Tandem Group plc

Annual Report and Accounts 2008

Contents

Financial calendar

Annual General Meeting	19 June 2008
Interim results for 6 months to 31 July 2008	October 2008
Annual results for year ending 31 January 2009	May 2009

Directors and advisers

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

Company Secretary
J C Shears

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 Limited
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 0871 664 0300

Brands

Bicycles
British Eagle, Claud Butler, Dawes, Falcon, Optima, Scorpion, Tourismo, Townsend

Wheeled toys
Barbie*, Ben 10*, Bob the Builder*, Brit Chicks*, Drop 720*, Fireman Sam*, Groovy Chick*, Hot Wheels*, IMP3, In the Night Garden*, Indiana Jones*, Iron Man*, Mr Men*, SpongeBob Square Pants*, Thomas & Friends*, Transformers*

Golf Ben Sayers

Snooker & Pool Pot Black

Football training Kickmaster

Table sports Pot Black

Outdoor play
Hedstrom
Mr Men*
SpongeBob Square Pants*

Creative play Groovy Chick*

Dolls & Accessories
Bang on the Door Baby*
C'Mons*
South Park*

* Under licence

Chairman's statement

Turnover for the year ended 31 January 2008 was £34,878,000 compared to £33,785,000 last year. There was a profit before taxation of £1,105,000 compared to £649,000 last year.

Bicycles and accessories

The total number of bicycles sold increased by 4.8% over the previous year. With lower sales of higher priced models, due predominantly to the bad weather, revenue in our cycle businesses was down by 5.9%.

Our UK based product development team continues to design and develop new bicycles to provide our customers with innovative and exciting products reinforcing our commitment to independent bicycle retailers.

Sports, leisure and toys

Turnover in the sports, leisure and toy sector was up 16.3% over the previous year. Sales of the brands "Hedstrom", "In the Night Garden" and "C'Mons" performed well. "Hedstrom" is a wide range of outdoor play equipment including swings, slides and multiplay products. The "In the Night Garden" range of wheeled toys is based on the very successful BBC children's programme. "C'Mons" are the characters used by Vauxhall in the marketing of the Corsa, which was voted "What Car" Car of the Year 2007.

Sales of Ben Sayers golf equipment continue to expand with the introduction of new products with the latest design and technology features.

Improvements to shareholder value

We continue to explore ways to enhance shareholder value.

The profit for the year and the elimination of the Tandem pension scheme deficit has substantially increased shareholders' funds.

In the year ended 31 January 2008, we generated £1,843,000 of cash enabling us to deal with the deficit on the Tandem pension scheme and buy some of our shares back.

On 22 February 2008, the Group purchased 1,600,000 of its own shares and transferred them into treasury. This increases shareholder value and will improve earnings per share going forward. We are asking shareholders for the authority for the Company to continue to purchase its own shares at the forthcoming Annual General Meeting. 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.

A large number of shareholders own a small number of shares, which they find uneconomical to sell. We are therefore offering shareholders holding 1,000 shares or less the opportunity, for a limited period, to sell their shares free of dealing costs. They will also be offered the opportunity to purchase more shares at a reduced fixed commission rate. Decreasing the number of small shareholders will reduce the administration costs of the Company. Further details of the offer will be sent to shareholders shortly.

Pensions

The Group operates two pension schemes that have defined benefit liabilities.

I reported in the Interim Statement issued on 17 October 2007 that work was continuing on ways to further reduce or eliminate the deficit on the pension schemes. We are keen to protect the interest of the members of the Group's pension schemes and give them every possible opportunity to utilise the benefit to suit their personal circumstances. Following a significant amount of work with the scheme's administrators and actuary, members of the Tandem Group Pension Plan were offered the opportunity, for a limited period, to accept a cash sum to forego their non-statutory increases in pension. Thirty-six per cent of members of the scheme accepted the offer and a total payment of £352,000 was made in March 2008 to the members. This made a major contribution in eliminating the £1,547,000 deficit on the Tandem scheme at 31 January 2007 and turning it into a surplus of £971,000. In accordance with the accounting standard IAS 19 we have recognised £264,000 of this surplus on our balance sheet in these financial statements.

The deficit on the Casket Group Retirement and Death Benefit Scheme reduced from £590,000 last year to £546,000. We are now looking at ways to reduce or eliminate this deficit.

Employees

We wish to thank all management and employees for their contribution in increasing the Group's profitability. We have an established team of management and staff with the skills to take the business forward.

Summary

The year ended 31 January 2008 was a good year for your Group with turnover up 3.2% and profit before tax up 70.3%. Even with the increased turnover tight control of costs limited the increase in operating expenses to under 1%.

The year ahead will be challenging. Most retailers expect trading conditions to be tough with the uncertainty in the economy. In addition, our suppliers are experiencing exceptional increases in steel, oil and labour costs, particularly in Asia. Additional effort and creativity will be required from our management teams and staff to ensure that, by working closely with suppliers, our customers can maintain and grow their sales.

We do not anticipate any growth in turnover for the first half of the year compared to last year. Turnover in the first quarter of the current year was down on the high levels achieved last year but with improved margins and firm management of operating expenses, the profit before tax in this period was ahead of the same period last year. Increased selections with national retailers and new character licences should improve sales in the second half of the year compared to last year.

Graham Waldron
Chairman

1 May 2008

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 January 2008.

Principal activity
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 2008 are set out in the consolidated income statement on page 7. No dividend has been paid or declared for the year (2007 — £nil).

First time adoption of International Financial Reporting Standards
This is the first year that the Group has presented its financial statements under International Financial Reporting Standards (IFRS). The last financial statements prepared under United Kingdom Generally Accepted Accounting Principles (UK GAAP) were for the year ended 31 January 2007. The date of transition to IFRS was therefore 1 February 2006.

Significant shareholders
As at 30 April 2008, the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 1,600,000 shares held in treasury.

	Ordinary Shares of 4p	%
Jupiter Asset Management	3,244,000	9.0
Venaglass Limited	3,170,267	8.8
Barclays PLC	2,303,820	6.4
Credit Agricole Cheuvreux International Limited	1,150,000	3.2

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 — 4p ordinary shares

	30 April 2008	31 January 2008	1 February 2007
G Waldron	365,270	365,270	365,270
M P J Keene	825,000	576,511	526,511
S J Grant	300,000	66,018	66,018

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

Details of the Directors share options are disclosed in note 7.

