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%
Increase in deferred pensions			3.00% to 5.00% for all years		
Inflation assumption	3.00%	3.50%	3.50%	3.30%	3.60%
Mortality assumption table	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (C=2010)	PA92 (C=2010)

* There are no members whose benefits are linked to salaries

The assets held for the defined benefit obligations can be reconciled from the opening balance to the balance sheet date as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Fair value of scheme assets at the beginning of the period/year	7,875	7,410	6,736	8,161	9,202
Expected return on scheme assets	450	440	404	504	546
Actuarial (loss)/gain	(626)	514	667	(1,541)	(682)
Contributions	88	91	91	106	116
Benefits paid	(535)	(580)	(488)	(494)	(1,021)
Fair value of scheme assets at the end of the period/year	7,252	7,875	7,410	6,736	8,161

The long term expected rates of return were:

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
Equities	7.0%	7.4%	7.4%	7.4%	7.6%
Property	6.0%	6.3%	6.4%	6.4%	6.6%
Gilts	3.0%	4.3%	4.4%	4.4%	4.6%
Corporate Bonds	5.0%	5.7%	5.6%	6.7%	5.8%
Cash and other	3.5%	4.0%	4.0%	1.5%	5.5%

18. Pension scheme arrangements continued

The value of assets in the scheme were:

	At 31 December 2011 £'000	At 31 January 2011 £'000	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000
Equities	**4,398**	4,797	3,471	3,168	3,677
Property	**638**	707	809	699	873
Gilts	**1,340**	1,350	2,150	2,012	2,686
Corporate Bonds	**694**	780	802	683	900
Cash and other	**182**	241	178	174	25
Total fair value of assets	**7,252**	7,875	7,410	6,736	8,161

The reconciliation of movements in the year were as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
(Deficit)/surplus at the beginning of the period/year	**(362)**	(1,054)	(647)	971	(1,547)
Movement in year:					
Current service cost	**—**	—	—	—	(14)
Contributions	**88**	91	91	106	114
Finance income/(cost)	**35**	(18)	(75)	65	33
Actuarial (loss)/gain	**(2,129)**	619	(423)	(1,789)	545
Payment due to members following buyout of non-statutory increases	**—**	—	—	—	352
Past service saving	**—**	—	—	—	1,488
(Deficit)/surplus at the end of the period/year	**(2,368)**	(362)	(1,054)	(647)	971
Related deferred tax asset/(liability)	**616**	101	295	181	(272)
Net (deficit)/surplus at the end of the period/year	**(1,752)**	(261)	(759)	(466)	699

Notes to the Financial Statements continued

18. Pension scheme arrangements continued

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**(626)**	514	667	(1,541)	(682)
Percentage of scheme assets	**(8.6)%**	6.5%	9.0%	(22.9)%	(8.4)%
Experience losses on scheme liabilities					
Amount (£'000)	**(1,049)**	—	1	(542)	(539)
Percentage of scheme liabilities	**(10.9)%**	—%	—%	7.3%	7.5%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	**(2,129)**	619	(423)	(1,789)	545
Percentage of the present value of the scheme liabilities	**(22.1)%**	7.5%	(5.0)%	(24.2)%	7.6%

The expected contributions in the year ending 31 December 2012 are £142,000.

The Casket Group Retirement and Death Benefit Scheme

Prior to 1995, Casket Plc operated a defined benefits pension scheme. On 31 May 1995 proceedings commenced to wind up this scheme. On 1 June 1995 a new defined contribution scheme commenced. Current employees at that time had an amount transferred to individual accounts in the new scheme. Former employees had their deferred benefits transferred to be payable out of a contingency fund.

The present value of the defined benefit obligations as at the balance sheet dates are as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Present value of defined benefit obligation at the beginning of the period/year	**2,132**	2,140	1,737	2,171	2,223
Interest cost	**109**	117	113	135	121
Actuarial loss/(gain)	**145**	(33)	391	(511)	(124)
Benefits paid	**(66)**	(92)	(101)	(58)	(49)
Present value of defined benefit obligation at the end of the period/year	**2,320**	2,132	2,140	1,737	2,171

18. Pension scheme arrangements continued

For determination of the pension obligation, the following actuarial assumptions were used:

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
Discount rate	**5.3%**	5.70%	5.60%	6.70%	6.30%
Increase in pensions in payment	**3.0%**	3.50%	3.50%	3.30%	3.60%
Increase in pensionable salaries*	**—%**	—%	—%	—%	—%
Increase in deferred pensions	**3.00%**	3.00%	3.50%	3.30%	3.60%
Inflation assumption	**3.00%**	3.50%	3.50%	3.30%	3.60%
Mortality assumption table	**PA92 (YOB MC)**	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (C=2010)

* There are no members whose benefits are linked to salaries

The assets held for the defined benefit obligations can be reconciled from the opening balance to the balance sheet date as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Fair value of scheme assets at the beginning of the period/year	**2,015**	1,744	1,420	1,625	1,633
Expected return on scheme assets	**123**	87	89	110	109
Actuarial (loss)/gain	**(175)**	175	236	(367)	(169)
Contributions	**92**	101	100	110	101
Benefits paid	**(66)**	(92)	(101)	(58)	(49)
Fair value of scheme assets at the end of the period/year	**1,989**	2,015	1,744	1,420	1,625

The long-term expected rates of return were:

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
Equities	**7.0%**	7.3%	7.4%	7.4%	7.6%
Property	**6.0%**	6.3%	6.4%	6.4%	6.6%
Gilts	**3.0%**	4.3%	4.4%	4.4%	4.6%
Corporate bonds	**5.0%**	5.7%	5.6%	6.7%	—%
Cash and other	**3.5%**	4.0%	4.0%	1.5%	5.5%

Notes to the Financial Statements continued

18. Pension scheme arrangements continued

The value of assets in the scheme were:

	At 31 December 2011 £'000	At 31 January 2011 £'000	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000
Equities	**1,144**	1,436	104	810	952
Property	**301**	24	44	183	207
Gilts	**2**	239	1,014	377	422
Corporate bonds	**486**	235	496	—	—
Cash and other	**56**	81	86	50	44
Total fair value of assets	**1,989**	2,015	1,744	1,420	1,625

The reconciliation of movements in the year were as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Deficit at the beginning of the period/year	**(117)**	(396)	(317)	(546)	(590)
Movement in year:					
Contributions	**92**	101	100	110	101
Other finance cost	**14**	(30)	(24)	(25)	(12)
Actuarial (loss)/gain	**(320)**	208	(155)	144	(45)
Deficit at the end of the period/year	**(331)**	(117)	(396)	(317)	(546)
Related deferred tax asset	**86**	33	111	89	153
Net deficit at the end of the period/year	**(245)**	(84)	(285)	(228)	(393)

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**(176)**	175	236	(367)	(169)
Percentage of scheme assets	**(8.8)%**	8.7%	13.5%	(25.8)%	(10.4)%
Experience gains/(losses) on scheme liabilities					
Amount (£'000)	**(188)**	—	—	351	—
Percentage of scheme liabilities	**(8.1)%**	—%	—%	20.2%	—%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	**(320)**	208	(155)	144	(45)
Percentage of the present value of the scheme liabilities	**(13.8)%**	9.8%	(7.2)%	8.3%	(2.1)%

The expected contributions in the year ending 31 December 2012 are £101,000.

18. Pension scheme arrangements continued

Group pension scheme deficit

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
(Deficit)/surplus					
The Tandem Group Pension Plan	**(2,368)**	(362)	(1,054)	(647)	971
The Casket Group Retirement and Death Benefit Scheme	**(331)**	(117)	(396)	(317)	(546)
	(2,699)	(479)	(1,450)	(964)	425
Related deferred tax asset/(liability)					
The Tandem Group Pension Plan	**616**	101	295	181	(272)
The Casket Group Retirement and Death Benefit Scheme	**86**	33	111	89	153
Net (deficit)/surplus at the end of the period/year	**(1,997)**	(345)	(1,044)	(694)	306

The amounts recognised in the consolidated statement of comprehensive income in the period ended 31 December 2011 are a loss of £1,614,000 in respect of the Tandem Group Pension Plan and a loss of £267,000 in respect of the Casket Group Retirement and Death Benefit Scheme. The net cumulative actuarial loss taken directly to the consolidated statement of comprehensive income since the date of transition to IFRS on 1 February 2006 is £575,000 in total in respect of both schemes.

Deferred tax liabilities and assets have been recognised in respect of the surpluses and deficits on the Tandem and Casket schemes to the extent that it is believed probable that a benefit will arise.

19. Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 February 2010 — ordinary shares 25p each	5,494,400	1,374
29 April 2010 Exercise of share options	48,000	12
30 June 2010 Exercise of share options	9,600	2
At 1 February 2011 — ordinary shares 25p each	5,552,000	1,388
14 February 2011 Share buyback	(821,500)	(206)
26 May 2011 Share buyback	(80,000)	(20)
1 June 2011 Exercise of share options	16,000	4
At 31 December 2011 — ordinary shares 25p each	**4,666,500**	**1,166**

Governance

Financials

Notes to the Financial Statements continued

20. Financial commitments

The total charge for the period for operating lease rentals in respect of land and buildings was £572,000 (year ended 31 January 2011 — £630,000) and for other operating leases was £119,000 (year ended 31 January 2011 — £177,000).

Operating lease commitments	At 31 December 2011 Land and buildings £'000	At 31 December 2011 Other £'000	At 31 January 2011 Land and buildings £'000	At 31 January 2011 Other £'000
Total future minimum payments under operating leases:				
Within 1 year	712	197	725	204
Within 2 to 5 years	1,721	235	2,301	255
More than 5 years	—	—	84	—
	2,433	432	3,110	459

Total future minimum lease commitments include £322,000 in respect of premises at Pinchbeck, Spalding, previously occupied by the Group's former Garden Leisure Division, which have been sublet at an equivalent annual rental.

21. Related parties

The only related parties are the Directors. Transactions with the Directors are disclosed in note 6.

During the period dividends were paid to the Directors as follows:

	31 December 2011 £'000	31 January 2011 £'000
M P J Keene	6	2
S J Grant	2	1
	8	3

22. Contingent assets and liabilities

The Group had no contingent liabilities at 31 December 2011 or 31 January 2011.

23. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group has adequate resources to support the plans of the business
- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders

In order to maintain or adjust the capital structure, the Group may adopt a number of approaches to meet these objectives. The principal instruments which are used to meet the Group's working capital requirements are equity, bank overdrafts and invoice finance arrangements. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Five Year History

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Revenue	**29,042**	34,610	35,678	35,161	34,878
Cost of sales	**(20,784)**	(24,777)	(25,998)	(24,193)	(23,753)
Gross profit	**8,258**	9,833	9,680	10,968	11,125
Operating expenses	**(7,391)**	(8,628)	(8,463)	(9,842)	(9,757)
Goodwill impairment	**—**	—	—	(425)	(16)
Operating profit	**867**	1,205	1,217	701	1,352
Finance costs	**(96)**	(120)	(194)	(173)	(280)
Finance income	**49**	—	—	65	33
Profit before taxation	**820**	1,085	1,023	593	1,105
Tax expense	**(179)**	—	(22)	(278)	—
Net profit for the period/year	**641**	1,085	1,001	315	1,105

Governance

Financials

The Five year history does not form part of the audited financial statements.

Company Balance Sheet under UK GAAP

At 31 December 2011

	Note	At 31 December 2011 £'000	At 31 January 2011 £'000
Fixed assets			
Intangible assets	4	403	490
Investments	4	—	—
Tangible assets	5	—	1
		403	491
Current assets			
Debtors	6	4,561	4,544
Cash at bank and in hand		3,616	5,306
		8,177	9,850
Creditors — amounts falling due within one year	7	(388)	(474)
Net current assets		7,789	9,376
Total assets less current liabilities and net assets before pension scheme deficit		8,192	9,867
Net pension scheme deficit	14	(1,752)	(261)
Net assets after pension scheme deficit		6,440	9,606
Capital and reserves			
Called up share capital	9	1,503	1,503
Shares held in treasury	9	(337)	(115)
Share premium	10	13	—
Merger reserve	10	1,036	1,036
Capital redemption reserve	10	1,427	1,427
Profit and loss account	10	2,798	5,755
Shareholders' funds		6,440	9,606

The financial statements were approved by the Board on 16 April 2012 and signed on its behalf by:

M P J Keene
Director

J C Shears
Director

The accompanying notes on pages 41 to 50 form part of these UK GAAP financial statements.

Notes to the UK GAAP Financial Statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK accounting standards.

The principal accounting policies of the Company are set out below which have remained unchanged from the previous year.

