Tandem Group plc

Annual Report and Accounts 2007

Contents

Financial calendar

Annual General Meeting	14 June 2007
Interim results for 6 months to 31 July 2007	October 2007
Annual results for year ending 31 January 2008	May 2008

Directors and advisers

Directors
G Waldron Chairman
M P J Keene Finance Director
S J Grant Commercial Director

Company Secretary
M P J Keene

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

Registration
Registered in England No. 616818

Website
www.tandemgroup.co.uk

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

Auditors
Grant Thornton UK LLP
Enterprise House, 115 Edmund Street, Birmingham, B3 2HJ

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

Registrars
Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, HD8 0LA
Telephone 0870 162 3131

Brands

Bicycles	Falcon	Claud Butler
	Dawes	Townsend
	British Eagle	Tourismo
	Optima	Shogun
Wheeled toys	Barbie*	Groovy Chick*
	Thomas & Friends*	Bob the Builder*
	Fireman Sam*	Transformers*
	SpongeBob SquarePants*	Winx*
	Teenage Mutant Ninja Turtles*	

Golf	Ben Sayers
Snooker & Pool	Pot Black
Football training	Kickmaster
Table sports	Pot Black
Outdoor play	Hedstrom
	Pingu*
Skates & Skateboards	Skaight
Creative play	Groovy Chick*
	Winx*
Dolls & Accessories	Bang on the Door Baby*

* Under licence

Chairman's statement

Turnover for the year ended 31 January 2007 was £33,785,000 compared to £42,760,000 last year. There was a profit before taxation of £511,000 compared to a loss last year of £2,157,000.

Cycles

Our cycle businesses enjoyed a good year with profitability well ahead of last year. Production in the UK ceased in June 2006 with all bicycles now being specified and designed in the UK and manufactured abroad under the supervision of our own quality control team. Exceptional costs of £234,000 were incurred in closing the production facilities but going forward significant overhead and working capital savings will be made.

Turnover in the cycle businesses was down on last year due to reduced sales to some national retailers where margins are lower. Sales through our traditional customer base of independent retailers and mail order increased following additional resources in sales and marketing.

The Group's brands are shown at the front of the annual report. Sales of the premier brands Falcon, Claud Butler, and Dawes continue to expand.

Sports, leisure and toys

Sales of wheeled toys under Thomas the Tank Engine and Bob the Builder brands performed well. Snooker, pool and outdoor play products from the Pot Black and Hedstrom ranges have been redesigned by the product development team at MV Sports & Leisure. Customer reaction has been good and it is expected that these product ranges will make a valuable contribution going forward.

Sales from the UK operation were down on last year with increased competition against some of our longer-established licences and cautious buying from national retailers. Turnover from our Hong Kong operation increased over last year. As it is expected that this trend will continue, synergies with our other Group companies are being developed to reduce our combined overhead base in the UK.

New licences, which will be backed by a combination of television and cinema exposure, have been secured including a wheeled toys range under the Transformers brand.

Golf equipment

Turnover at Ben Sayers was up on the previous year despite the decision to withdraw from low margin business. Sales to independent retailers and export continue to grow as the customer base expands.

A number of new and innovative products have been introduced in the 2007 product range resulting in an increasing level of orders being received.

Pensions

The Group operates two pension schemes that have defined benefit liabilities. The two schemes had funds invested totalling £10.8 million at 31 January 2007 compared with £10.6 million at 31 January 2006. Inv estment income and growth during the year was £0.7 million. Pensions and transfer payments paid out totalled £0.5 million, representing 4.5% of the funds invested at 31 January 2007. The deficits in the schemes, before deducting the deferred tax asset, valued under Financial Reporting Standard 17 at 31 January 2007 totalled £2.1 million compared to £3.0 million last year.

The schemes are closed to new members. New employees can join the Group's defined contribution schemes, where no deficit can be incurred. In accordance with the recommendation from the schemes' actuaries, the Company has to make payments totalling £207,000 per annum to reduce the deficit of the schemes. The schemes' actuaries have calculated the deficit using guidelines that the government and Institute of Actuaries agree could well be inappropriate and which consequently are being withdrawn. Meanwhile, we are obliged to make these payments which deplete funds available for investment to grow the business.

In addition to the payments being made to reduce the deficit of the schemes, the Group is paying the schemes' administration costs and levies to the Pension Protection Fund. As well as the cost of over £300,000, a disproportionate amount of management time is spent dealing with matters relating to the pension schemes. In view of this, work is under way on a scheme to buy out certain members' benefits in order to significantly reduce or eliminate the schemes' deficits.

Employees

We wish to thank all management and employees for their contribution in returning the Group to profitability. There have been many changes in recent years including the relocation of the Pot Black business and the closure of bicycle production. Our staff have responded well to the challenges and we now have an established team of management and staff with the skills to take the business forward.

Current trading

The year to 31 January 2007 has been a period of consolidation following the loss in the previous year. Bicycle production has been successfully outsourced and the profitable products within the Pot Black and Hedstrom ranges are making an important contribution to the MV business. Overheads continue to be closely monitored and the focus is now on building sales. Resources have been concentrated in product development, sales and marketing. We have a wide portfolio of new and established products. The Group has performed well in the first quarter of the current financial year, with turnover up 15% on the previous year. Your Board is optimistic about the prospects for the current financial year.

Graham Waldron
Chairman

3 May 2007

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 January 2007.

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 2007 are set out on page 7. The Directors do not recommend the payment of a dividend (2006 — £nil). Movements on reserves are set out on page 10.

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

Significant shareholders
As at 3 May 2007 Directors have been notified of the following interests 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
Barclays PLC	2,303,820	6.1
Credit Agricole Cheuvreux International Limited	1,150,000	3.1

Directors
The present Directors are as follows:

G Waldron
Graham was non-executive Chairman of Casket plc which the Company acquired in 1993. He became Chairman of the Group in 1996. He is Chairman of Headlam Group plc and was formerly a non-executive director of Ryland Group plc.