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. 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. The key performance indicators are shown below:

	2008 Actual	**2008 Target**	2007 Actual
Gross profit margin The ratio of gross profit to sales expressed as a percentage	**31.9%**	**31.4%**	31.4%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	**£277,000**	**£342,000**	£238,000
Net operating expenses % of sales The ratio of net operating expenses, before impairment and exceptional items, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage	**28.0%**	**27.6%**	28.7%
Interest cover The ratio of operating profit, before goodwill amortisation/impairment and exceptional items, to net interest payable	**5.5**	**6.0**	3.4

	2008 Actual	2008 Target	2007 Actual
Shareholders' return The ratio of profit on ordinary activities after taxation transferred to reserves to shareholders' funds at the start of the year expressed as a percentage	**21.8%**	**23.5%**	32.2%
Basic earnings per share — pence The profit on ordinary activities after taxation divided by the weighted average number of ordinary shares in issue during the year	**2.94**	**3.33**	2.52

Environmental policies
The Board welcomes the government's 'Cycling England', 'sustainable travel towns' and 'Bikeability' cycle training initiatives and its ongoing objective to increase the National Cycle Network throughout the country. As a major supplier of bicycles in the UK, we believe that we are contributing to a sustainable transport strategy and improving the environment by providing an emission free transport alternative.

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

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

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

The Group is currently engaged in a number of projects, in conjunction with stakeholders, to reduce carbon dioxide emissions, safely and efficiently dispose of waste and, where possible, re-use and recycle products and packaging.

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

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

Policy on payment of suppliers
Payment terms with suppliers are agreed before contracts are placed. It is the Group's code to abide by agreed payment terms with suppliers. The trade creditors of the Group at 31 January 2008 represent 60 days (2007 — 49 days) as a proportion of the total amount invoiced by suppliers during the year.

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 works closely with the factories and develops contingency plans should the need arise to make changes.

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

Licences
A number of the Group's brands are used under licence from global licensors. The licences are generally for between two and three years. If the licences are not renewed the Group would have to seek alternative licences in order to avoid a reduction in turnover.

Competition
The companies in the Group operate in highly competitive markets. As a result there is constant pressure on margins and the additional risk of being unable to meet customer's 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.

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations and IFRS as adopted by the European Union for the Group financial statements or UK GAAP for the Company financial statements.

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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 the Company 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 the Company 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 Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Auditor
A resolution to reappoint Grant Thornton UK LLP as the Group's auditor 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 the earnings per share of the remaining shareholders and be in the best interests of shareholders generally. In addition, in exercising such authority, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

By Order of the Board

J C Shears
Company Secretary

1 May 2008

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. G Waldron is currently the only member of both committees and takes external advice when appropriate.

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 2008.

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 2008, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Report of the Independent Auditor

to the members of Tandem Group plc

We have audited the consolidated and parent Company financial statements (the "financial statements") of Tandem Group plc for the year ended 31 January 2008 which comprise the consolidated income statement, the consolidated and parent Company balance sheets, the consolidated statement of recognised income and expense, the consolidated cash flow statement and notes 1 to 24 to the consolidated financial statements and notes 1 to 13 to the parent Company financial statements. 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 Annual Report and the consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether in addition the consolidated financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Directors' report, and the Corporate governance statement. 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 consolidated 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 consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2008 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 January 2008;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 2 to the consolidated financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion, the consolidated financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 January 2008 and of its profit for the year then ended.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Birmingham

1 May 2008

Consolidated income statement

	Note	**Year ended 31 January 2008 £'000**	Year ended 31 January 2007 £'000
Revenue	4	**34,878**	33,785
Cost of sales		**(23,753)**	(23,169)
Gross profit		**11,125**	10,616
Operating expenses	5	**(9,773)**	(9,696)
Operating profit		**1,352**	920
Finance costs	6	**(280)**	(271)
Finance income	6	**33**	—
Profit before taxation		**1,105**	649
Tax income	8	**—**	297
Net profit for the year	20	**1,105**	946

Earnings per share	9	**Pence**	Pence
Basic		**2.94**	2.52
Diluted		**2.91**	2.52

All figures relate to continuing operations.

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

Consolidated balance sheet

At 31 January 2008

	Note	2008 £'000	2007 £'000
Non current assets			
Goodwill	10	**2,661**	2,677
Property, plant and equipment	11	**510**	403
Deferred taxation	17	**970**	1,354
Pension scheme surplus	18	**264**	—
		4,405	4,434
Current assets			
Inventories	12	**5,582**	5,676
Trade and other receivables	13	**5,556**	5,435
Cash and cash equivalents	14	**2,389**	551
		13,527	11,662
Total assets		**17,932**	16,096
Current liabilities			
Trade and other payables	15	**(7,792)**	(6,076)
Financial liabilities	16	**(2,300)**	(2,456)
Current tax liabilities		**(326)**	(365)
		(10,418)	(8,897)
Non current liabilities			
Pension schemes' deficits	18	**(546)**	(2,137)
Deferred taxation	17	**(74)**	—
		(620)	(2,137)
Total liabilities		**(11,038)**	(11,034)
Net assets		**6,894**	5,062
Equity			
Share capital	19	**1,503**	1,503
Share premium	20	**5,258**	5,258
Other reserves	20	**2,426**	2,431
Profit and loss account	20	**(2,293)**	(4,130)
Total equity		**6,894**	5,062

The financial statements were approved by the Board on 1 May 2008 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

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

Consolidated statement of recognised income and expense

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Foreign exchange differences on translation of overseas assets subsidiaries	**(5)**	(70)
Actuarial gain on pension schemes	**1,281**	1,221
Movement in pension schemes' deferred tax provision	**(562)**	—
Net income recognised directly in equity	**714**	1,151
Net profit for the year	**1,105**	946
Total recognised income and expense	**1,819**	2,097

