Tandem Group plc

Annual Report and Accounts 2005

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Directors and advisers

Directors

G Waldron Chairman

M P J Keene Finance Director

A P Vicary Commercial Director

Company Secretary

M P J Keene

Registered office
9a South Street, Crowland, Peterborough, PE6 0AH

Registration
Registered in England No. 616818

Nominated Adviser and Broker
KBC Peel Hunt Ltd
4th Floor, 111 Old Broad Street, London, EC2N 1PH

Auditors
Deloitte & Touche LLP
1 Woodborough Road, Nottingham, NG1 3FG

Solicitors
Eversheds LLP
1 Royal Standard Place, Nottingham, NG1 6FZ

Registrars
Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, HD8 0LA

Financial calendar

Annual General Meeting	9 June 2005
Interim results for 6 months to 31 July 2005	September 2005
Results for year ending 31 January 2006	April 2006

Chairman's statement

Profit before taxation from the Group's activities was £1,200,000 compared to £609,000 last year, on turnover of £52,683,000 (2004 — £56,899,000).

Falcon and Dawes

We have two bicycle businesses with the brands of Falcon, Dawes, Claud Butler, Shogun, British Eagle and Optima. Manufacturing at the Group's factory in the UK concentrates on the higher value quality products for which demand is increasing.

Turnover in the bicycle business was lower than the previous year following the withdrawal from low margin business and a worldwide shortage in the first half of the year of components used to manufacture the higher value products.

Profitability in 2004 was below the potential and must be improved.

We have opportunities to achieve sales growth of the higher value products, improve margins and further reduce our overheads from operational efficiencies.

MV Sports

MV distributes a range of products featuring high profile brand and character licences including Barbie, Groovy Chick, Bang on the Door Baby, Thomas the Tank Engine, Bob the Builder and a range of football training equipment under the Kickmaster brand.

The strength of the brands has enabled MV to increase sales and improve margins, resulting in a very successful year. A strong management team has developed new products whilst controlling overheads and working capital utilisation.

Additions to the product range are continually being sought. MV has the capability to take on more turnover and build on its existing base.

Pot Black

Pot Black was acquired by the Group in September 2000 when over 80% of its turnover came from snooker and pool products, predominantly in the second half of the year. Since acquisition, a range of outdoor play products has been developed to increase sales in the first half of the year.

It has been a difficult year for Pot Black, particularly on snooker and pool products in the second half of the year, with increased competition from unbranded imports leading to price deflation, reduced sales and margins.

A trading loss was incurred in the year at an unacceptable level and this has continued into the current financial year. Changes have been made and a strategic review is taking place to identify the best way to profit from this well-known brand in the future.

Ben Sayers

Although our smallest business, Ben Sayers has good brand awareness in the golf market.

Turnover in Ben Sayers declined from the previous year following the cessation of a golf clothing distribution agreement. Despite reduced overheads, the results were disappointing.

We expect better results from Ben Sayers following changes to the product range and a much wider distribution.

Summary

Our balance sheet continues to strengthen with net assets increasing to £8,178,000 as at 31 January 2005, compared with £6,551,000 as at 31 January 2004. During the year we were able to purchase all the issued preference share capital in the Group companies held by external shareholders, contributing an additional £749,000 to our Group net assets. A strong and improving balance sheet is necessary for us to continue to further build on our relationships with our worldwide suppliers and strengthen partnerships to our mutual interest. In addition, it is important to build confidence with our customers who need competitively priced products of consistent quality from a reliable supplier. With a strong Tandem Group presence, we will do all we can to help our customers prosper.

Notwithstanding the profit increase, I should tell you that your Board is disappointed with the overall result. With the actions taken in the last three years, opportunities for substantial sales and profit performance were in place, but in certain areas we failed to take full advantage of our improved position.

I am fully aware of the challenging market that we operate in and this calls for a strong performance from all managers and staff. I regret that we fell short of what was possible. Of course we have exceptions and the results from certain areas of our Group exceeded budget. Inevitably, we have to improve and changes are being made around our Group with the introduction of new operating standards with clear targets that will demand better performance from all our staff. Your Board is determined to see these changes implemented.

With retailers reporting a slow start to the year, it will be a tough time ahead for the managers and staff in our operating businesses. Despite this and the cost of the changes being made, we still expect to have a satisfactory year. Our challenge is to improve our performance, further enhance our balance sheet and be in a position to reward our shareholders.

Graham Waldron
Chairman
22 April 2005

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 January 2005.

Principal activities

The principal activity of the Group is the manufacture and distribution of sports and leisure equipment.

The Chairman's Statement on page 1 should be read in conjunction with this report.

Results and dividend

The results for the year ended 31 January 2005 are set out on page 6. The Directors do not recommend the payment of a dividend (2004 — £nil). Movements on reserves are set out on page 9.

Share Capital

There were no changes in the authorised and issued share capital of the Group during the year.

Significant shareholders

As at 1 March 2005 Directors have been notified of the following interests, other than those of Directors, representing 3% or more of the issued ordinary share capital.

	Ordinary Shares of 4p	%
Jupiter Asset Management	3,794,000	10.1
Venaglass Limited	3,170,267	8.4

Directors

The present Directors are listed on the inside front cover.

The interests of the Directors and their immediate families (as defined by the Companies Act 1985) in the shares of the Company are shown below:

Held beneficially and fully paid

	31 January 2005 4p ordinary shares	1 February 2004 4p ordinary shares
G Waldron	365,270	365,270
M P J Keene	476,511	436,511
A P Vicary	463,816	423,816

Share options

	31 January 2005 4p ordinary shares	1 February 2004 4p ordinary shares
G Waldron	—	—
M P J Keene	260,000	260,000
A P Vicary	260,000	260,000

There were no changes to the Directors' share options during the year.

In accordance with the Articles of Association, G Waldron, who has a service contract lasting for less than one year, retires at the Annual General Meeting and offers himself for re-election.

Donations

No donations were made during the year (2004 — £nil).

Environmental policies

The Board welcomes the government's policies towards cycling and increasing the National Cycle Network throughout the country. As a leading manufacturer and supplier of bicycles we believe that we are making a contribution to improving the environment by providing an alternative to using the motor car.