M P J Keene
Mervyn joined the Company in 1989 and became Managing Director of the Garden Leisure Division. He was appointed Group Finance Director in 1993. He is a Fellow of the Association of Chartered Certified Accountants.

S J Grant
Steve joined MV Sports & Leisure Limited from the accountancy profession in 1990 becoming Finance Director in that year. He was appointed Managing Director of MV in 1996.

The interests of the Directors who served during the year 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 2007 4p ordinary shares	1 February 2006 4p ordinary shares
G Waldron	365,270	365,270
M P J Keene	526,511	476,511
S J Grant	66,018	66,018

Share options

	31 January 2007 4p ordinary shares	1 February 2006 4p ordinary shares
G Waldron	—	—
M P J Keene	360,000	260,000
S J Grant	280,000	180,000

In accordance with the Articles of Association, G Waldron, whose service contract may be terminated by either party giving 6 months' written notice, retires at the Annual General Meeting and offers himself for re-election.

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

Business review
A review of the Group's trading operations is contained in the Chairman's Statement on page 1.

We are required by the Companies Act 1985 to include a business review in the Directors' Report and describe the principal risks and uncertainties facing the Group. Analysis using financial key performance indicators has to be shown. We produce a wide variety of daily key figures for all of our businesses that enable us to identify performance against budget and the previous year. Other key performance indicators are shown below:

	2007 Actual	**2007 Target**	2006 Actual
Gross profit margin The ratio of gross profit to sales expressed as a percentage.	**31.5%**	**29.5%**	27.9%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period.	**£238,000**	**£272,000**	£203,000
Net operating expenses % of sales The ratio of net operating expenses, before goodwill amortisation/impairment and exceptional items, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage.	**28.0%**	**26.2%**	27.4%
Interest cover The ratio of operating profit/(loss), before goodwill amortisation/impairment and exceptional items, to interest payable on borrowings.	**5.6**	**6.4**	0.7

	2007 Actual	2007 Target	2006 Actual
Shareholders' return The ratio of profit/(loss) on ordinary activities after taxation transferred to/(from) reserves to shareholders' funds expressed as a percentage.	**16.2%**	**15.7%**	(78.5)%
Earnings/(loss) per share — pence The profit on ordinary activities after tax divided by the weighted average number of ordinary shares in issue during the year.	**2.12**	**1.77**	(6.14)

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 Directors have set out below principal risks facing the business.

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 work closely with the factories and 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 derivatives/financial instruments to reduce the exposure. If the hedging activity does 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 three years. If the licences are not renewed the Group would have to find alternative licences in order to avoid a reduction in turnover.

Competition

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

Volatility in financial markets may require further cash contribution 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.

International Financial Reporting Standards (IFRS)

The Group recognises that there is a requirement to prepare its financial statements under IFRS for the financial year ending 31 January 2008. Accordingly, the Group interim results to July 2007 will be prepared under IFRS. The Board believes that the most significant impact on the Group's financial statements will be with regard to accounting for intangible assets and taxation.

Environmental policies

The Board welcomes the government's policies towards cycling and increasing the National Cycle Network throughout the country. As a major supplier of bicycles in the UK 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.

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.

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 January 2007 represent 49 days (2006 — 44 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.

Financial risks

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group finances its operations by bank borrowings at contracted rates of interest.

Liquidity risk

The Directors consider that the Group's banking facilities are adequate 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 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.

Credit risk

The Group offers goods to customers on credit terms 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.

Corporate Governance

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 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 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 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 meetings with institutional shareholders in the year ended 31 January 2007.

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 2007, 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

The Directors are responsible for preparing the 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 elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 estimates that are reasonable and prudent;
- state whether applicable UK 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 will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and 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.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Auditors

Grant Thornton UK LLP replaced Deloitte & Touche LLP as auditor on 22 November 2006. 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

Resolution 4

The Company proposes to amend the provision of its Articles of Association to take advantage of the Electronic Communications Act 2000, which has recently been enhanced and revised through Schedule 5 of the Companies Act 2006 ('Schedule 5'), which came into force earlier this year. Collectively, the regimes allow companies to communicate with their shareholders using electronic means, provided that individual shareholders give their specific consent. Certain other minor changes are proposed to be made to the Articles of Association at the same time in order to bring the Company up to date with the other provisions of the Companies Act 2006 which are already in force.

The new system has the aim of moving from a 'hard copy' (paper form) to a 'soft copy' (electronic form) system, making it possible for electronic communication to become the default method of communication. This will mean that shareholders must specify if they wish to receive communications in paper form rather than in electronic form. The Company is proposing to amend its Articles of Association to take advantage of the ability to send documents and information electronically and to authorise the use of its website as a means of communicating with shareholders who do not request documentation in paper form.

The Company considers that the most efficient and cost-effective method of implementing the required changes is through the adoption of a new set of Articles of Association which consolidate the new provisions and the required consequential amendments within a set of Articles of Association which is otherwise unchanged from the Articles of Association currently in place. The adoption of the new Articles of Association is achieved by resolution 4 set out in the notice of the AGM.

Included within the documentation providing notice of the AGM, shareholders will find a letter from the Company seeking their individual consent to the receipt by them of documents in electronic form. Where a shareholder agrees, then, following the passing of the resolution 4, future communications with that shareholder will be by electronic means. If a shareholder fails to respond to the letter within 28 days, then such a shareholder is deemed to have agreed to receive communications by electronic means.