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

Consolidated cash flow statement

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Cash flows from operating activities		
Net profit for the year	**1,105**	946
Adjustments:		
Depreciation of property, plant and equipment	**152**	173
Goodwill impairment	**16**	—
(Profit)/loss on sale of property, plant and equipment	**(11)**	48
Finance costs	**280**	271
Finance income	**(33)**	—
Taxation paid	**(89)**	(85)
Tax income	**—**	(297)
Share-based payments	**13**	27
Fair value adjustments of forward contracts	**(42)**	37
Net cash inflow from operating activities before movements in working capital	**1,391**	1,120
Decrease/(increase) in inventories	**94**	(12)
Increase in trade and other receivables	**(225)**	(681)
Increase/(decrease) in trade and other payables	**1,203**	(1,166)
Cash generated/(utilised) from operations	**2,463**	(739)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(259)**	(94)
Sale of property, plant and equipment	**11**	31
Net cash used in investing activities	**(248)**	(63)
Cash flows from financing activities		
Decrease in invoice financing	**(115)**	(726)
Capital element of finance lease rentals	**—**	(1)
Interest paid	**(257)**	(276)
Net cash used in financing activities	**(372)**	(1,003)
Net increase/(decrease) in cash and cash equivalents	**1,843**	(1,805)
Cash and cash equivalents at beginning of year	**551**	2,426
Effect of foreign exchange rate changes	**(5)**	(70)
Cash and cash equivalents at end of year	**2,389**	551

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

Notes to the financial statements

1. General information

Tandem Group plc, a Public Limited Company, is incorporated and domiciled in the United Kingdom. The Company acts as a holding company of the Group. The registered office and principal place of business of the Group is disclosed on the Directors and advisers page to these financial statements. The Group's principal activity is disclosed on page 2.

The financial statements for the year ended 31 January 2008 (including the comparatives for the year ended 31 January 2007) were approved by the Board of Directors on 1 May 2008. Under the security regulations act of the EU, amendments to the financial statements are not permitted after they have been approved.

The Group does not have an ultimate controlling related party.

2. Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with the IFRS as adopted by the EU and the IFRS as issued by the International Accounting Standards Board. The transition to IFRS has been made in accordance with International Financial Reporting Standard 1, "First-time adoption of International Financial Reporting Standards". Separate financial statements of Tandem Group plc ('the Company') have been prepared under the historical cost convention and in accordance with applicable accounting standards under UK GAAP.

The transition to IFRS reporting has resulted in a number of changes in the reported financial statements, notes thereto and accounting principles compared to the previous annual report. Note 3 provides further details on the transition from UK GAAP to IFRS.

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

Overall considerations

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

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Group's latest approved budget where applicable. Judgements are based on the information available at each balance sheet date.

Basis of consolidation

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

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

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

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

Foreign currency

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

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

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

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

Income recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

2. Accounting policies continued

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Goodwill
Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment as described below.

Impairment
The Group's goodwill is subject to impairment testing.

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

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

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

Property, plant and equipment
Property, plant and equipment is carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on these assets on a straight-line basis over the estimated useful economic life of each asset. Material residual value estimates are updated as required and at least annually. The useful lives of property, plant and equipment can be summarised as follows:

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

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

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

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

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised on the initial recognition of goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

2. **Accounting policies** continued

Employee benefits

Defined contribution pension schemes

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

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

Defined benefit pension schemes

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

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

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

Other employee benefits

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

Financial assets

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

All financial assets are recognised when the entity becomes party to the contractual provisions of an instrument. All financial assets are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate.

Interest and other cash flows resulting from holding financial assets are recognised in the consolidated income statement using the effective interest rate method, regardless of how the related carrying amount of financial assets is measured.

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

Forward foreign exchange contracts

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

Cash and cash equivalents

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

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

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

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

Other reserves comprise a merger reserve, a capital redemption reserve and a translation reserve.

Share-based employee remuneration

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

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

2. Accounting policies continued

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

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

Financial liabilities

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

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

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

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

Other provisions, contingent liabilities and contingent assets

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

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

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

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

Estimation uncertainty and judgement

The key areas of estimation uncertainty and judgement in the financial statements are as detailed below:

Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash-generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 10 to the consolidated financial statements.

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements.

Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Useful lives of property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the estimated period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long life of the assets, changes to the estimates used can result in significant variations in the carrying value.

Inventory

The Group reviews the net realisable value of and demand for its inventory on an ongoing basis to ensure recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices are the timing and success of future technological innovations, competitor actions, suppliers prices and economic trends. If total inventory losses differ, the Group's consolidated net income in the year would have improved or declined, depending upon whether the actual results were better or worse than expected.

Standards and interpretations not yet applied

The following new standards and interpretations, which are yet to become mandatory, have not been applied in the Group's consolidated financial statements for the year ended 31 January 2008.

2. Accounting policies continued

		Effective for annual periods beginning on or after:
IAS 1 (Revised 2007)	Presentation of Financial Statements	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
IFRS 2	Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (Revised 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 11	Group and Treasury Share Transactions	1 March 2007
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements & their Interaction	1 January 2008

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

The possible outcome of applying the revised version of IAS 23 is yet to be determined. Under the new standard, all borrowing costs that are directly attributable to qualifying assets are to be capitalised. The Group's current accounting policy is to immediately expense all borrowing costs. A change in accounting policies will affect the timing of expense recognition as well as the presentation of the resulting expenses.

3. Transition to International Financial Reporting Standards

The transition from UK GAAP to IFRS has been made in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". The Group's consolidated financial statements for the year ended 31 January 2008 and the comparatives presented for the year ended 31 January 2007 comply with all presentation, recognition and measurement requirements of IFRS applicable for accounting periods commencing on or after 1 January 2005.