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.

Monitoring to ensure compliance to our supplier audit programme and detailed recording of energy, water and waste output were key activities of the CSRC during the year.

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 energy, water and waste output data continues to provide a series of excellent indictors to assess the environmental impact of the Group's activities. This has been extended further during the year to incorporate company vehicle data, including number and types of company cars in use across the Group, miles travelled, fuel costs and emissions. As a result, we are actively pursuing means of reducing any environmental impact that we may have. The data also provides an opportunity for cost savings by benchmarking and utilising Group purchasing arrangements.

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 Company at 31 January 2005 represent 75 days (2004 — 87 days) as a proportion of the total amount invoiced by suppliers during the year.

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.

Interest rate risk
The Group finances its operations by a mixture of bank borrowings and loans at contracted rates of interest.

Liquidity risk
The Group successfully renegotiated its banking facilities on 9 March 2005 and considers there is adequate headroom going forward. Short-term flexibility is achieved by overdraft facilities.

Foreign currency risk
The Group hedges a proportion of its transactional exposures by taking out forward exchange contracts of up to 6 months forward against anticipated and known sales and purchases. 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.

Corporate Governance
As a company listed on AIM, the Company is not required to comply with the July 2003 Financial Reporting Council Combined Code which sets out the principles of good corporate governance. However, your board is mindful of its recommendations. The principal steps taken by the Group are set out below.

The Company is controlled through the Board of Directors which presently comprises two executive Directors and one independent non-executive Director. The two executive Directors have service contracts of less than one year. The remuneration and other emoluments of executive Directors and senior managers are determined by the Remuneration Committee, of which G Waldron is currently the only member. 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, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has established two committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the Finance Director and the external auditors in attendance. The Remuneration Committee reviews the terms and conditions of employment of the Directors and senior managers. Following the resignation of previous Directors who were members of both committees, G Waldron is currently the only member and takes external advice when appropriate. Your Board continues to seek an additional non-executive Director with appropriate skills.

The Group encourages two-way communication with both its institutional and private investors and responds quickly to all queries received verbally or in writing. The executive Directors attended regular meetings with institutional shareholders in the year ended 31 January 2005.

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 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 Group expects to operate within the facilities currently agreed. In these circumstances, based on plans for 2005, 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.

Statement of Directors' Responsibilities

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting includes Resolution No. 4 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 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
M P J Keene
22 April 2005

Independent Auditors' report

We have audited the financial statements of Tandem Group plc for the year ended 31 January 2005 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of movements on reserves, the reconciliation of movement in shareholders' funds, the statement of total recognised gains and losses and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' report and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants
Nottingham
22 April 2005

Consolidated profit and loss account

Year ended 31 January 2005

	Notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Turnover					
Continuing operations			**52,683**		56,256
Discontinued operations			—		643
	2		**52,683**		56,899
Cost of sales	3		**(35,794)**		(40,403)
Gross profit			**16,889**		16,496
Operating expenses	3	**(15,190)**		(15,552)	
Net goodwill (amortisation)/release	3	**(9)**		237	
Total operating expenses	3		**(15,199)**		(15,315)
Operating profit					
Continuing operations		**1,690**		979	
Discontinued operations		—		202	
Profit on ordinary activities before interest			**1,690**		1,181
Net interest payable	4		**(490)**		(572)
Profit on ordinary activities before taxation			**1,200**		609
Tax charge on profit on ordinary activities	6		**(74)**		(3)
Profit on ordinary activities after taxation			**1,126**		606
Non-equity minority interests	15		—		(27)
Profit for the financial year transferred to reserves			**1,126**		579
Earnings per share			**Pence**		Pence
Basic	8		**3.00**		1.64
Diluted	8		**2.94**		1.62

Consolidated balance sheet

At 31 January 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	**3,317**	3,523
Negative goodwill	9	**—**	(197)
		3,317	3,326
Tangible assets	10	**919**	1,396
		4,236	4,722
Current assets			
Stocks	11	**8,494**	8,291
Debtors	12	**7,731**	9,275
Cash at bank and in hand	13	**2,855**	1,965
		19,080	19,531
Creditors — amounts falling due within one year	11, 14	**15,138**	15,947
Net current assets		**3,942**	3,584
Total assets less current liabilities		**8,178**	8,306
Creditors — amounts falling due after more than one year	14	**—**	1,006
Non-equity minority interests		**—**	749
Net assets		**8,178**	6,551
Capital and reserves			
Called up share capital	18	**1,503**	1,503
Share premium account		**5,258**	5,258
Merger reserve		**1,036**	1,036
Other reserves		**1,426**	5,363
Profit and loss account		**(1,045)**	(6,609)
Equity shareholders' funds		**8,178**	6,551

The financial statements were approved by the Board on 22 April 2005 and signed on its behalf by:

G Waldron	**M P J Keene**
Director	Director

Company balance sheet

At 31 January 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	**2,124**	2,249
Negative goodwill	9	**—**	(197)
		2,124	2,052
Investments	9	**1,959**	2,340
Tangible assets	10	**342**	355
		4,425	4,747
Current assets			
Stocks	11	**1,640**	1,146
Debtors	12	**2,152**	1,832
Cash at bank and in hand	13	**9,156**	10,447
		12,948	13,425
Creditors — amounts falling due within one year	11, 14	**3,399**	3,423
Net current assets		**9,549**	10,002
Total assets less current liabilities		**13,974**	14,749
Creditors — amounts falling due after more than one year	14	**—**	900
Net assets		**13,974**	13,849
Capital and reserves			
Called up share capital	18	**1,503**	1,503
Share premium account		**5,258**	5,258
Merger reserve		**1,036**	1,036
Other reserves		**1,426**	5,363
Profit and loss account		**4,751**	689
Equity shareholders' funds		**13,974**	13,849

The financial statements were approved by the Board on 22 April 2005 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Statement of movements on reserves