A shareholder may at any time tell the Company that he or she wishes to receive all or certain specified information in paper form, even if he or she has previously consented to receipt of documents in electronic form. In addition, the Company must notify those shareholders who receive information in electronic form when certain key information is available on the Company's website. This notification will, typically, be sent around the time of the Company's Annual General Meeting.

The overall effect of resolution 4 to adopt the new Articles of Association will be to allow the Company to communicate electronically with its shareholders. However, as indicated above, the rights of those shareholders who wish to receive documents in paper form will be fully protected. The Directors envisage a positive benefit to the Company through the use of electronic communications, in terms of the printing and postage expenses.

Resolution 5

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

M P J Keene

3 May 2007

Report of the Independent Auditor

to the members of Tandem Group plc

We have audited the Group and Parent Company financial statements (the ''financial statements'') of Tandem Group plc for the year ended 31 January 2007 which comprise the accounting policies, the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the statement of movements on reserves, the reconciliation of movements in shareholders' funds, the statement of total recognised gains and losses and 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 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 auditors

The Directors' responsibilities for preparing the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 January 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Birmingham

3 May 2007

Consolidated profit and loss account

	Notes	Year ended 31 January 2007 Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	After exceptional items and goodwill amortisation £'000	Year ended 31 January 2006 Before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation £'000	After exceptional items and goodwill amortisation £'000
Turnover	2	**33,785**		**33,785**	42,760		42,760
Cost of sales		**(23,132)**		**(23,132)**	(30,819)		(30,819)
Gross profit		**10,653**		**10,653**	11,941		11,941
Net operating expenses	3	**(9,462)**	**(234)**	**(9,696)**	(11,715)	(1,382)	(13,097)
Goodwill amortisation and impairment	3		**(175)**	**(175)**		(640)	(640)
Total operating expenses		**(9,462)**	**(409)**	**(9,871)**	(11,715)	(2,022)	(13,737)
Operating profit/(loss)		**1,191**	**(409)**	**782**	226	(2,022)	(1,796)
Finance charges	4			**(271)**			(361)
Profit/(loss) on ordinary activities before taxation				**511**			(2,157)
Tax credit/(charge) on profit/(loss) on ordinary activities	6			**285**			(152)
Profit/(loss) on ordinary activities after taxation transferred to/(from) reserves				**796**			(2,309)
Earnings/(loss) per share				**Pence**			Pence
Basic and diluted	8			**2.12**			(6.14)

All figures relate to continuing operations.

Consolidated balance sheet

At 31 January 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	9	**2,502**	2,677
Tangible assets	10	**403**	563
		2,905	3,240
Current assets			
Stocks	11	**5,676**	5,664
Debtors	12	**6,135**	5,527
Cash at bank and in hand	13	**551**	2,426
		12,362	13,617
Creditors – amounts falling due within one year	14	**(8,855)**	(11,076)
Net current assets		**3,507**	2,541
Net assets before pension schemes' deficits		**6,412**	5,781
Pension schemes' deficits	22	**(1,496)**	(2,839)
Net assets after pension schemes' deficits		**4,916**	2,942
Capital and reserves			
Called up share capital	17	**1,503**	1,503
Share premium account		**5,258**	5,258
Merger reserve		**1,036**	1,036
Other reserves		**1,453**	1,426
Profit and loss account		**(4,334)**	(6,281)
Shareholders' funds		**4,916**	2,942

The financial statements were approved by the Board on 3 May 2007 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Company balance sheet

At 31 January 2007

	Notes	2007 £'000	2006 Restated £'000
Fixed assets			
Intangible assets	9	**1,312**	1,565
Investments	9	**1,909**	1,959
Tangible assets	10	**1**	2
		3,222	3,526
Current assets			
Debtors	12	**4,801**	173
Cash at bank and in hand	13	**10,939**	15,133
		15,740	15,306
Creditors — amounts falling due within one year	14	**(12,465)**	(12,697)
Net current assets		**3,275**	2,609
Net assets before pension scheme deficit		**6,497**	6,135
Pension scheme deficit	22	**(1,083)**	(2,003)
Net assets after pension scheme deficit		**5,414**	4,132
Capital and reserves			
Called up share capital	17	**1,503**	1,503
Share premium account		**5,258**	5,258
Merger reserve		**1,036**	1,036
Other reserves		**1,453**	1,426
Profit and loss account		**(3,836)**	(5,091)
Shareholders' funds		**5,414**	4,132

The financial statements were approved by the Board on 3 May 2007 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Statement of movements on reserves

Year ended 31 January 2007

	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Profit and loss account Restated £'000	Total £'000
The Group					
Balance at 1 February 2006	5,258	1,036	1,426	(6,281)	1,439
Profit for the year	—	—	—	796	796
Retranslation of overseas subsidiaries	—	—	—	(70)	(70)
Actuarial gains on pension schemes	—	—	—	1,221	1,221
Share-based payments	—	—	27	—	27
Balance at 31 January 2007	**5,258**	**1,036**	**1,453**	**(4,334)**	**3,413**
The Company					
Balance at 1 February 2006 as previously stated	5,258	1,036	1,426	1,967	9,687
Effect of restatement	—	—	—	(7,058)	(7,058)
Balance at 1 February 2006 as restated	5,258	1,036	1,426	(5,091)	2,629
Profit for the year	—	—	—	369	369
Actuarial gain on pension scheme	—	—	—	886	886
Share-based payments	—	—	27	—	27
Balance at 31 January 2007	**5,258**	**1,036**	**1,453**	**(3,836)**	**3,911**

Reconciliation of movements in shareholders' funds

Year ended 31 January 2007

	2007 £'000	2006 £'000
The Group		
Profit/(loss) for the year	**796**	(2,309)
Retranslation of overseas subsidiaries	**(70)**	38
Actuarial gain/(loss) on pension schemes including related deferred tax asset	**1,221**	(910)
Share-based payments	**27**	—
Net addition/(deduction) to shareholders' funds	**1,974**	(3,181)
Opening shareholders' funds	**2,942**	6,123
Closing shareholders' funds	**4,916**	2,942