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

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

Reconciliation for the year ended 31 January 2007

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

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

	31 January 2007 £'000	31 January 2006 £'000
Reversal of goodwill amortisation	175	—
Accounting for prior year forward contracts at fair value	(4)	—
Accounting for forward contracts at fair value	(37)	(4)
Related deferred tax on forward contracts	12	—
Total adjustment to equity	146	(4)
UK GAAP equity shareholders' funds	4,916	2,942
IFRS equity shareholders' funds	5,062	2,938

3. Transition to International Financial Reporting Standards continued

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

Reconciliation as at 31 January 2006

	UK GAAP £'000	Effect of transition £'000	**IFRS £'000**
Deferred tax provision	354	198	**552**
Financial liabilities	(3,141)	(5)	**(3,146)**
Pension schemes' deficits	(2,003)	(198)	**(2,201)**
Other reserves	(2,462)	(39)	**(2,501)**
Profit and loss account	6,281	43	**6,324**

Reconciliation as at 31 January 2007

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

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

Reconciliation for the year ended 31 January 2007

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

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

- the elimination of amortisation of goodwill charged under UK GAAP. Goodwill is now subject to an annual impairment test. The effect of this adjustment was to add back amortisation of £175,000 as at 31 January 2007;
- forward foreign currency contracts are accounted for at fair value under IFRS resulting in a loss through the profit and loss account in the year to 31 January 2007 of £37,000. The balance sheet value of the related financial instrument liability was £42,000 at 31 January 2007; and
- the deferred tax asset in relation to defined benefit pension schemes is now shown as part of the deferred tax asset balance within non current assets. Under UK GAAP this asset was netted off the pension scheme liability in the balance sheet.

Explanation of material adjustments to the cash flow statement

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

- under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'investing activities'; and
- income taxes paid during the year ended 31 January 2007 are classified as operating activities under IFRS, but were included in a separate category of tax cash flows under previous GAAP.

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

4. Segmental reporting

(a) By business segment

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

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
Year ended 31 January 2008			
Revenue	**18,675**	**16,203**	**34,878**
Segment result	**1,176**	**800**	**1,976**
Unallocated corporate expenses			**(624)**
Operating profit			**1,352**
Finance costs			**(280)**
Finance income			**33**
Profit before taxation			**1,105**
Tax income			**—**
Net profit for the year			**1,105**
Segment assets	**8,923**	**4,818**	**13,741**
Unallocated assets			**5,346**
			19,087
Segment liabilities	**(6,506)**	**(4,294)**	**(10,800)**
Unallocated liabilities			**(1,393)**
			(12,193)
Consolidated net assets			**6,894**
Capital additions	**157**	**102**	**259**
Depreciation and goodwill impairment	**84**	**84**	**168**
Year ended 31 January 2007			
Revenue	19,852	13,933	33,785
Segment result	1,260	147	1,407
Unallocated corporate expenses			(487)
Operating profit			920
Finance costs			(271)
Profit before taxation			649
Tax income			297
Net profit for the year			946
Segment assets	8,750	4,533	13,283
Unallocated assets			13,277
			26,560
Segment liabilities	(7,113)	(4,718)	(11,831)
Unallocated liabilities			(9,667)
			(21,498)
Consolidated net assets			5,062
Capital additions	18	76	94
Depreciation and goodwill impairment	61	112	173

4. Segmental reporting continued

(b) By geographical segment

	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Year ended 31 January 2008				
Revenue	**32,425**	**1,748**	**705**	**34,878**
Assets	**16,902**	**—**	**2,185**	**19,087**
Liabilities	**(11,028)**	**—**	**(1,165)**	**(12,193)**
Net assets	**5,874**	**—**	**1,020**	**6,894**
Capital additions	**259**	**—**	**—**	**259**
Year ended 31 January 2007				
Revenue	31,108	1,857	820	33,785
Assets	25,100	—	1,460	26,560
Liabilities	(20,754)	—	(744)	(21,498)
Net assets	4,346	—	716	5,062
Capital additions	94	—	—	94

5. Operating expenses

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Distribution costs	**6,021**	6,023
Administrative expenses	**3,752**	3,673
Total operating costs as shown in the consolidated income statement	**9,773**	9,696
The operating costs disclosed above include the following charges:		
Employee benefits expenses (note 7)	**4,021**	4,146
Depreciation	**152**	173
Goodwill impairment	**16**	—
Other expenses	**5,584**	5,377

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (31 January 2007 — £3,000) and in the capacity as auditor of the subsidiary undertakings was £57,000 (31 January 2007 — £55,000). Non-audit remuneration in respect of tax compliance services totalled £12,000 (31 January 2007 — £11,000).

6. Finance costs and finance income

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Finance costs		
Interest payable on bank overdrafts and invoice finance facilities	**268**	212
Expected return on pension scheme assets less interest on liabilities	**12**	59
Finance costs	**280**	271
Finance income		
Expected return on pension scheme assets less interest on liabilities	**33**	—

7. Directors and employees remuneration

Employee benefits expense

Expense recognised for employee benefits is analysed below:

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Wages and salaries	**3,495**	3,648
Social security costs	**321**	339
Share-based employee remuneration	**13**	27
Pension scheme contributions — defined contribution schemes	**185**	116
Pension scheme contributions — defined benefit scheme	**7**	16
	4,021	4,146

	Number	Number
The average number of persons (including Directors) employed by the Group during the year was:	**126**	142

Directors' remuneration

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Salaries and fees	**456**	309
Benefits	**5**	6
Share-based employee remuneration	**7**	13
Pension scheme contributions — defined contribution schemes	**113**	10
Pension scheme contributions — defined benefit scheme	**7**	16
	588	354

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

During the year the Group contributed to defined benefit and defined contribution pension schemes for M P J Keene and a defined contribution pension scheme for S J Grant. In the previous year the Group contributed to a defined benefit pension scheme for M P J Keene and a defined contribution pension scheme for S J Grant. The highest paid Director received emoluments of £206,000 (2007 — £133,000) and had an accrued pension entitlement at the end of the year of £nil (2007 — £31,778).