Year ended 31 January 2005

	Share premium account £'000	Other reserves £'000	Merger reserve £'000	Profit and loss account £'000	**Total £'000**
The Group					
Balance at 1 February 2004	5,258	5,363	1,036	(6,609)	5,048
Retained profit for the year	—	—	—	1,126	1,126
Retranslation of overseas subsidiaries	—	—	—	(85)	(85)
Profit on redemption of preference shares	—	—	—	586	586
Transfer of special reserve	—	(3,937)	—	3,937	—
Balance at 31 January 2005	**5,258**	**1,426**	**1,036**	**(1,045)**	**6,675**
The Company					
Balance at 1 February 2004	5,258	5,363	1,036	689	12,346
Accumulated loss for the year	—	—	—	(230)	(230)
Profit on redemption of preference shares	—	—	—	355	355
Transfer of special reserve	—	(3,937)	—	3,937	—
Balance at 31 January 2005	**5,258**	**1,426**	**1,036**	**4,751**	**12,471**

The special reserve of £3,937,000 has been released to the profit and loss account reserve following settlement of all outstanding liabilities in existence at the date of the capital reduction.

Reconciliation of movements in shareholders' funds

Year ended 31 January 2005

	2005 £'000	2004 £'000
The Group		
Profit for the year	**1,126**	579
Issue of share capital	—	1,276
Retranslation of overseas subsidiaries	**(85)**	(13)
Profit on redemption of preference shares	**586**	—
Net additions to shareholders' funds	**1,627**	1,842
Opening shareholders' funds	**6,551**	4,709
Closing shareholders' funds	**8,178**	6,551

Statement of total recognised gains and losses

Year ended 31 January 2005

	2005 £'000	2004 £'000
Profit for the year	**1,126**	579
Retranslation of overseas subsidiaries	**(85)**	(13)
Total recognised gains and losses since the last annual report	**1,041**	566

Consolidated cash flow statement

Year ended 31 January 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	19	**2,510**	4,436
Returns on investments and servicing of finance			
Interest paid		**(476)**	(556)
Interest element of hire purchase rentals		**(14)**	(16)
Net cash outflow from returns on investments and servicing of finance		**(490)**	(572)
Taxation		**(4)**	(3)
Capital expenditure			
Purchase of tangible fixed assets		**(141)**	(351)
Sale of tangible fixed assets		**77**	35
Net cash outflow from capital expenditure		**(64)**	(316)
Acquisitions and disposals			
Purchase of subsidiary undertakings		—	(449)
Net cash at bank and in hand acquired with subsidiary		—	185
Disposal of subsidiary undertakings		—	1,245
Net cash inflow from acquisitions and disposals		—	981
Net cash inflow before financing		**1,952**	4,526
Financing			
Expenses incurred in issue of ordinary shares		—	(193)
Purchase of subsidiary companies' preference shares		**(163)**	—
Repayments of amounts borrowed		**(800)**	(880)
Capital element of hire purchase rentals		**(99)**	(114)
Net cash outflow from financing		**(1,062)**	(1,187)
Increase in cash	20, 21	**890**	3,339

1. Statement of accounting policies

Accounting convention and basis of preparation of the financial statements

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

Turnover

Turnover consists of sales, exclusive of value added tax, invoiced to external customers in the normal course of business.

Consolidation

The consolidated financial statements incorporate the accounts of Tandem Group plc and its subsidiaries for the year ended 31 January 2005. All internal sales and unrealised intra-Group profits have been eliminated on consolidation. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date at which control passed. Acquisitions are accounted for under the acquisition method of accounting.

Goodwill

Prior to 31 January 1998, goodwill arising on consolidation was written off against reserves as a matter of accounting policy and would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related. The amount of goodwill previously written off against reserves is £3,514,000 (2004 — £3,514,000). Since 1 February 1998, 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 its useful economic life over a period of up to 20 years. Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.

Investments

Shares in Group companies are stated at cost less provisions for impairment.

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 assets, depreciation is provided on a straight-line basis to write off the assets over their economic lives as follows:

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

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell an asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a consistent rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the term of the lease.

Stocks and work in progress

All stocks and work in progress are stated at the lower of cost and net realisable value and, where appropriate, include a proportion of related overhead expenditure.

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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investments in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Financial Instruments

The Group's financial instruments comprise bank overdraft facilities, cash, bills of exchange, forward exchange contracts, hire purchase contracts and finance lease agreements. Forward exchange contracts are used to fix the value of the related asset or liability in the contract currency and at the contract rate, and any gains or losses on these instruments are taken to the profit and loss account. The Group does not trade in financial instruments. Short-term debtors and creditors are not treated as financial assets or liabilities for disclosure purposes, other than currency disclosure.

For further information see note 17 on page 19.

Pension costs

Retirement benefits to employees are funded by contributions from the Group and employees. Payments to the Group's pension plans, which are financially separate and independent from the Group, 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 transitional disclosure requirements of FRS 17 — Retirement Benefits have been applied to these financial statements. For further pension information see note 23 on pages 22 to 25.

2. Turnover analysis

All operations for the current and prior year relate to the manufacture and distribution of sports and leisure equipment. All activities relate to continuing operations.

Geographical analysis of turnover by destination is as follows:

	2005	2004
	£'000	£'000
United Kingdom	**49,053**	52,715
Europe	**2,804**	3,992
Rest of the world	**826**	192
	52,683	56,899

Group turnover, profits and net assets were attributable to operations in the United Kingdom and Hong Kong. Analysis by geographical origin has not been given as, in the opinion of the Directors, its disclosure would be prejudicial to the interests of the Group.

3. Net operating profit analysis

	2005	2004
	£'000	£'000
Net operating profit is after incurring or charging/(crediting):		
Administration expenses	**6,488**	7,781
Distribution costs	**8,717**	7,884
Other operating income	**(15)**	(113)
Depreciation and other amounts written off tangible fixed assets		
Owned assets	**502**	553
Leased assets	**68**	84
Profit on disposal of tangible fixed assets	**(29)**	(4)
Rentals under operating leases		
Hire of plant and machinery	**157**	178
Other operating leases	**1,095**	1,031
Auditors' remuneration		
Audit fees	**70**	90
Other services	**15**	50
Goodwill		
Goodwill amortisation	**206**	206
Negative goodwill released	**(197)**	(443)

In addition to the auditors' remuneration for other services shown above, £nil (2004 — £8,000) was capitalised. The audit fee for the Company was £34,000 (2004 — £34,000). In the prior year, £562,000 has been reallocated to distribution costs from cost of sales.