Investments

Investments in the Company are included at cost less amounts written off. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of sections 612 and 613 of the Companies Act 2006 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Goodwill

Goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired, is capitalised within fixed assets and amortised on a straight-line basis over 20 years. It is considered that the businesses to which the goodwill relates will generate profits indefinitely but a 20 year amortisation period has been prudently used. Goodwill impairment reviews have been conducted in both the current and comparative periods.

Negative goodwill is amortised over the lives of the identifiable assets to which it relates.

Tangible fixed assets

Tangible fixed assets are held at cost unless the value is impaired at which point they are carried at the higher of net realisable value or the present value of future cash flows arising from that asset. On all other fixed assets, depreciation is provided on a straight-line basis to write off the assets over their economic lives as follows:

Plant and machinery	3 — 10 years

Foreign exchange

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. Where monetary assets and liabilities exist in foreign currencies, they are translated into sterling at the exchange rates ruling at the balance sheet date. Differences on exchange are taken directly to the profit and loss account.

Financial instruments

The Company's financial instrument comprises cash. The Company does not trade in financial instruments. All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Pension costs

Retirement benefits to employees are funded by contributions from the Company and employees. Payments to the Company's pension plans, which are financially separate and independent from the Company, are made in accordance with periodic calculations by independent consulting actuaries. The costs of funding the plans are accounted for over the period covering the employees' service.

The difference between the fair values of the assets held in the Company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Company's balance sheet as a pension scheme asset or liability as appropriate, adjusted for deferred taxation. The carrying value of any resulting pension scheme asset is restricted to the extent that the Company is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the profit and loss account in accordance with FRS17 'Retirement benefits'.

For further pension information see note 14.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. When the Company purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Company's equity shareholders until the shares are cancelled or reissued.

Notes to the UK GAAP Financial Statements continued

1. Accounting policies continued

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 financial statements. The Company operates equity settled share-based remuneration plans for its senior 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.

All share-based remuneration is ultimately recognised as an expense in the profit and loss account with a corresponding credit to reserves, 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 fewer 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.

2. (Loss)/profit for the financial period/year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the period was £184,000 (year ended 31 January 2011 — profit £4,907,000).

Auditor's remuneration incurred by the Company during the period for audit services totalled £3,000 (year ended 31 January 2011 — £3,000), and for tax compliance services totalled £1,000 (year ended 31 January 2011 — £1,000).

3. Directors and employees remuneration

Expense recognised for employee benefits is analysed below:

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Salaries	**318**	287
Benefits in kind	**7**	3
Social security costs	**38**	30
Share-based employee remuneration	**5**	12
Pension scheme contributions — defined contribution schemes	**28**	60
	396	392

	Number	Number
The average number of persons employed by the Company during the year was:	**6**	5

During the period and in the previous year the Company contributed to a defined contribution pension scheme for S J Grant and J C Shears. During the previous year the Company also contributed to a defined contribution pension scheme for M P J Keene. An analysis of Directors' remuneration is shown in note 6 to the consolidated financial statements.

4. Intangible fixed assets and investments

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
Cost			
At 1 February 2011 and 31 December 2011	9,234	2,506	(197)
Impairment and amortisation provisions			
At 1 February 2011	**9,234**	**2,016**	**(197)**
Impairment and amortisation provided in the period	—	87	—
At 31 December 2011	9,234	2,103	(197)
Net book value			
At 31 December 2011	—	403	—
At 31 January 2011	—	490	—

The principal wholly owned subsidiary undertakings of the Company at the year end are listed below. M.V. Sports (Hong Kong) Limited was incorporated in and operates in Hong Kong. The other companies were incorporated in and operate in the United Kingdom.

	Design, development, sourcing and distribution of:
Tandem Group Cycles Limited#	Sports, leisure and toy products
MV Sports & Leisure Limited*	Bicycles and accessories
M.V. Sports (Hong Kong) Limited#	Sports, leisure and toy products

* denotes 100% of issued ordinary shares
# denotes 100% indirect ownership of issued ordinary shares

5. Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 February 2011 and at 31 December 2011	23
Depreciation	
At 1 February 2011	22
Provided in the period	1
At 31 December 2011	23
Net book value	
At 31 December 2011	—
At 31 January 2011	1