Statement of total recognised gains and losses

Year ended 31 January 2007

	2007 £'000	2006 £'000
Profit/(loss) for the year	**796**	(2,309)
Retranslation of overseas subsidiaries	**(70)**	38
Actuarial gain/(loss) on pension schemes including related deferred tax asset	**1,221**	(910)
Share-based payments	**27**	—
Total recognised gains and losses since the last annual report	**1,974**	(3,181)

Consolidated cash flow statement

Year ended 31 January 2007

	Notes	**2007 £'000**	2006 £'000
Net cash (outflow)/inflow from operating activities	18	**(1,455)**	1,046
Returns on investments and servicing of finance			
Interest paid		**(271)**	(358)
Interest element of hire purchase rentals		**—**	(3)
Net cash outflow from returns on investments and servicing of finance		**(271)**	(361)
Taxation		**(85)**	(43)
Capital expenditure			
Purchase of tangible fixed assets		**(94)**	(119)
Sale of tangible fixed assets		**31**	49
Net cash outflow from capital expenditure		**(63)**	(70)
Net cash (outflow)/inflow before financing		**(1,874)**	572
Financing			
Repayments of amounts borrowed		**—**	(980)
Capital element of hire purchase rentals		**(1)**	(21)
Net cash outflow from financing		**(1)**	(1,001)
Decrease in cash	19, 20	**(1,875)**	(429)

1. Statement of accounting policies

Accounting convention and basis of preparation of the financial statements

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles and in compliance with the Companies Act 1985. The financial statements have been prepared under the historical cost convention.

Turnover

Turnover consists of sales, exclusive of value added tax, invoiced to external customers on delivery 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 2007. 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 (2006 — £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 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.

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. Cost is based on the first in, first out method and, where appropriate, includes 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.

All financial assets are recognised when the Group/Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the profit and loss account

For further information see note 16.

1. Statement of accounting policies continued

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 difference between the fair values of the assets held in the Group's defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Group'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 Group 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 or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'.

For further pension information see note 22.

Share-based payments
Following the introduction of FRS 20 the Group's accounting policy relating to share-based payments has altered and is set out below.

All share-based payment arrangements arising after 7 November 2002 are recognised in the consolidated financial statements. The Group operates equity-settled share-based remuneration plans for remuneration of its employees. Options are issued by the parent to the employees of its subsidiaries. As such, the charge for the share-based remuneration is recognised in the subsidiary company profit and loss account with no charge being borne in the ultimate parent profit and loss account. All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to the share-based payment reserve, 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.

This change in accounting policy has resulted in a decrease to the profit before taxation of £27,000 for the year ended 31 January 2007, with no material impact for the prior year. This change has not resulted in any increase or decrease in net assets.

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:

	2007 **£'000**	2006 £'000
United Kingdom	**31,108**	39,082
Europe	**1,857**	1,974
Rest of the world	**820**	1,704
	33,785	42,760

Group turnover, profits/(losses) 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

	2007 £'000	2006 £'000
Net operating profit is after incurring or charging/(crediting):		
Administration expenses before exceptional items and goodwill amortisation and impairment	**4,572**	5,212
Other operating income	**—**	(28)
Goodwill		
Goodwill amortisation and impairment	**175**	640
Exceptional operating costs resulting from the closure of bicycle production		
Employee severance costs	**234**	—
Exceptional operating costs resulting from the decision to close the Group's operations at Bideford and relocate the Pot Black business to Castle Bromwich		
Employee severance costs	**—**	191
Termination of leases	**—**	111
Removal costs	**—**	108
Exceptional charges in writing down book values to their recoverable amount		
Plant and machinery	**—**	127
Debtors	**—**	200
Stock	**—**	645
Total exceptional costs	**234**	1,382
Total administration expenses	**4,981**	7,206
Distribution costs	**4,890**	6,531
Total operating expenses	**9,871**	13,737
Total operating expenses include the following:		
Depreciation and other amounts written off tangible fixed assets		
Owned assets	**173**	281
Leased assets	**—**	26
Loss on disposal and write-down of tangible fixed assets	**48**	120
Rentals under operating leases		
Hire of plant and machinery	**112**	140
Other operating leases	**927**	1,089
Auditors' remuneration		
Audit fees — Group	**58**	77
Audit fees — Company (included above)	**3**	14
Other services — taxation	**11**	20

4. Finance charges

	2007 £'000	2006 £'000
Interest payable on loans and overdrafts	**212**	327
Interest payable on hire purchase creditors	**—**	3
Expected return on pension schemes assets less interest on liabilities	**59**	31
	271	361

5. Information regarding Directors and employees

	2007	2006
	£'000	£'000
Staff costs incurred during the year		
Wages and salaries	**3,648**	4,227
Social security	**339**	420
Pensions — defined contributions schemes	**116**	169
Pensions — defined benefit scheme	**16**	16
	4,119	4,832
	Number	Number
The average number of persons employed by the Group in the year		
Production	**13**	60
Sales and distribution	**81**	95
Administration	**48**	56
	142	211
	2007	2006
	£'000	£'000
Directors' remuneration		
Salaries and fees	**309**	302
Benefits	**6**	6
Pension scheme contributions	**26**	77
	341	385

During the year the Group contributed to a defined benefits pension scheme for M P J Keene and a defined contributions pension scheme for S J Grant. In the previous year the Group contributed to a defined benefits pension scheme for M P J Keene, a defined contributions pension scheme for S J Grant and a former Director and a personal pension plan for G Waldron. The highest paid Director received emoluments of £133,000 (2006 — £147,000) and had an accrued pension entitlement at the end of the year of £31,778 (2006 — £28,747).