7. Directors and employees remuneration continued

Share-based employee remuneration

The following options were held at 31 January 2008 under the Group's share option schemes:

Number of shares	1 February 2007	Granted during year	Exercised during year	Cancelled during year	**31 January 2008**	Option price per 4p ordinary share	Exercise Period
2007 Employee Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	—	540,000	—	—	**540,000**	12.625p	31/01/10 – 14/06/20
S J Grant	—	520,000	—	—	**520,000**	12.625p	31/01/10 – 14/06/20
Other employees	—	1,075,000	—	—	**1,075,000**	12.625p	31/01/10 – 14/06/20
1996 Approved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	95,000	—	—	—	**95,000**	11.500p	01/05/06 – 01/05/13
	100,000	—	—	—	**100,000**	10.000p	26/09/09 – 26/06/16
S J Grant	130,000	—	—	—	**130,000**	11.500p	01/05/06 – 01/05/13
	100,000	—	—	—	**100,000**	10.000p	26/06/09 – 26/06/16
Other employees	445,000	—	—	(75,000)	**370,000**	11.500p	01/05/06 – 01/05/13
	260,000	—	—	—	**260,000**	10.000p	26/06/09 – 26/06/16
1996 Unapproved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	165,000	—	—	—	**165,000**	11.500p	01/05/06 – 01/05/10
S J Grant	50,000	—	—	—	**50,000**	11.500p	01/05/06 – 01/05/10
Other employees	165,000	—	—	(30,000)	**135,000**	11.500p	01/05/06 – 01/05/10

The ordinary share mid-market price on 31 January 2008 was 13.75p (2007 — 8.13p). During the year, the highest mid-market price was 20.5p (2007 — 12.25p) and the lowest was 7.13p (2007 — 6.25p). The weighted average exercise price of the options in issue was 11.98p (2007 — 11.04p).

The fair value of options granted was determined for IFRS 2 using the Black-Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 10p (2007 — 10p) and 12.625p (2007 — 11.5p);
- 36.3% (2007 — 36.3%) to 48.0% (2007 — 44.3%) volatility based on expected and historical share price;
- a risk-free interest rate of 5.57% (2007 — 4.75%);
- all options are assumed to vest after three and a half years from the date of grant of the options; and
- no dividends.

In total £13,000 (2007 — £27,000) of share-based employee remuneration expense has been included in the consolidated income statement. No liabilities were recognised due to share-based transactions.

8. Tax income

The relationship between the expected tax expense at 30% and the tax expense actually recognised in the consolidated income statement can be reconciled as follows:

	Year ended 31 January 2008		Year ended 31 January 2007	
	£'000	**%**	£'000	%
Profit before taxation	**1,105**		649	
Tax rate	**30%**		30%	
Expected tax expense	**332**	**30.0**	195	30.0
Expenses not deductible for tax purposes	**21**	**1.9**	80	12.3
Movement in unrecognised deferred tax asset	**(431)**	**(39.0)**	(572)	(88.1)
Effect of rate change and differing rates on overseas taxation	**29**	**2.6**	—	—
Effect of change in tax rate	**366**	**33.1**	—	—
Other adjustments	**(192)**	**(17.4)**	—	—
Adjustment in respect of prior periods	**(125)**	**(11.3)**	—	—
Actual tax income	**—**	**—**	(297)	(45.7)
Actual tax income comprises:				
Current tax expense	**104**		60	
Deferred tax credit	**(104)**		(357)	
	—		(297)	

There is no tax expense or credit in relation to share-based payments credited to equity. At 31 January 2008 there are trading losses and loan relationship deficits of approximately £14,667,000 (2007 — £14,510,000) available for carry forward against future profits of the same trade.

9. Earnings per share

The calculation of earnings per share is based on the net profit and ordinary shares in issue during the year as follows:

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Net profit for the year	**1,105**	946
Weighted average shares in issue used for basic earnings per share	**37,584,412**	37,584,412
Weighted average dilutive shares under option	**2,834,726**	—
Number of shares that would have been issued at fair value	**(2,415,422)**	—
Average number of shares used for diluted earnings per share	**38,003,716**	37,584,412

	Pence	Pence
Basic earnings per share	**2.94**	2.52
Diluted earnings per share	**2.91**	2.52

10. Goodwill

	Goodwill £'000
Gross carrying amount at 1 February 2007 and 31 January 2008	**7,193**
Impairment provisions	
At 1 February 2007	4,516
Provided in the year	16
At 31 January 2008	**4,532**
Net book value	
At 31 January 2008	**2,661**
At 31 January 2007	2,677

Goodwill above relates to the following cash-generating units:

	Date of acquisition	Goodwill on acquisition £'000
Two Wheel Trading Company Limited	28 September 2000	600
Pot Black Limited	28 September 2000	1,906
Dawes Cycles Limited	26 June 2001	895
Ben Sayers Limited	25 February 2002	715
Others (fully impaired)		3,077
		7,193

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

The recoverable amounts were determined based on a value-in-use calculation, covering a detailed one year conservative forecast, followed by an extrapolation of expected cash flow over the next four years at growth rates of between 2.5% and 7.5%, which represents a conservative long term average growth rate, followed by year five cash flows in perpetuity. The discount rate used is 15.92%. The growth rate used does not exceed the long term average growth for the market in which the Group operates. A forecast period of ten years has been used representing the expected minimum period that the business model is sustainable.

The key assumptions are that there will be no significant changes in the business and that turnover and profit growth will be below historic levels. Internal and external market data has been used in setting the assumptions.

11. Property, plant and equipment

	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Gross carrying amount				
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 1 February 2007	412	22	4,313	4,747
Additions	1	—	258	259
Disposals	(8)	—	(1,340)	(1,348)
At 31 January 2008	**405**	**22**	**3,231**	**3,658**
Depreciation				
At 1 February 2006	222	22	5,205	5,449
Provided in the year	23	—	150	173
Eliminated on disposals	—	—	(1,275)	(1,275)
Foreign exchange adjustments	(2)	—	(1)	(3)
At 1 February 2007	243	22	4,079	4,344
Provided in the year	21	—	131	152
Eliminated on disposals	(8)	—	(1,340)	(1,348)
At 31 January 2008	**256**	**22**	**2,870**	**3,148**
Net book amount at 31 January 2008	**149**	**—**	**361**	**510**
Net book amount at 31 January 2007	169	—	234	403

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

12. Inventories

	At 31 January 2008 £'000	At 31 January 2007 £'000
Raw materials	**—**	117
Finished goods for resale	**5,582**	5,559
	5,582	5,676

Cost of sales includes material costs of £22,450,000 (2007 — £22,234,000) and other costs of £1,303,000 (2007 — £935,000).

13. Trade and other receivables

	At 31 January 2008 £'000	At 31 January 2007 £'000
Trade receivables	**4,991**	4,868
Prepayments and accrued income	**470**	465
Other receivables	**95**	102
	5,556	5,435

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

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

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and accordingly a provision of £317,000 (2007 — £166,000) has been made.