Notes to the UK GAAP Financial Statements continued

6. Debtors

Amounts due within one year	At 31 December 2011 £'000	At 31 January 2011 £'000
Amounts due from subsidiary undertakings	4,497	4,454
Other debtors	43	9
Other taxation	—	64
Prepayments and accrued income	21	17
	4,561	4,544

7. Creditors – amounts falling due within one year

	At 31 December 2011 £'000	At 31 January 2011 £'000
Trade creditors	65	100
Amounts due to subsidiary undertakings	101	77
Taxation and social security costs	13	10
Other creditors	121	131
Accruals	88	156
	388	474

8. Deferred taxation

	At 31 December 2011 £'000	At 31 January 2011 £'000
At the beginning of the period/year	101	295
Origination and reversal of timing differences	515	(194)
At the end of the period/year	616	101

	Provided 31 December 2011 £'000	Not Provided 31 December 2011 £'000	Provided 31 January 2011 £'000	Not Provided 31 January 2011 £'000
Accelerated capital allowances	—	2	—	3
Short-term timing differences	—	4	—	5
Losses	—	41	—	62
Excess management expenses	—	—	—	—
Capital losses	—	691	—	746
Advance corporation tax (ACT)	—	50	—	51
Pensions	616	—	101	—
	616	788	101	867

8. Deferred taxation continued

A deferred tax asset has not been recognised in respect of certain trading losses, capital losses, excess management expenses and ACT as the Company does not anticipate sufficient taxable trading profits, capital gains, utilisation of management expenses or recovery of ACT respectively, to arise within the foreseeable future.

9. Called up share capital

	Number of Shares	£'000
At 1 February 2010 — ordinary shares 25p each	5,494,400	1,374
29 April 2010 Exercise of share options	48,000	12
30 June 2010 Exercise of share options	9,600	2
At 1 February 2011 — ordinary shares 25p each	5,552,000	1,388
14 February 2011 Share buyback	(821,500)	(206)
26 May 2011 Share buyback	(80,000)	(20)
1 June 2011 Exercise of share options	16,000	4
At 31 December 2011 — ordinary shares 25p each	**4,666,500**	**1,166**

Share options

The following options were held at 31 December 2011 under the Group's share option schemes:

Number of shares	1 February 2011	Granted during period	Exercised during period	31 December 2011	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme						
Directors						
M P J Keene	86,400	—	—	**86,400**	78.91p	31/01/10 — 14/06/17
S J Grant	83,200	—	—	**83,200**	78.91p	31/01/10 — 14/06/17
	—	27,475	—	**27,475**	107.00p	31/01/14 — 14/06/21
J C Shears	8,000	—	—	**8,000**	78.91p	31/01/10 — 14/06/17
	—	67,000	—	**67,000**	107.00p	31/01/14 — 14/06/21
Other employees	148,000	—	—	**148,000**	78.91p	31/01/10 — 14/06/17
		37,400	—	**37,400**	107.00p	31/01/14 — 14/06/21
1996 Approved Share Option Scheme						
Directors						
M P J Keene	15,200	—	—	**15,200**	71.88p	01/05/06 — 01/05/13
	16,000	—	(16,000)	—	62.50p	26/09/09 — 26/06/16
S J Grant	20,800	—	—	**20,800**	71.88p	01/05/06 — 01/05/13
	16,000	—	—	**16,000**	62.50p	26/06/09 — 26/06/16
Other employees	59,200	—	—	**59,200**	71.88p	01/05/06 — 01/05/13
	32,000	—	—	**32,000**	62.50p	26/06/09 — 26/06/16

The weighted average share price of the share options exercised during the period was 108.0p.

Notes to the UK GAAP Financial Statements continued

9. Called up share capital continued

The Group has the following outstanding share options and exercise prices:

	31 December 2011 Number	31 December 2011 Exercise price (pence)	31 December 2011 Remaining contractual life (years)	31 January 2011 Number	31 January 2011 Exercise price (pence)	31 January 2011 Remaining contractual life (years)
Date exercisable (option life):						
2006 (up to 2013)	95,200	71.88	1.3	95,200	71.88	2.2
2009 (up to 2016)	48,000	62.50	4.5	64,000	62.50	5.4
2010 (up to 2017)	325,600	78.91	5.5	325,600	78.91	6.4
2014 (up to 2021)	131,875	107.00	9.5	—	—	—

The ordinary share mid-market price on 31 December 2011 was 85.0p (year ended 31 January 2011 — 159.5p). During the period, the highest mid-market price was 153.5p (year ended 31 January 2011 — 171.5p) and the lowest was 80.0p (year ended 31 January 2011 — 64.0p). The weighted average exercise price of the options in issue was 82.7p (year ended 31 January 2011 — 75.4p).