6. Tax (credit)/charge on profit/(loss) on ordinary activities

	2007	2006
	£'000	£'000
Adjustment in respect of prior years	—	13
Overseas taxation	**60**	30
Total current tax	**60**	43
Deferred taxation (credit)/charge	**(345)**	109
Tax (credit)/charge on profit/(loss) on ordinary activities	**(285)**	152

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2007	2006
	£'000	£'000
Profit/(loss) on ordinary activities before tax	**511**	(2,157)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**153**	(647)
Effect of:		
Expenses not deductible for tax purposes	**68**	94
Income not taxable	**12**	—
Movement in short-term timing differences	**(11)**	(22)
Capital allowances in excess of depreciation	**(112)**	—
(Utilisation)/accumulation of losses brought forward	**(50)**	613
Adjustment in respect of prior years	—	13
Other	—	(8)
Current tax on ordinary activities	**60**	43

At 31 January 2007 there are trading losses and loan relationship deficits of approximately £14,510,000 (2006 — £12,336,000) 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 loss attributable to the Group, a profit of £369,000 (2006 restated — loss £7,792,000) is dealt with in the accounts of Tandem Group plc.

8. Earnings per share

	2007 **£'000**	2006 £'000
Profit/(loss) for the year used for basic and diluted earnings per share calculation	**796**	(2,309)
	Number	Number
Weighted average number of ordinary shares in issue during the year used for basic and diluted earnings per share calculation	**37,584,412**	37,584,412
Earnings/(loss) per share	**Pence**	Pence
Basic	**2.12**	(6.14)
Diluted	**2.12**	(6.14)

The calculation of the basic and diluted earnings per share is based on the profit on ordinary activities after tax and on the weighted average number of ordinary shares in issue during the year. The impact of the share options is anti-dilutive.

9. Intangible fixed assets and investments

The Group	Goodwill £'000	Negative goodwill £'000
Cost		
At 1 February 2006 and 31 January 2007	**7,193**	**(640)**
Amortisation and impairment provisions		
At 1 February 2006	4,516	(640)
Amortisation provided in the year	175	—
At 31 January 2007	**4,691**	**(640)**
Net book value		
At 31 January 2007	**2,502**	—
Net book value		
At 31 January 2006	2,677	—

The Company	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
Cost			
At 1 February 2006	5,926	2,664	(197)
Transfer to subsidiary	(60)	(158)	—
At 31 January 2007	**5,866**	**2,506**	**(197)**
Amortisation and impairment provisions			
At 1 February 2006	3,967	1,099	(197)
Strike off of subsidiary	(10)	—	—
Amortisation provided in the year	—	95	—
At 31 January 2007	**3,957**	**1,194**	**(197)**
Net book value			
At 31 January 2007	**1,909**	**1,312**	—
Net book value			
At 31 January 2006	1,959	1,565	—

9. Intangible fixed assets and investments continued

The principal wholly owned subsidiary undertakings of the Group 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.

	Manufacturers and distributors of:
Falcon Cycles Limited	Bicycles and bicycle accessories
MV Sports Group Plc	Sports, snooker and pool, outdoor play, toy and leisure products
M.V. Sports (Hong Kong) Limited	Sports, snooker and pool, outdoor play, toy and leisure products
Dawes Cycles Limited	Bicycles and bicycle accessories
Ben Sayers Limited	Golf equipment

10. Tangible fixed assets

The Group	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 February 2006	406	22	5,584	6,012
Additions	8	—	86	94
Disposals	—	—	(1,355)	(1,355)
Foreign exchange adjustments	(2)	—	(2)	(4)
At 31 January 2007	**412**	**22**	**4,313**	**4,747**
Depreciation				
At 1 February 2006	222	22	5,205	5,449
Provided in the year	23	—	150	173
Disposals	—	—	(1,275)	(1,275)
Foreign exchange adjustments	(2)	—	(1)	(3)
At 31 January 2007	**243**	**22**	**4,079**	**4,344**
Written down value				
At 31 January 2007	**169**	**—**	**234**	**403**
At 31 January 2006	184	—	379	563
The Company				
Cost				
At 1 February 2006			20	20
Additions			1	1
Disposals			(2)	(2)
At 31 January 2007			**19**	**19**
Depreciation				
At 1 February 2006			18	18
Provided in the year			2	2
Disposals			(2)	(2)
At 31 January 2007			**18**	**18**
Written down value				
At 31 January 2007			**1**	**1**
At 31 January 2006			2	2

11. Stocks

	Group	
	2007 £'000	2006 £'000
Raw materials	**117**	540
Work in progress	**—**	189
Finished goods for resale	**5,559**	4,935
	5,676	5,664

In the opinion of the Directors there is no material difference between the historical and replacement cost of stocks.

12. Debtors

	Group		Company	
	2007	2006	**2007**	2006 Restated
	£'000	£'000	**£'000**	£'000
Amounts due within one year				
Trade debtors	**4,868**	4,693	**—**	—
Amounts due from subsidiary undertakings	—	—	**4,410**	—
Other debtors	**77**	69	**8**	—
Other taxation	**25**	—	**101**	121
Deferred tax	**700**	354	**247**	—
Prepayments and accrued income	**465**	411	**35**	52
	6,135	5,527	**4,801**	173

13. Bank accounts

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

14. Creditors

	Group		Company	
	2007	2006	**2007**	2006 Restated
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Hire purchase and finance lease obligations	**—**	1	**—**	—
Trade creditors	**4,426**	5,036	**71**	65
Amounts due to subsidiary undertakings	**—**	—	**12,199**	12,310
Taxation and social security costs	**365**	386	**15**	15
Other creditors	**3,311**	4,579	**81**	139
Accruals	**753**	1,074	**99**	168
	8,855	11,076	**12,465**	12,697

Included in other creditors is an amount of £2,415,000 (2006 — £3,141,000), which is secured by a charge on the trade debtors of subsidiary companies.