4. Net interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on loans and overdrafts	**476**	556
Interest payable on hire purchase creditors	**14**	16
	490	572

5. Information regarding Directors and employees

	2005 £'000	2004 £'000
Staff costs incurred during the year		
Wages and salaries	**5,447**	5,981
Social security	**500**	559
Pensions — defined contributions schemes	**224**	239
Pensions — defined benefit scheme	**20**	11
	6,191	6,790
	Number	Number
The average number of persons employed by the Group in the year		
Production	**99**	187
Sales and distribution	**97**	102
Administration	**60**	66
	256	355
	£'000	£'000
Directors' remuneration		
Salaries and fees	**318**	334
Benefits	**6**	22
Pension scheme contributions	**82**	51
	406	407

The Group contributes to a personal pension plan for G Waldron, a defined benefits pension scheme for M P J Keene and a defined contributions pension scheme for A P Vicary. The same profile existed in the previous year. The highest paid Director received emoluments of £149,000 (2004 — £154,000). The accrued pension entitlement for the highest paid Director at the end of the year was £26,066 (2004 — £23,650).

6. Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Current taxation	**4**	3
Adjustment in respect of prior years	**49**	—
Overseas taxation	**21**	—
Deferred taxation	**—**	—
Tax on profit on ordinary activities	**74**	3

The tax charge is disproportionate to the profits before tax due to the utilisation of losses brought forward. The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current year and the previous year are lower than the standard rate for the reasons set out in the following reconciliation:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	**1,200**	609
Tax on ordinary activities at the standard rate	**360**	183
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	**62**	(44)
Movement in general provisions	**22**	(7)
Capital allowances in excess of depreciation	**(18)**	(82)
Utilisation of losses brought forward	**(420)**	(304)
Carried forward losses	**63**	331
Adjustment in respect of prior years	**49**	—
Other	**(44)**	(74)
Current tax on profit on ordinary activities	**74**	3

At 31 January 2005 there are trading losses of approximately £11,395,000 (2004 — £12,647,000) available for carry forward against future profits of the same trade.

7. Profit attributable to Tandem Group plc

As permitted by Section 230 of the Companies Act 1985, no statement of profit and loss of the parent company is presented. Of the profit attributable to the Group, a loss of £230,000 (2004 — profit £491,000) is dealt with in the accounts of Tandem Group plc.

8. Earnings per share

	2005 £'000	2004 £'000
Profit for the year used for basic and diluted earnings per share calculation	**1,126**	579
	Number	Number
Weighted average number of ordinary shares in issue during the year used for basic and adjusted earnings per share calculation	**37,584,412**	35,333,215
Weighted average number of shares under option	**1,635,000**	1,310,959
Number of ordinary shares that would have to be issued at fair value	**(954,926)**	(942,252)
Weighted average number of ordinary shares in issue during the year used for diluted earnings per share calculation	**38,264,486**	35,701,922
	Pence	Pence
Earnings per share		
Basic	**3.00**	1.64
Diluted	**2.94**	1.62

9. Intangible fixed assets and investments

	Goodwill £'000	Negative goodwill £'000
The Group		
Cost		
At 1 February 2004	7,193	(640)
At 31 January 2005	**7,193**	**(640)**
Accumulated amortisation		
At 1 February 2004	3,670	(443)
Provided in the year	206	(197)
At 31 January 2005	**3,876**	**(640)**
Net book value		
At 31 January 2005	**3,317**	—
Net book value		
At 31 January 2004	3,523	(197)

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
The Company			
Cost			
At 1 February 2004	5,417	2,664	(197)
Acquisition of preference shares	519	—	—
Strike-off of subsidiary	(10)	—	—
At 31 January 2005	**5,926**	**2,664**	**(197)**
Provision for impairment/accumulated amortisation			
At 1 February 2004	3,077	415	—
Provided in the year	890	125	(197)
At 31 January 2005	**3,967**	**540**	**(197)**
Net book value			
At 31 January 2005	**1,959**	**2,124**	—
Net book value			
At 31 January 2004	2,340	2,249	(197)

The principal wholly owned subsidiary undertakings of the Group at the year end are listed below. The companies were incorporated in Great Britain and operate within the United Kingdom.

	Manufacturers and distributors of:
Falcon Cycles Limited	Bicycles and bicycle accessories
MV Sports Group Plc	Sports, toy and leisure products
Pot Black Limited	Snooker, pool and outdoor play products
Dawes Cycles Limited	Bicycles and bicycle accessories
Ben Sayers Limited	Golf equipment

10. Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Total £'000
The Group				
Cost				
At 1 February 2004	472	6,804	152	7,428
Additions	—	139	—	139
Disposals	(68)	(774)	(130)	(972)
At 31 January 2005	**404**	**6,169**	**22**	**6,595**
Depreciation				
At 1 February 2004	245	5,680	107	6,032
Provided in the year	23	538	9	570
Disposals	(68)	(764)	(94)	(926)
At 31 January 2005	**200**	**5,454**	**22**	**5,676**
Written down value				
At 31 January 2005	**204**	**715**	**—**	**919**
At 31 January 2004	227	1,124	45	1,396
The Company				
Cost				
At 1 February 2004		1,266	27	1,293
Additions		124	—	124
Disposals		(2)	(27)	(29)
At 31 January 2005		**1,388**	**—**	**1,388**
Depreciation				
At 1 February 2004		916	22	938
Provided in the year		130	1	131
Disposals		—	(23)	(23)
At 31 January 2005		**1,046**	**—**	**1,046**
Written down value				
At 31 January 2005		**342**	**—**	**342**
At 31 January 2004		350	5	355

The net book value of the Group's fixed assets held under hire purchase contracts comprises:

	2005 £'000	2004 £'000
Plant and machinery	**84**	191
Vehicles	**—**	62
	84	253

11. Stocks

	Group		Company	
	2005	2004 Restated	**2005**	2004 Restated
	£'000	£'000	**£'000**	£'000
Raw materials	**1,519**	2,255	**516**	363
Work in progress	**200**	299	**—**	—
Finished goods for resale	**6,775**	5,737	**1,124**	783
	8,494	8,291	**1,640**	1,146

In the opinion of the Directors there is no material difference between the historical and replacement cost of stocks. The prior year figures for finished goods for resale and trade creditors have been restated from the previously reported amounts to include goods in transit at 31 January 2004. Restatements of £698,000 to £5,737,000 for the Group and £78,000 to £783,000 for the Company have been made.