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

	At 31 January 2008 £'000	At 31 January 2007 £'000
Not past due	**4,234**	4,303
Past due 0–90 days	**732**	534
Past due 91–180 days	**23**	5
Past due more than 180 days	**2**	26
	4,991	4,868

14. Cash and cash equivalents

	At 31 January 2008 £'000	At 31 January 2007 £'000
Cash and cash equivalents per consolidated cash flow statement	**2,389**	551

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

15. Trade and other payables

	At 31 January 2008 £'000	At 31 January 2007 £'000
Trade payables	**5,490**	4,426
Other payables	**2,302**	1,650
	7,792	6,076

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

16. Financial assets and liabilities

The financial assets of the Group comprised:

	At 31 January 2008 £'000	At 31 January 2007 £'000
Cash and cash equivalents:		
— Sterling	**2,117**	(526)
— US dollars	**253**	1,028
— Euro	**24**	23
— Others	**(5)**	26
Trade and other receivables	**5,556**	5,435
	7,945	5,986

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

	At 31 January 2008 £'000	At 31 January 2007 £'000
Trade and other payables	**7,792**	6,076
Invoice finance liability	**2,300**	2,415
Forward exchange contracts — held for trading	**—**	41
	10,092	8,532

All financial assets are designated as held at fair value through the consolidated income statement. The forward foreign exchange contracts are classified as held for trading under IAS 39.

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

Interest rate risk

The Group's banking and invoice finance facilities are subject to variable interest rates. As a result, changes in interest rates could have an impact on the net result for the year and to equity. It is not possible to accurately illustrate the sensitivity of such changes due to fluctuations in trading patterns throughout the year and the short term volatility arising from these exposures is not considered significant. Interest rate sensitivities have not been presented here as the amounts would not be material to the consolidated financial statements.

Liquidity risk

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

Credit risk

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

Foreign currency risk

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

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

The Group's US dollar forward contracts relate to cash flows that have been forecasted for 2008. At 31 January 2008, a cumulative gain of £85,000 (2007 — loss £42,000) has been recorded within equity in relation to these instruments.

17. Deferred taxation

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

	31 January 2006 £'000	Movement in the year £'000	31 January 2007 £'000	Movement in the year £'000	**31 January 2008 £'000**
Provided					
Pension obligations	—	(641)	(641)	562	**(79)**
Accelerated capital allowances	(236)	(95)	(331)	(135)	**(466)**
Short term temporary differences	(10)	(28)	(38)	(10)	**(48)**
Unused tax losses	(108)	(236)	(344)	41	**(303)**
Total	(354)	(1,000)	(1,354)	458	**(896)**
Presented as:					
Deferred tax asset	(354)	(1,000)	(1,354)	384	**(970)**
Deferred tax liability	—	—	—	74	**74**
Total	(354)	(1,000)	(1,354)	458	**(896)**
Unprovided					
Accelerated capital allowances	(242)	146	(96)	77	**(19)**
Short term temporary differences	(21)	35	14	(14)	**—**
Unused tax losses	(4,332)	310	(4,022)	284	**(3,738)**
Capital losses	(2,075)	933	(1,142)	76	**(1,066)**
ACT	(835)	187	(648)	—	**(648)**
Total	(7,505)	1,611	(5,894)	423	**(5,471)**

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 does not anticipate sufficient taxable trading profits, capital gains, utilisation of management expenses or recovery of ACT, respectively, to arise within the foreseeable future.

18. Pension scheme arrangements

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

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

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

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

	2008 £'000	2007 £'000
Present value of defined benefit obligation at 1 February	**10,749**	11,340
Current service cost	**14**	39
Contributions	**2**	5
Interest cost	**513**	545
Actuarial gain	**(1,227)**	(697)
Benefits paid	**(1,021)**	(483)
Payment due to members following buyout of non-statutory increases	**(352)**	—
Past service saving	**(1,488)**	—
Present value of defined benefit obligation 31 January	**7,190**	10,749

18. **Pension scheme arrangements** continued

The Tandem Group Pension Plan continued

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

	2008	2007
Discount rate	**6.30%**	5.50%
Increase in pensionable salaries	**3.60%**	3.15%
Increase in pensions in payment	**Up to 5.00%**	5.00%
Increase in deferred pensions	**3.00% to 5.00%**	3.00% to 5.00%
Inflation assumption	**3.60%**	3.15%
Mortality assumption table	**PA92 (C=2010)**	PA92 (C=2010)

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

	2008 **£'000**	2007 £'000
Fair value of scheme assets at 1 February	**9,202**	9,139
Expected return on scheme assets	**546**	499
Actuarial loss	**(682)**	(77)
Contributions	**116**	124
Benefits paid	**(1,021)**	(483)
Fair value of scheme assets at 31 January	**8,161**	9,202

The long term expected rates of return were:

	2008	2007
Equities	**7.6%**	7.5%
Property	**6.6%**	6.5%
Gilts	**4.6%**	4.5%
Corporate Bonds	**5.8%**	5.5%
Cash and other	**5.5%**	5.0%

The value of assets in the scheme were:

	At **31 January** **2008** **£'000**	At 31 January 2007 £'000
Equities	**3,677**	4,346
Property	**873**	981
Gilts	**2,686**	2,910
Corporate Bonds	**900**	960
Cash and other	**25**	5
Total fair value of assets	**8,161**	9,202

18. Pension scheme arrangements continued

The Tandem Group Pension Plan continued

The reconciliation of movements in the year was as follows:

	2008 £'000	2007 £'000
Deficit at the beginning of the year	**(1,547)**	(2,201)
Movement in year:		
Current service cost	**(14)**	(39)
Contributions	**114**	119
Finance income/(cost)	**33**	(46)
Actuarial gain	**545**	620
Payment due to members following buyout of non-statutory increases	**352**	—
Past service saving	**1,488**	—
Surplus/(deficit) at the end of the year	**971**	(1,547)
Related deferred tax (liability)/asset	**(272)**	464
	699	(1,083)

In accordance with IAS 19, out of the pension surplus of £971,000 (2007 — deficit £1,547,000) the value of the economic benefit expected to flow to the Company is £264,000 (2007 — £nil). Accordingly, an amount of £264,000 and a related deferred tax liability of £74,000 have been recognised in these financial statements.