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	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Hire purchase and finance lease obligations	**—**	1	**—**	—

15. Provisions for liabilities and charges

The movements in deferred taxation as calculated on the liability method at 30% (2006 — 30%) are set out below:

	Group		Company	
	2007	2006	**2007**	2006 Restated
	£'000	£'000	**£'000**	£'000
At 1 February	**(354)**	(463)	**—**	(62)
Origination and reversal of timing differences	**(346)**	109	**(247)**	13
Transfer to subsidiary undertaking	—	—	—	49
At 31 January	**(700)**	(354)	**(247)**	—

Deferred taxation

The Group	**Provided 2007 £'000**	**Not Provided 2007 £'000**	Provided 2006 £'000	Not Provided 2006 £'000
Accelerated capital allowances	**(331)**	**(96)**	(236)	(242)
Short-term timing differences	**(38)**	**14**	(10)	(21)
Losses	**(129)**	**(3,567)**	(108)	(3,593)
Excess management expenses	**(202)**	**(455)**	—	(739)
Capital losses	**—**	**(1,142)**	—	(2,075)
ACT	**—**	**(648)**	—	(835)
	(700)	**(5,894)**	(354)	(7,505)

15. Provisions for liabilities and charges continued

The Company	Provided 2007 £'000	Not Provided 2007 £'000	Provided 2006 Restated £'000	Not Provided 2006 £'000
Accelerated capital allowances	**(4)**	**—**	—	—
Short-term timing differences	**—**	**—**	—	—
Losses	**(41)**	**—**	—	—
Excess management expenses	**(202)**	**(454)**	—	(739)
Capital losses	**—**	**(829)**	—	(883)
ACT	**—**	**(52)**	—	(51)
	(247)	**(1,335)**	—	(1,673)

A deferred tax asset has not been recognised in respect of certain trading losses, capital losses, excess management expenses and advance corporation tax as the Group and 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.

16. Financial instruments

The Group's policies as regards financial instruments are set out in the Directors' Report on pages 2 to 5 and the accounting policies in note 1. 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:

	2007 £'000	2006 £'000
Sterling	**(526)**	1,139
US dollars	**1,028**	1,209
Euro	**23**	81
Others	**26**	(4)
Net funds	**551**	2,425

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 Group has no fixed rate borrowing.

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
- euro based on euro bank base rates
- others based on bank base rates in the applicable country

Maturity profile
The total undrawn committed bank overdraft facilities at the financial year end amounted to £4,551,000 (2006 – £6,426,000). All borrowings are repayable on demand with the exception of obligations under hire purchase contracts and finance lease agreements, which are analysed in note 14. The bank overdraft is due for review in February 2008.

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 against anticipated and known sales and purchases, as described in the Directors' Report on pages 2 to 5. 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 £3,449,000 (2006 — £3,501,000). The Group has hedged forward net purchases totalling £6,340,000 (2006 — £4,146,000). There were no material unrealised gains or losses on forward foreign currency contracts covering US dollars and euro. 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.

17. Called up share capital

	Number of shares	£'000
Authorised		
Ordinary shares of 4p each		
At 1 February 2006 and 31 January 2007	51,875,000	2,075
Non-voting "A" ordinary shares of 1p each		
At 1 February 2006 and 31 January 2007	125,000,000	1,250
Total authorised share capital at 31 January 2007	**176,875,000**	**3,325**
Allotted, called up and fully paid		
Ordinary shares of 4p each		
At 1 February 2006 and 31 January 2007	**37,584,412**	**1,503**

Share options

The following options were held at 31 January 2007 under the Company's share option schemes:

	Number of shares						
	1 February 2006	Granted during year	Exercised during year	Lapsed or cancelled during year	31 January 2007	Option price per 4p ordinary share	Exercise period
1996 Approved share option scheme							
Directors							
G Waldron	—				—		
M P J Keene	95,000				95,000	11.5p	01/05/06 – 01/05/13
		100,000			100,000	10.0p	26/06/09 – 26/06/16
S J Grant	130,000				130,000	11.5p	01/05/06 – 01/05/13
		100,000			100,000	10.0p	26/06/09 – 26/06/16
Other employees	590,000			145,000	445,000	11.5p	01/05/06 – 01/05/13
		260,000			260,000	10.0p	26/06/09 – 26/06/16
1996 Unapproved share option scheme							
Directors							
G Waldron	—				—		
M P J Keene	165,000				165,000	11.5p	01/05/06 – 01/05/10
S J Grant	50,000				50,000	11.5p	01/05/06 – 01/05/10
Other employees	345,000			180,000	165,000	11.5p	01/05/06 – 01/05/10

The ordinary share mid-market price on 31 January 2007 was 8.125p. During the year, the highest mid-market price was 12.25p and the lowest was 6.25p. The weighted average exercise price of the options in issue was 11.04 pence.

The fair value of options granted was determined for FRS 20 using the Black-Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 10p and 11.5p
- 36.3% to 44.3% volatility based on expected and historical share price
- a risk-free interest rate of 4.75%
- all options are assumed to vest after three and a half years from the date of grant of the options
- no dividends

In total £27,000 of employee remuneration expense has been included in the consolidated income statement for 31 January 2007 which gave rise to the share-based payment reserve. No liabilities were recognised due to share-based payment transactions.

18. Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities

	2007 £'000	2006 £'000
Operating profit/(loss)	**782**	(1,796)
Depreciation charges	**173**	307
Provision for impairment/amortisation of goodwill	**175**	640
Loss on sale of tangible fixed assets	**48**	119
(Increase)/decrease in stocks	**(12)**	2,830
(Increase)/decrease in debtors	**(262)**	2,095
Decrease in creditors	**(2,268)**	(3,024)
Adjustment for pension funding and share-based payments	**(91)**	(125)
Net cash (outflow)/inflow from operating activities	**(1,455)**	1,046

19. Reconciliation of net cash outflow to movement in net funds

	2007 £'000	2006 £'000
Decrease in cash	**(1,875)**	(429)
Cash to repay finance leases and hire purchase contracts	**1**	21
Bank loan	**—**	900
Other loans	**—**	80
Changes in net funds resulting from cash flows	**(1,874)**	572
Net funds at 1 February	**2,425**	1,853
Net funds at 31 January	**551**	2,425

20. Analysis of net funds

	At 1 February 2006 £'000	Cash flow £'000	At 31 January 2007 £'000
Cash at bank and in hand	2,426	(1,875)	**551**
Hire purchase creditors	(1)	1	**—**
Net funds	2,425	(1,874)	**551**

21. Financial commitments

There was no capital expenditure contracted for but not provided for in the financial statements of the Group as at 31 January 2007 or 31 January 2006.

Operating lease commitments

	2007		2006	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments under operating leases expiring				
Within 1 year	**—**	**16**	28	45
1 to 5 years	**357**	**96**	293	106
More than 5 years	**630**	**—**	628	—
	987	**112**	949	151

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.

22. 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 2004 ("the 2004 valuation"). The assumptions which have the most significant effect on the results of the 2004 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 7.25% per annum pre-retirement and 5.5% post-retirement and that salaries would increase at the rate of 2.75% per annum. Future pension increases were assumed to be at the rate guaranteed.

The 2004 valuation of the final salary section showed that the market value of the Plan's assets at that date was £7,833,000 and that the actuarial valuation of those assets based on a Minimum Funding Requirement (MFR) basis represented 77% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group is currently paying £106,000 per annum in order to meet the defined benefits.

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 2004 valuation, updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2007. Scheme assets are stated at their fair value at 31 January 2007. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	Projected unit valuation method				
	2007	2006	2005	2004	2003
Discount rate	**5.50%**	4.90%	5.25%	5.50%	5.50%
Increase in pensionable salaries	**3.15%**	2.75%	3.75%	3.75%	3.50%
Increase in pensions in payment	**5.00%**	5.00%	5.00%	5.00%	5.00%
Increase in deferred pensions			**3.00% to 5.00% for all years**		
Inflation assumption	**3.15%**	2.75%	2.75%	2.75%	2.50%

The long-term expected rates of return were:

	2007	2006	2005	2004	2003
Equities	**7.5%**	7.5%	8.0%	8.0%	8.0%
Property	**6.5%**	—	—	—	—
Gilts	**4.5%**	4.5%	5.0%	5.0%	5.0%
Corporate Bonds	**5.5%**	—	—	—	—
Cash and other	**5.0%**	4.5%	4.0%	4.0%	4.0%

The value of assets in the scheme were:

	Value at 31 January 2007 £'000	Value at 31 January 2006 £'000	Value at 31 January 2005 £'000	Value at 31 January 2004 £'000	Value at 31 January 2003 £'000
Equities	**4,346**	3,263	2,603	2,309	1,740
Property	**981**	—	—	—	
Gilts	**2,910**	5,839	5,452	5,420	5,740
Corporate Bonds	**960**	—	—	—	
Cash and other	**5**	37	(14)	11	8
Total fair value of assets	**9,202**	9,139	8,041	7,740	7,488
Present value of scheme liabilities	**(10,749)**	(11,340)	(9,296)	(8,777)	(8,774)
Deficit in the scheme	**(1,547)**	(2,201)	(1,255)	(1,037)	(1,286)

22. Pension arrangements continued

***The Tandem Group Pension Plan** continued*

	2007 £'000	2006 £'000
Analysis of the amount that has been charged to operating profit		
Current service cost	**(39)**	(33)
Analysis of the amount that has been charged to other finance income		
Expected return on pension scheme assets	**499**	471
Interest on pension scheme liabilities	**(545)**	(478)
Net charge	**(46)**	(7)
Analysis of amount that has been recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**(77)**	953
Experience losses arising on liabilities	**—**	(447)
Gain/(loss) due to changes in assumptions underlying the pv of scheme liabilities	**697**	(1,498)
Actuarial gain/(loss) that has been recognised in the STRGL	**620**	(992)
Movement in deficit during the year		
Deficit at the beginning of the year	**(2,201)**	(1,255)
Movement in year:		
Current service cost	**(39)**	(33)
Contributions	**119**	86
Other finance cost	**(46)**	(7)
Actuarial gain/(loss)	**620**	(992)
Deficit at the end of the year	**(1,547)**	(2,201)
Related deferred tax asset	**464**	198
	(1,083)	(2,003)

	2007	2006	2005	2004	2003
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**(77)**	953	166	132	615
Percentage of scheme assets	**(0.8%)**	10.4%	2.1%	1.7%	8.2%
Experience losses on scheme liabilities					
Amount (£'000)	**—**	(447)	(83)	(22)	199
Percentage of scheme liabilities	**—**	3.9%	0.9%	0.3%	2.3%
Total amount recognised in statement of total recognised gains/(losses)					
Amount (£'000)	**620**	(992)	(227)	267	1,486
Percentage of the present value of the scheme liabilities	**5.8%**	8.7%	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 2004 using the current unit method, showed that the market value of the fund's assets at that date was £995,000 and that the actuarial valuation of those assets based on an ongoing funding basis represented 63% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group is currently paying £101,000 per annum to eliminate the deficit.