The fair value of options granted was determined for IFRS2 using the Black–Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 62.50p (year ended 31 January 2011 — 62.50p) to 107.00 (year ended 31 January 2011 — 78.91p);
- 36.3% (year ended 31 January 2011 — 36.3%) to 48.0% (year ended 31 January 2011 — 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.60% (year ended 31 January 2011 — 0.60%); and
- all options are assumed to vest after three and a half years from the date of grant of the options.

In total £5,000 (year ended 31 January 2011 — £12,000) of share-based employee remuneration expense has been included in the profit & loss account. No liabilities were recognised due to share-based transactions.

10. Statement of movements on reserves

	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2011	(115)	—	1,036	1,427	5,755	8,103
Loss for the period	—	—	—	—	(184)	(184)
Net actuarial loss on pension scheme	—	—	—	—	(1,614)	(1,614)
Exercise of share options	4	13	—	—	(8)	9
Share buy back	(226)	—	—	—	(1,014)	(1,240)
Share based payments	—	—	—	—	5	5
Dividends paid	—	—	—	—	(142)	(142)
Balance at 31 December 2011	**(337)**	**13**	**1,036**	**1,427**	**2,798**	**4,937**

11. Reconciliation of movements in shareholders´ funds

	Period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
(Loss)/profit for the period/year	**(184)**	4,907
Net actuarial (loss)/gain on pension scheme	**(1,614)**	425
Exercise of share options	**9**	40
Share buy back	**(1,240)**	—
Share-based payments	**5**	12
Dividends paid	**(142)**	(56)
Opening shareholder's funds	**9,606**	4,278
Closing shareholder's funds	**6,440**	9,606

12. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to HSBC Bank Plc. The maximum potential liability to the Company at period end was £1,171,000 (31 January 2011 — £2,585,000).

13. Capital commitments

There were no capital commitments at 31 December 2011 or at 31 January 2011.

Notes to the UK GAAP Financial Statements continued

14. Pension arrangements

The Tandem Group Pension Plan

A contributory pension scheme, the Tandem Group Pension Plan, has two sections. One provides benefits based on final pensionable salary, the other provides benefits based on defined contributions. The scheme is closed to new members.

The assets of the scheme are held separately from those of the Group, being invested with managed funds.

Contributions to the final salary section are determined by an independent qualified actuary on the basis of the triennial valuation using the Defined Accrued Benefit Method.

The present value of the defined benefit obligations as at the balance sheet dates is as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Present value of defined benefit obligation at the beginning of the period/year	**8,237**	8,464	7,383	7,190	10,749
Current service cost	**—**	—	—	—	14
Contributions	**—**	—	—	—	2
Interest cost	**415**	458	479	439	513
Actuarial loss/(gain)	**1,503**	(105)	1,090	248	(1,227)
Benefits paid	**(535)**	(580)	(488)	(494)	(1,021)
Payment due to members following buyout of non-statutory increases	**—**	—	—	—	(352)
Past service saving	**—**	—	—	—	(1,488)
Present value of defined benefit obligation at the end of the period/year	**9,620**	8,237	8,464	7,383	7,190

For determination of the pension obligation, the following actuarial assumptions were used:

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
Discount rate	**5.30%**	5.70%	5.60%	6.70%	6.30%
Increase in pensionable salaries	**— %***	— %*	—%*	—%*	3.60%
Increase in pensions in payment	**Up to 5.00%**	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%
Increase in deferred pensions		3.00% to 5.00% for all years			
Inflation assumption	**3.00%**	3.50%	3.50%	3.30%	3.60%
Mortality assumption table	**PA92 (YOB MC)**	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (C=2010)	PA92 (C=2010)

* There are no members whose benefits are linked to salaries

14. Pension arrangements continued

The assets held for the defined benefit obligations can be reconciled from the opening balance to the balance sheet date as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
Fair value of scheme assets at the beginning of the period/year	7,875	7,410	6,736	8,161	9,202
Expected return on scheme assets	450	440	404	504	546
Actuarial (loss)/gain	(626)	514	667	(1,541)	(682)
Contributions	88	91	91	106	116
Benefits paid	(535)	(580)	(488)	(494)	(1,021)
Fair value of scheme assets at the end of the period/year	7,252	7,875	7,410	6,736	8,161