The expected contributions in the year ending 31 January 2009 are £114,000.

The Casket Group Retirement and Death Benefit Scheme

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

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

	2008 £'000	2007 £'000
Present value of defined benefit obligation at 1 February	**2,223**	2,304
Current service cost	—	—
Contributions	—	—
Interest cost	**121**	112
Actuarial gain	**(124)**	(168)
Benefits paid	**(49)**	(25)
Present value of defined benefit obligation 31 January	**2,171**	2,223

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

	2008	2007
Discount rate	**6.30%**	5.50%
Increase in pensionable salaries	**3.60%**	3.15%
Increase in pensions in payment	**There are no members whose benefits are linked to salaries**	
Increase in deferred pensions	**3.60%**	3.15%
Inflation assumption	**3.60%**	3.15%
Mortality assumption table	**PA92 (C=2010)**	PA92 (C=2010)

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

	2008 £'000	2007 £'000
Fair value of scheme assets at 1 February	**1,633**	1,468
Expected return on scheme assets	**109**	99
Actuarial loss	**(169)**	(10)
Contributions	**101**	101
Benefits paid	**(49)**	(25)
Fair value of scheme assets at 31 January	**1,625**	1,633

18. Pension scheme arrangements continued

The Casket Group Retirement and Death Benefit Scheme continued

The long term expected rates of return were:

	2008	2007
Equities	**7.6%**	7.5%
Property	**6.6%**	6.5%
Gilts	**4.6%**	4.5%
Cash and other	**5.5%**	5.0%

The value of assets in the scheme were:

	At 31 January 2008 £'000	At 31 January 2007 £'000
Equities	**952**	977
Property	**207**	244
Gilts	**422**	394
Cash and other	**44**	18
Total fair value of assets	**1,625**	1,633

The reconciliation of movements in the year was as follows:

	2008 £'000	2007 £'000
Deficit at the beginning of the year	**(590)**	(836)
Movement in year:		
Current service cost	**—**	—
Contributions	**101**	101
Finance cost	**(12)**	(13)
Actuarial (loss)/gain	**(45)**	158
Deficit at the end of the year	**(546)**	(590)
Related deferred tax asset	**153**	177
	(393)	(413)

The expected contributions in the year ending 31 January 2009 are £101,000.

Group pension scheme surplus/(deficit)

	2008 £'000	2007 £'000
Surplus/(deficit)		
The Tandem Group Pension Plan	**971**	(1,547)
The Casket Group Retirement and Death Benefit Scheme	**(546)**	(590)
	425	(2,137)
Related deferred tax (liability)/asset		
The Tandem Group Pension Plan	**(272)**	464
The Casket Group Retirement and Death Benefit Scheme	**153**	177
	306	(1,496)

The amounts recognised in the consolidated statement of recognised income and expense in the year ended 31 January 2008 are a gain of £788,000 in respect of the Tandem Group Pension Plan and a loss of £69,000 in respect of the Casket Group Retirement and Death Benefit Scheme. The cumulative actuarial gains and losses taken directly to the consolidated statement of recognised income and expense since the date of transition to IFRS on 1 February 2006 are £1,940,000 in total in respect of both schemes.

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

19. Equity

	Number of Shares	£'000
Authorised		
Ordinary shares 4p each		
At 1 February 2007 and 31 January 2008	51,875,000	2,075
Non-voting "A" ordinary shares of 1p each		
At 1 February 2007 and 31 January 2008	125,000,000	1,250
Total authorised share capital at 1 February 2007 and 31 January 2008	**176,875,000**	**3,325**
Allotted, called up and fully paid		
Ordinary shares of 4p each		
At 1 February 2007 and 31 January 2008	**37,584,412**	**1,503**

On 22 February 2008 the Group purchased 1,600,000 of its ordinary shares and held them as treasury shares. Following this purchase and transfer into treasury, the total number of ordinary shares in issue (excluding the total of 1,600,000 ordinary shares held in treasury) was 35,984,412.

20. Statement of movements on reserves

	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2006	5,258	1,036	1,427	38	(6,324)	1,435
Net profit for the year	—	—	—	—	946	946
Re-translation of overseas subsidiaries	—	—	—	(70)	—	(70)
Net actuarial gains on pension schemes	—	—	—	—	1,221	1,221
Share based payments	—	—	—	—	27	27
Balance at 1 February 2007	5,258	1,036	1,427	(32)	(4,130)	3,559
Net profit for the year	—	—	—		1,105	1,105
Re-translation of overseas subsidiaries	—	—	—	(5)	—	(5)
Net actuarial gains on pension schemes	—	—	—	—	719	719
Share based payments	—	—	—	—	13	13
Balance at 31 January 2008	**5,258**	**1,036**	**1,427**	**(37)**	**(2,293)**	**5,391**

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

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

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

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

21. Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £940,000 (31 January 2007 — £982,000) and for other operating leases was £66,000 (31 January 2007 — £57,000).

	At 31 January 2008		At 31 January 2007	
	Land and buildings	**Other**	Land and buildings	Other
Operating lease commitments	**£'000**	**£'000**	£'000	£'000
Total future minimum payments under operating leases:				
Within 1 year	**815**	**173**	923	143
Within 2 to 5 years	**2,522**	**268**	2,702	180
More than 5 years	**1,498**	**—**	2,152	—
	4,835	**441**	5,777	323

Total future minimum lease commitments include £715,000 in respect of premises at Pinchbeck, Spalding, previously occupied by the Group's former Garden Leisure Division, which have been sublet at an equivalent annual rental.

22. Related parties

The only related parties are the Directors. Transactions with the Directors are disclosed in note 7.

23. Contingent assets and liabilities

The Group had no contingent liabilities at 31 January 2008 or 31 January 2007.

24. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders.

In order to maintain or adjust the capital structure, the Group may adopt a number of approaches to meet these objectives. The principal instruments which are used to meet the Group's working capital requirements are equity, bank overdrafts and invoice finance arrangements.