12. Debtors

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Amounts due within one year				
Trade debtors	**6,579**	7,960	**741**	418
Amounts due from subsidiary undertakings	**—**	—	**1,154**	1,155
Other debtors	**100**	228	**24**	4
Deferred tax	**463**	463	**62**	62
Prepayments and accrued income	**589**	624	**171**	193
	7,731	9,275	**2,152**	1,832

13. Bank accounts

Bank overdrafts are secured by a fixed and floating charge over the Group's assets.

14. Creditors

	Group		Company	
	2005	2004	**2005**	2004
		Restated		Restated
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Bank loan	**900**	800	**900**	800
Hire purchase and finance lease obligations	**22**	95	**—**	—
Trade creditors	**5,578**	7,111	**1,348**	2,102
Bills of exchange payable	**783**	—	**363**	—
Taxation and social security costs	**595**	633	**44**	—
Other creditors	**6,314**	6,445	**450**	333
Accruals	**946**	863	**294**	188
	15,138	15,947	**3,399**	3,423
Amounts falling due after more than one year				
Bank loan	**—**	900	**—**	900
Hire purchase and finance lease obligations	**—**	26	**—**	—
Other creditors	**—**	80	**—**	—
Accruals and deferred income	**—**	—	**—**	—
	—	1,006	**—**	900

Included in other creditors is an amount of £3,782,000 (2004 — £4,101,000), which is secured by a charge on the trade debtors of subsidiary companies. Trade creditors have been restated from the previously reported amounts to include goods in transit at 31 January 2004 (see note 11). Restatements of £698,000 to £7,111,000 for the Group and £78,000 to £2,102,000 for the Company have been made.

The aggregate amount of hire purchase agreements, bank loans and overdrafts was as follows:

Amounts falling due on demand or less than one year

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Bank loan	**900**	800	**900**	800
Hire purchase and finance lease obligations	**22**	95	**—**	—
	922	895	**900**	800

Amounts falling due after more than one year

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Bank loans				
In more than one year but not more than two years	**—**	900	**—**	900

The bank loan was repaid in full on 15 March 2005.

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Obligations under hire purchase and finance lease agreements				
In more than one year but not more than two years	**—**	12	**—**	—
In more than two years but not more than five years	**—**	14	**—**	—
	—	26	**—**	—

The obligations under hire purchase and finance lease contracts are secured by the related assets.

15. Non-equity minority interests

Non-equity minority interests comprising 407,378 3.85% cumulative preference shares of £1 each in Kingsley & Forester Group Plc (a dormant subsidiary company), and 111,460 10.25% cumulative preference shares of £1 each in Casket Plc were acquired during the year for £163,148.

16. Provisions for liabilities and charges

The movements in deferred taxation as calculated on the liability method at 30% (2004 — 30%) are set out below:

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
At 1 February	**(463)**	(463)	**(62)**	(21)
Current year charge/(credit)	**—**	—	**—**	(41)
At 31 January	**(463)**	(463)	**(62)**	(62)

Deferred taxation

	Provided	**Not Provided**	Provided	Not Provided
	2005	**2005**	2004	2004
	£'000	**£'000**	£'000	£'000
The Group				
Accelerated capital allowances	**(314)**	**(153)**	(314)	(297)
Short-term timing differences	**(30)**	**—**	(30)	(2)
Losses	**(119)**	**(3,390)**	(119)	(3,676)
Excess management expenses	**—**	**(739)**	—	(739)
Capital losses	**—**	**(2,075)**	—	(2,075)
ACT	**—**	**(835)**	—	(835)
	(463)	**(7,192)**	(463)	(7,624)

	Provided	**Not Provided**	Provided	Not Provided
	2005	**2005**	2004	2004
	£'000	**£'000**	£'000	£'000
The Company				
Accelerated capital allowances	**12**	**—**	1	—
Short-term timing differences	**—**	**—**	(5)	—
Losses	**(74)**	**(40)**	(58)	(85)
Excess management expenses	**—**	**(739)**	—	(739)
Capital losses	**—**	**(883)**	—	(883)
ACT	**—**	**(51)**	—	(51)
	(62)	**(1,713)**	(62)	(1,758)

A deferred tax asset has not been recognised in respect of the unprovided trading losses, capital losses, excess management expenses and advance corporation tax 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 immediate future.

In time it is anticipated that the losses will be recovered as the Group continues to make profits and ACT will be recoverable when the Group makes sufficient profits in the correct Group companies. However, capital losses and management expenses will only be utilised if a capital gain arises against which the capital losses may be set off or Tandem Group plc reverts to an investment company, and makes a profit against which the excess management expenses can be utilised.

A deferred tax asset has not been recognised in respect of the accelerated capital allowances, as this is not expected to reverse within the immediate future. The accelerated capital allowances will be released when the tax written down value of the Group's assets matches the book values.

17. Financial instruments

The Group's policies as regards financial instruments are set out in the Directors' Report on pages 2 to 4 and the accounting policies in note 1 on page 11. Short-term debtors and creditors have been omitted from all disclosures other than those relating to currency exposure.