The long-term expected rates of return were:

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
Equities	7.0%	7.4%	7.4%	7.4%	7.6%
Property	6.0%	6.3%	6.4%	6.4%	6.6%
Gilts	3.0%	4.3%	4.4%	4.4%	4.6%
Corporate Bonds	5.0%	5.7%	5.6%	6.7%	5.8%
Cash and other	3.5%	4.0%	4.0%	1.5%	5.5%

The value of assets in the scheme were:

	At 31 December 2011 £'000	At 31 January 2011 £'000	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000
Equities	4,398	4,797	3,471	3,168	3,677
Property	638	707	809	699	873
Gilts	1,340	1,350	2,150	2,012	2,686
Corporate Bonds	694	780	802	683	900
Cash and other	182	241	178	174	25
Total fair value of assets	7,252	7,875	7,410	6,736	8,161

Notes to the UK GAAP Financial Statements continued

14. Pension arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2011 £'000	31 January 2011 £'000	31 January 2010 £'000	31 January 2009 £'000	31 January 2008 £'000
(Deficit)/surplus at the beginning of the period/year	**(362)**	(1,054)	(647)	971	(1,547)
Movement in year:					
Current service cost	**—**	—	—	—	(14)
Contributions	**88**	91	91	106	114
Finance income/(cost)	**35**	(18)	(75)	65	33
Actuarial (loss)/gain	**(2,129)**	619	(423)	(1,789)	545
Payment due to members following buyout of non-statutory increases	**—**	—	—	—	352
Past service saving	**—**	—	—	—	1,488
(Deficit)/surplus at the end of the period/year	**(2,368)**	(362)	(1,054)	(647)	971
Related deferred tax asset/(liability)	**616**	101	295	181	(272)
Net (deficit)/surplus at the end of the period/year	**(1,752)**	(261)	(759)	(466)	699

	31 December 2011	31 January 2011	31 January 2010	31 January 2009	31 January 2008
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**(626)**	514	667	(1,541)	(682)
Percentage of scheme assets	**(8.6)%**	6.5%	9.0%	(22.9)%	(8.4)%
Experience losses on scheme liabilities					
Amount (£'000)	**(1,049)**	—	1	(542)	(539)
Percentage of scheme liabilities	**(10.9)%**	—%	—%	7.3%	7.5%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	**(2,129)**	619	(423)	(1,789)	545
Percentage of the present value of the scheme liabilities	**(22.1)%**	7.5%	(5.0)%	(24.2)%	7.6%

The expected contributions in the year ending 31 December 2012 are £142,000.

15. Related party transactions

Transactions between wholly owned Group companies have not been disclosed in accordance with the exemption conferred by FRS8.

Shareholder Notes

Shareholder Notes

Shareholder Services

Dividends

You can mandate your dividends to your bank or building society account and this direct payment avoids cheques going astray and you receive cleared funds into your account the day the dividend is paid. You can now easily set up a dividend mandate or advise a change of address by contacting the Registrars.

Duplicate mailings

If you receive duplicate mailings, it may be because we have more than one shareholding in your name. To ensure that your shares are registered correctly and amalgamated into one account, please contact the Registrars.

Capita Registrars

☎ 0871 664 0300* (overseas +44 20 8639 3399)

✉ The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

shareholder.services@capitaregistrars.com

www.capitaregistrars.com

*calls cost 10p per minute plus network extras — lines open 8.30 am – 5.30 pm Monday – Friday

Unsolicited mail

Some shareholders may receive unsolicited mail, including from unauthorised investment firms. If you wish to limit the amount of unsolicited mail you receive contact:

Mailing Preference Service (MPS)
DMA House
70 Margaret Street
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W1W 8SS

Telephone 020 7291 3310 or register online at:

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Be wary of unsolicited investment advice, offers to buy shares at a discount or offers of free company reports.

- Make sure you get the correct name of the person and organisation.
- Check they are properly authorised by the FSA and report them if not at www.fsa.gov.uk/register/ (or call 0300 500 5000).
- If the calls persist, hang up.

See www.moneymadeclear.fsa.gov.uk for more information about this.

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