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 2007. Scheme assets are stated at their fair value at 31 January 2007. 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:

22. Pension arrangements continued

***The Casket Group Retirement and Death Benefit Scheme** continued*

	Projected unit valuation method				
	2007	2006	2005	2004	2003
Discount rate	**5.50%**	4.90%	5.25%	5.50%	5.50%
Increase in pensionable salaries	**There are no members whose benefits are linked to salaries**				
Increase in pensions in payment	**3.15%**	2.75%	2.75%	2.75%	2.75%
Increase in deferred pensions	**3.15%**	2.75%	2.75%	2.75%	2.50%
Inflation assumption	**3.15%**	2.75%	2.75%	2.75%	2.50%

The long term expected rates of return were:

	2007	2006	2005	2004	2003
Equities	**7.5%**	7.5%	8.0%	8.0%	8.0%
Property	**6.5%**	6.5%	—	—	—
Bonds/gilts	**4.5%**	4.5%	5.0%	5.0%	5.0%
Cash and other	**5.0%**	4.5%	5.0%	5.0%	5.0%

The value of assets in the scheme were:

	Value at 31 January 2007 £'000	Value at 31 January 2006 £'000	Value at 31 January 2005 £'000	Value at 31 January 2004 £'000	Value at 31 January 2003 £'000
Equities	**977**	883	772	824	595
Property	**244**	216	—	—	—
Bonds/gilts	**394**	356	297	119	113
Cash and other	**18**	13	95	54	51
Total fair value of assets	**1,633**	1,468	1,164	997	759
Present value of scheme liabilities	**(2,223)**	(2,304)	(2,077)	(1,885)	(1,891)
Deficit in the scheme	**(590)**	(836)	(913)	(888)	(1,132)

	2007 £'000	2006 £'000
Analysis of the amount that has been charged to operating profit		
Current service cost	—	—
Analysis of the amount that has been charged to other finance income		
Expected return on pension scheme assets	**99**	84
Interest on pension scheme liabilities	**(112)**	(108)
Net charge	**(13)**	(24)

	2007 £'000	2006 £'000
Analysis of amount that has been recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	**(10)**	153
Experience gains arising on liabilities	**103**	175
Gain/(loss) due to changes in assumptions underlying the pv of scheme liabilities	**65**	(330)
Actuarial gain/(loss) that has been recognised in the STRGL	**158**	(2)
Movement in deficit during the year		
Deficit at the beginning of the year	**(836)**	(913)
Movement in year:		
Current service cost	—	—
Contributions	**101**	103
Other finance cost	**(13)**	(24)
Actuarial gain/(loss)	**158**	(2)
Deficit at the end of the year	**(590)**	(836)
Related deferred tax asset	**177**	—
	(413)	(836)

22. Pension arrangements continued

The Casket Group Retirement and Death Benefit Scheme *continued*

	2007	2006	2005	2004	2003
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**(10)**	153	128	215	201
Percentage of scheme assets	**(0.6)%**	10.4%	11.0%	21.6%	26.5%
Experience losses on scheme liabilities					
Amount (£'000)	**103**	175	(38)	46	58
Percentage of scheme liabilities	**4.6%**	7.6%	1.8%	2.4%	3.1%
Total amount recognised in statement of total recognised gains/(losses)					
Amount (£'000)	**158**	(2)	5	292	407
Percentage of the present value of the scheme liabilities	**7.1%**	0.1%	0.2%	15.5%	21.5%

Group pension scheme deficits

	2007 £'000	2006 £'000
Deficit		
The Tandem Group Pension Plan	**(1,547)**	(2,201)
The Casket Group Retirement and Death Benefit Scheme	**(590)**	(836)
	(2,137)	(3,037)
Related deferred tax asset		
The Tandem Group Pension Plan	**464**	198
The Casket Group Retirement and Death Benefit Scheme	**177**	—
	(1,496)	(2,839)

A deferred tax asset has been recognised in respect of the deficits on the Tandem and Casket schemes to the extent that it is believed probable that a benefit will arise.

23. 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 £10,388,000 (2006 — £12,707,000).

24. Prior year adjustment — Company only

The Company accounts for the year to 31 January 2006 have been restated to reflect certain intra-Group items which had previously been included in the accounts of subsidiary undertakings. There is no effect on the consolidated financial statements. The financial effects of the restatement are shown below:

	Restated £'000	As originally stated £'000
Loss for the year ended 31 January 2006	(7,792)	(734)
Amounts due to subsidiary undertakings	(12,310)	(5,301)
Deferred tax asset	—	49
Net assets	4,132	11,190

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 Thursday 14 June 2007 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 2007.
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 reappoint Grant Thornton UK 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 resolutions which will be proposed as special resolutions.

4. That with effect from the passing of this resolution, the regulations contained in the document produced to this meeting and for the purpose of identification signed by the Chairman are approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association of the Company.
5. 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
3 May 2007

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 must be lodged with Capita Registrars not later than 48 hours before the time appointed for the Annual General Meeting. Completion and return of a form of proxy will not preclude a member from attending or voting in person at the Annual General Meeting.
3. Any person entered on the register of members of the Company 48 hours before the time appointed for the Annual General Meeting is entitled to attend and vote at the 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.

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 14 June 2007
(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 Tandem Group plc 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 14 June 2007 or at any adjournment thereof. The proxy is instructed to vote in respect of the resolutions as specified below:

RESOLUTIONS TO BE PROPOSED	For	Against
1. To adopt the report of the Directors and the audited financial statements		
2. To re-elect G Waldron as a Director		
3. To reappoint Grant Thornton UK LLP as auditors		
4. To amend the Articles of Association for electronic communications		
5. 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 or 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 to the Company's registrars 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.

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AFFIX
POSTAGE
STAMP
HERE

Tandem Group plc
9a South Street
Crowland
Peterborough
PE6 0AH

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**