Interest rate and currency of net funds

The currency exposure of the Group's net funds is shown below:

	2005	2004
	£'000	£'000
Sterling	**930**	(1,363)
US dollars	**884**	1,439
Japanese yen	**(5)**	(5)
Others	**44**	(7)
Net funds	**1,853**	64

Included within net funds are obligations under hire purchase and finance lease agreements of £22,000 (2004 — £121,000) and bank loans of £900,000 (2004 — £1,700,000). The obligations under hire purchase and finance leases carry a weighted average interest rate of 8% (2004 — 8%), which is fixed for a weighted average time of 1 year (2004 — 2 years). Bank overdrafts bear interest at 1.75% above bank base rate. The Group has a right of set-off for cash balances against borrowings. The functional currency of the Group is sterling.

The remaining floating rate funds/(borrowings) comprise bank deposits/(overdrafts) which bear interest as follows:

- sterling based on UK bank base rates
- US dollar based on US prime rate
- Japanese yen based on Japanese bank base rates
- others based on bank base rates in the applicable country

Maturity profile

The total undrawn committed bank facilities which comprise bank overdraft and bank loan at the financial year end amounted to £4,355,000 (2004 — £3,965,000). All borrowings are repayable on demand with the exception of obligations under a bank loan, hire purchase contracts and finance lease agreements, which are analysed in note 14 on page 17. The bank overdraft is due for review in March 2006. The bank loan was repaid early in March 2005.

Currency exposure

Foreign currency exposure on borrowings is not hedged.

The Group hedges a proportion of its transactional exposures by taking out forward exchange contracts of up to 6 months forward against anticipated and known sales and purchases, as described in the treasury section included in the Directors' Report on pages 4 to 7. 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.

The Group had short-term foreign currency trade creditors (principally US dollars) totalling £3,716,000 (2004 — £3,386,000). The Group has hedged forward net purchases totalling £4,793,000 (2004 — £8,567,000). There were no material unrealised gains or losses on forward foreign currency contracts covering US dollars and euros. None of these were recognised at the balance sheet date.

Fair values

The fair values of the Group's financial instruments, valued at market value for foreign currency contracts and by discounting expected cash flows at prevailing year end interest rates for other items, are not materially different from their book values.

18. Called up share capital

	Number of shares	£'000
Authorised		
Ordinary shares of 4p each		
At 31 January 2004 and 31 January 2005	51,875,000	2,075
Non-voting "A" ordinary shares of 1p each		
At 31 January 2004 and 31 January 2005	125,000,000	1,250
Total authorised share capital at 31 January 2005	**176,875,000**	**3,325**
Allotted, called up and fully paid		
Ordinary shares of 4p each		
At 31 January 2004 and 31 January 2005	37,584,412	1,503

Share options

The following options were held at 31 January 2005 under the Company's share option schemes:

	Number of shares					Option price per 4p ordinary share	Exercise period
	1 February 2004	Granted during year	Exercised during year	Lapsed or cancelled during year	31 January 2005		
1996 Approved share option scheme							
M P J Keene	95,000	—	—	—	95,000	11.50p	01/05/06–01/05/13
A P Vicary	95,000	—	—	—	95,000	11.50p	01/05/06–01/05/13
Other employees	890,000	—	—	75,000	815,000	11.50p	01/05/06–01/05/13
1996 Unapproved share option scheme							
M P J Keene	165,000	—	—	—	165,000	11.50p	01/05/06–01/05/10
A P Vicary	165,000	—	—	—	165,000	11.50p	01/05/06–01/05/10
Other employees	330,000	—	—	30,000	300,000	11.50p	01/05/06–01/05/10

The ordinary share mid-market price on 31 January 2005 was 21.25p. During the year, the highest mid-market price was 24.50p and the lowest was 13.25p.

19. Reconciliation of operating profit to net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	**1,690**	1,181
Depreciation charges	**570**	637
Amortisation of goodwill	**206**	206
Negative goodwill released	**(197)**	(443)
Profit on sale of tangible fixed assets	**(29)**	(4)
(Increase)/decrease in stocks	**(203)**	208
Decrease/(increase) in debtors	**1,523**	(1,209)
(Decrease)/increase in creditors	**(1,050)**	3,929
Utilisation of provisions on discontinued activities	**—**	(69)
Net cash inflow from operating activities	**2,510**	4,436

20. Reconciliation of net cash inflow to movement in net funds

	2005 £'000	2004 £'000
Increase in cash	**890**	3,339
Cash to repay finance leases and hire purchase contracts	**99**	114
Bank loan	**800**	800
Changes in net funds resulting from cash flows	**1,789**	4,253
Lease and hire purchase obligations acquired with subsidiary	**—**	(65)
Loan acquired with subsidiary	**—**	(80)
Movement in net funds in the year	**1,789**	4,108
Net funds/(debt) at 1 February	**64**	(4,044)
Net funds at 31 January	**1,853**	64

21. Analysis of net funds

	At 1 February 2004 £'000	Cash flow £'000	Non-cash flow £'000	**At 31 January 2005 £'000**
Cash at bank and in hand	1,965	890	—	**2,855**
Bank loan due within 1 year	(800)	800	(900)	**(900)**
Bank loan due after 1 year	(900)	—	900	**—**
Other loans	(80)	—	—	**(80)**
Hire purchase creditors	(121)	99	—	**(22)**
	64	1,789	—	**1,853**

22. Financial commitments

There was no capital expenditure contracted for but not provided for in the financial statements of the Group (2004 — £nil).

Operating lease commitments

	2005		2004	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments under operating leases expiring				
Within 1 year	**224**	**13**	76	17
1 to 5 years	**300**	**205**	296	136
More than 5 years	**630**	**—**	723	51
	1,154	**218**	1,095	204

Lease commitments include £100,000 in respect of premises at Pinchbeck, Spalding, previously occupied by the Company's former Garden Leisure Division, which have been sublet at an equivalent annual rental.

23. Pension arrangements

The Group operates two funded pension plans, The Tandem Group Pension Plan and The Casket Group Retirement and Death Benefit Scheme.

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 final salary section is closed to new members.

The assets of the Plan 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 Attained Age Method. A valuation was carried out in October 2001 ("the 2001 valuation"). The assumptions which have the most significant effect on the results of the 2001 valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed in assessing the pension cost that the return on the Plan's investments would be 7.5% per annum pre-retirement and 5.5% post-retirement and that salaries would increase at the rate of 5% per annum. Future pension increases were assumed to be at the rate guaranteed.

The 2001 valuation of the final salary section showed that the market value of the Plan's assets at that date was £8,061,000 and that the actuarial valuation of those assets based on a Minimum Funding Requirement (MFR) basis represented 95% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group has agreed to make monthly payments of £6,000 from November 2002 to September 2011 in order to meet the defined benefits.

As required by SSAP24, the figures included in the accounts in respect of the Company pension scheme are based on an actuarial valuation carried out at October 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at October 2004 based upon which subsequent pension costs will be determined until the adoption of the Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17").

The paragraphs below set out the additional disclosures required by FRS 17:

The valuation used for FRS 17 disclosures has been based on the Projected Unit Method and membership data as provided for the 1 October 2001 valuation, updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2005. Scheme assets are stated at their fair value at 31 January 2005. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method		**Projected Unit**	
	2005	2004	2003
Discount rate	**5.25%**	5.50%	5.50%
Increase in pensionable salaries	**3.75%**	3.75%	3.50%
Increase in pensions in payment	**5.00%**	5.00%	5.00%
Increase in deferred pensions	**3.00% to 5.00%**	3.00% to 5.00%	3.00% to 5.00%
Inflation assumption	**2.75%**	2.75%	2.50%

23. **Pension arrangements** continued

The expected rate of return and value of assets in the scheme were:

	Long-term expected rate of return 2005	2004	2003	**Value at 31 January 2005 £'000**	Value at 31 January 2004 £'000	Value at 31 January 2003 £'000
Equities	**8.0%**	8.0%	8.0%	**2,603**	2,309	1,740
Gilts	**5.0%**	5.0%	5.0%	**5,452**	5,420	5,740
Cash	**4.0%**	4.0%	4.0%	**(14)**	11	8
Total fair value of assets				**8,041**	7,740	7,488
Present value of scheme liabilities				**(9,296)**	(8,777)	(8,774)
Deficit in the scheme				**(1,255)**	(1,037)	(1,286)

	2005 £'000	2004 £'000
Analysis of the amount that would be charged to operating profit		
Current service cost	**(37)**	(35)
Analysis of the amount that would be charged to other finance income		
Expected return on pension scheme assets	**447**	418
Interest on pension scheme liabilities	**(473)**	(473)
Net charge	**(26)**	(55)
Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**166**	132
Experience losses arising on liabilities	**(83)**	(22)
(Loss)/gain due to changes in assumptions underlying the present value of scheme liabilities	**(310)**	157
Actuarial (loss)/gain that would be recognised in the STRGL	**(227)**	267
Movement in deficit during the year		
Deficit at the beginning of the year	**(1,037)**	(1,286)
Movement in year:		
Current service cost	**(37)**	(35)
Contributions	**72**	72
Other finance cost	**(26)**	(55)
Actuarial (loss)/gain	**(227)**	267
Deficit at the end of the year	**(1,255)**	(1,037)

	2005	2004	2003
History of experience gains and losses			
Difference between the actual and expected return on scheme assets			
Amount (£'000)	**166**	132	(615)
Percentage of scheme assets	**2.1%**	1.7%	8.2%
Experience losses on scheme liabilities			
Amount (£'000)	**(83)**	(22)	(199)
Percentage of scheme liabilities	**0.9%**	0.3%	2.3%
Total amount recognised in statement of total recognised gains and losses			
Amount (£'000)	**227**	267	(1,486)
Percentage of the present value of the scheme liabilities	**2.4%**	3.0%	16.9%

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.

A valuation of the contingency fund at 6 April 2001 using the current unit method, showed that the market value of the fund's assets at that date was £1,065,000 and that the actuarial valuation of those assets based on MFR basis represented 81% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group has agreed to make monthly payments of £8,663 from August 2002 to July 2005 and £8,406 from August 2005 to July 2012 to eliminate the deficit.

23. **Pension arrangements** continued

As required by SSAP24, the figures included in the accounts in respect of the Company pension scheme are based on an actuarial valuation carried out at April 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at April 2004 based upon which subsequent pension costs will be determined until the adoption of FRS 17.

The paragraphs below set out the additional disclosures required by FRS 17:

The valuation used for FRS 17 disclosures has been based on the Projected Unit Method and takes account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2005. Scheme assets are stated at their fair value at 31 January 2005. As the Casket Group Retirement and Death Benefit Scheme is a closed scheme, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method		**Projected Unit**	
	2005	2004	2003
Discount rate	**5.25%**	5.50%	5.50%
Increase in pensionable salaries	**Statutory rates**	Statutory rates	Statutory rates
Increase in pensions in payment	**Lower of RPI or 5.00%**	Lower of RPI or 5.00%	Lower of RPI or 5.00%
Increase in deferred pensions	**2.75%**	2.75%	2.50%
Inflation assumption	**2.75%**	2.75%	2.50%

The expected rate of return and value of assets in the contingency fund were:

		Long-term expected rate of return		**Value at 31 January 2005**	Value at 31 January 2004	Value at 31 January 2003
	2005	2004	2003	**£'000**	£'000	£'000
Equities	**8.0%**	8.0%	8.0%	**772**	824	595
Gilts	**5.0%**	5.0%	5.0%	**297**	119	113
Cash	**5.0%**	5.0%	5.0%	**95**	54	51
Total fair value of assets				**1,164**	997	759
Present value of scheme liabilities				**(2,077)**	(1,885)	(1,891)
Deficit in the scheme				**(913)**	(888)	(1,132)

	2005	2004
	£'000	£'000
Analysis of the amount that would be charged to operating profit		
Current service cost	**—**	—
Analysis of the amount that would be charged to other finance income		
Expected return on pension scheme assets	**73**	55
Interest on pension scheme liabilities	**(103)**	(103)
Net charge	**(30)**	(48)

	2005	2004
	£'000	£'000
Analysis of amount that would be recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	**128**	215
Experience (losses)/gains arising on liabilities	**(38)**	46
(Loss)/gain due to changes in assumptions underlying the present value of scheme liabilities	**(85)**	31
Actuarial gain that would be recognised in the STRGL	**5**	292
Movement in deficit during the year		
Deficit at the beginning of the year	**(888)**	(1,132)
Movement in year:		
Current service cost	**—**	—
Contributions	**—**	—
Other finance cost	**(30)**	(48)
Actuarial gain	**5**	292
Deficit at the end of the year	**(913)**	(888)

23. **Pension arrangements** continued

	2005	2004	2003
History of experience gains and losses			
Difference between the actual and expected return on scheme assets			
Amount (£'000)	**128**	215	(201)
Percentage of scheme assets	**11.0%**	21.6%	26.5%
Experience gains and (losses) on scheme liabilities			
Amount (£'000)	**(38)**	46	(58)
Percentage of scheme liabilities	**1.8%**	2.4%	3.1%
Total amount recognised in statement of total recognised gains and losses			
Amount (£'000)	**5**	292	(407)
Percentage of the present value of the scheme liabilities	**0.2%**	15.5%	21.5%

If the assets and liabilities of the two schemes were included in the Group's balance sheet the effect would be as follows:

	2005 **£'000**	2004 £'000
Net assets		
Excluding pension deficit	**8,178**	7,300
Net pension deficit	**(2,168)**	(1,925)
Related deferred tax asset	**650**	578
Including pension deficit	**6,660**	5,953
Profit and loss reserves		
Excluding pension deficit	**(1,045)**	(6,609)
Net pension deficit	**(2,168)**	(1,925)
Related deferred tax asset	**650**	578
Including pension deficit	**(2,563)**	(7,956)

24. Contingent liabilities

The Company has guaranteed the bank borrowings of its subsidiary undertakings. At the year end the net liabilities covered by these guarantees totalled £6,301,000 (2004 — £8,482,000).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of TANDEM GROUP plc will be held at Eversheds LLP, 1 Royal Standard Place, Nottingham, NG1 6FZ on 9 June 2005 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive, consider and adopt the report of the Directors, the audited financial statements and the Auditors' report for the year ended 31 January 2005.
2. To re-elect as a Director of the Company G Waldron who retires in accordance with the Articles of Association and is eligible for re-election.
3. To re-appoint Deloitte & Touche LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company at which the requirement of Section 241(1) of the Companies Act 1985 is complied with and to authorise the Directors to fix their remuneration.

Special business

To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution.

4. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 4p each in the capital of the Company ("ordinary shares") provided that:
   (i) the maximum number of ordinary shares hereby authorised to be purchased is 5,637,661 (representing approximately 15 per cent of the Company's issued ordinary share capital);
   (ii) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 1p;
   (iii) the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
   (iv) the authority hereby conferred shall expire on the close of the next Annual General Meeting of the Company;
   (v) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

By Order of the Board
M P J Keene
9a South Street, Crowland, Peterborough, PE6 0AH
22 April 2005

1. Any holder of 4p ordinary shares entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting should he or she so wish.
2. A form of proxy is enclosed. To be valid, the form of proxy together with any power of attorney or other authority under which it is signed (or a certified or office copy of such power of attorney) must be lodged with Capita Registrars of Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, not later than 11.00 a.m. on 7 June 2005.
3. Any person entered on the register of members of the Company at 11.00 a.m. on 7 June 2005 is entitled to attend and vote at the Annual General Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the register of members after the above time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting.

4 Copies of the Memorandum and Articles of Association of the Company, Directors' contracts of service and the Register of Directors' Interests will be available for inspection during the usual business hours at the Company's registered office until the date of the Annual General Meeting, 15 minutes prior to the meeting and during the meeting itself.

Form of proxy

TANDEM GROUP plc
ANNUAL GENERAL MEETING
to be held at 11.00 a.m. on 9 June 2005
(Name and address to be inserted in BLOCK LETTERS by shareholder.
In the case of joint holdings, names of all joint holders to be stated.)

I/We ....

of ....

being (a) member(s) of the above-named Company hereby appoint the Chairman of the meeting or

....

as my/our proxy to attend and, on a poll, vote on my/our behalf at the Annual General Meeting of the Company to be held at Eversheds LLP, 1 Royal Standard Place, Nottingham, NG1 6FZ at 11.00 a.m. on 9 June 2005 or at any adjournment thereof. The proxy is instructed to vote in respect of the resolutions as specified below:

	For	Against
ORDINARY BUSINESS		
1. To adopt the report of the Directors and the audited financial statements		
2. To re-elect G Waldron as a Director		
3. To re-appoint Deloitte & Touche LLP as auditors of the Company		
SPECIAL BUSINESS		
SPECIAL RESOLUTION		
4. To authorise the Company to purchase its own shares		

Signature .... Date ....

Notes :

1. Please indicate how the proxy is to vote by placing an X in the appropriate box opposite the resolution. Where no 'X' is inserted, the proxy may vote or abstain at his/her/its discretion.
2. You may appoint a person other than the Chairman of the meeting by entering the name and address of the person you wish to appoint in the space provided and deleting the words "the Chairman of the meeting or". A proxy need not be a member of the Company. The Chairman of the meeting will act as proxy if no other name is inserted.
3. Any alteration of this form of proxy, including any alteration under Note 2 above, must be initialled.
4. A corporation must execute under its common seal or under the hand of a duly authorised officer.
5. This form of proxy together with any power of attorney or other authority under which it is signed (or a certified or office copy of such power of attorney) should be returned as soon as possible to the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, and in any event not later than 48 hours before the time appointed for the Annual General Meeting. Completion and return of this Form of Proxy will not preclude members of the Company from attending and voting in person (in substitution for your proxy vote) should you wish to do so.
6. In the case of joint holders, any one holder may sign this form. The vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the Register in respect of the joint holding.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at the date 48 hours before the time appointed for the Annual General Meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after this time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Second fold

BUSINESS REPLY SERVICE
Licence No. MB 122

2

Capita Registrars
Proxy Department
PO Box 25
BECKENHAM
Kent
BR3 4BR

First fold

Third fold
and tuck in flap opposite

IMPORTANT INFORMATION FOR SHAREHOLDERS

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 Company's registrars in writing to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA or by telephone on: **0870 162 3131**