Company balance sheet under UK GAAP

At 31 January 2008

	Note	**2008 £'000**	2007 £'000
Fixed assets			
Intangible assets	3	**1,217**	1,312
Investments	3	**1,909**	1,909
Tangible assets	4	**1**	1
		3,127	3,222
Current assets			
Debtors	5	**4,468**	4,801
Cash at bank and in hand		**3,480**	10,939
		7,948	15,740
Creditors – amounts falling due within one year	6	**(5,571)**	(12,465)
Net current assets		**2,377**	3,275
Total assets less current liabilities and net assets before pension scheme surplus/(deficit)		**5,504**	6,497
Net pension scheme surplus/(deficit)	12	**190**	(1,083)
Net assets after pension scheme surplus/(deficit)		**5,694**	5,414
Capital and reserves			
Called up share capital	8	**1,503**	1,503
Share premium account	9	**5,258**	5,258
Merger reserve	9	**1,036**	1,036
Other reserves	9	**1,427**	1,453
Profit and loss account	9	**(3,530)**	(3,836)
Shareholders' funds		**5,694**	5,414

The financial statements were approved by the Board of Directors on 1 May 2008.

G Waldron
Director

M P J Keene
Director

The accompanying accounting policies and notes form part of these financial statements.

1. Accounting policies

Basis of preparation

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

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

Turnover

Turnover consists of sales, exclusive of value added tax, invoiced to Group companies in respect of the provision of management services in the normal course of business. Revenue is recognised when the Company has earned the right to the income.

Investments

Investments in the Company are included at cost less amounts written off. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Goodwill

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

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

Tangible fixed assets

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

Plant and machinery	3 – 10 years

Foreign exchange

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

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 Company'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 Company's financial instruments comprise bank overdraft facilities, cash and forward exchange contracts. 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 Company 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 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.

Deferred taxation

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

Pension costs

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

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

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'.

For further pension information see note 12.

Share-based employee remuneration

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

1. Accounting policies continued

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

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

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

2. Profit for the financial year

The Company has taken advantage of section 230 (4) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £521,000 (2007 — profit £369,000).

Auditor's remuneration incurred by the Company during the year for audit services totalled £3,000 (2007 — £3,000), and for tax compliance services totalled £1,000 (2007 — £1,000).

3. Intangible fixed assets and investments

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
Cost			
At 1 February 2007 and 31 January 2008	**5,866**	**2,506**	**(197)**
Amortisation and impairment provisions			
At 1 February 2007	3,957	1,194	(197)
Amortisation provided in the year	—	95	—
At 31 January 2008	**3,957**	**1,289**	**(197)**
Net book value			
At 31 January 2008	**1,909**	**1,217**	**—**
At 31 January 2007	1,909	1,312	—

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

	Manufacturers and distributors of:
Falcon Cycles Limited	Bicycles and bicycle accessories
Dawes Cycles Limited	Bicycles and bicycle accessories
Ben Sayers Limited	Golf equipment
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

4. Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 February 2007	19
Additions	1
At 31 January 2008	**20**
Depreciation	
At 1 February 2007	18
Provided in the year	1
At 31 January 2008	**19**
Net book value	
At 31 January 2008	**1**
At 31 January 2007	1

5. Debtors

Amounts due within one year	**2008 £'000**	2007 £'000
Amounts due from subsidiary undertakings	**4,342**	4,410
Other debtors	**14**	8
Other taxation	**68**	101
Deferred taxation	**—**	247
Prepayments and accrued income	**44**	35
	4,468	4,801

6. Creditors — amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**50**	71
Amounts due to subsidiary undertakings	**4,784**	12,199
Taxation and social security costs	**14**	15
Other creditors	**422**	81
Accruals	**301**	99
	5,571	12,465

7. Deferred taxation

	2008	2007
	£'000	£'000
At 1 February	**(247)**	—
Origination and reversal of timing differences	**173**	(247)
At 31 January	**(74)**	(247)

	Provided	**Not Provided**	Provided	Not Provided
	2008	**2008**	2007	2007
	£'000	**£'000**	£'000	£'000
Accelerated capital allowances	—	**(5)**	(4)	—
Losses	—	—	(41)	—
Excess management expenses	—	**(777)**	(202)	(454)
Capital losses	—	**(774)**	—	(829)
ACT	—	**(52)**	—	(52)
Pensions	**(74)**	—	—	—
	(74)	**(1,608)**	(247)	(1,335)

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 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.

8. Called up share capital

	Number of shares	£'000
Authorised		
At 1 February 2007 and 31 January 2008	51,875,000	2,075
Non-voting "A" ordinary shares of 1p each		
At 1 February 2007 and 31 January 2008	125,000,000	1,250
Total authorised share capital at 31 January 2008	**176,875,000**	**3,325**
Allotted, called up and fully paid		
Ordinary shares of 4p each		
At 1 February 2007 and 31 January 2008	**37,584,412**	**1,503**

On 22 February 2008 the Company purchased 1,600,000 of its ordinary shares and held them as treasury shares. Following this purchase and transfer into treasury, the total number of ordinary shares in issue (excluding the total of 1,600,000 ordinary shares held in treasury) was 35,984,412.

8. **Called up share capital** continued

Share options

The following options were held at 31 January 2008 under the Company's share option schemes:

Number of shares	1 February 2007	Granted during year	Exercised during year	Cancelled during year	**31 January 2008**	Option price per 4p ordinary share	Exercise Period
2007 Employee Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	—	540,000	—	—	**540,000**	12.625p	31/01/10 – 14/06/20
S J Grant	—	520,000	—	—	**520,000**	12.625p	31/01/10 – 14/06/20
Other employees	—	1,075,000	—	—	**1,075,000**	12.625p	31/01/10 – 14/06/20
1996 Approved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	95,000	—	—	—	**95,000**	11.500p	01/05/06 – 01/05/13
	100,000	—	—	—	**100,000**	10.000p	26/09/09 – 26/06/16
S J Grant	130,000	—	—	—	**130,000**	11.500p	01/05/06 – 01/05/13
	100,000	—	—	—	**100,000**	10.000p	26/06/09 – 26/06/16
Other employees	445,000	—	—	(75,000)	**370,000**	11.500p	01/05/06 – 01/05/13
	260,000	—	—	—	**260,000**	10.000p	26/06/09 – 26/06/16
1996 Unapproved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	165,000	—	—	—	**165,000**	11.500p	01/05/06 – 01/05/10
S J Grant	50,000	—	—	—	**50,000**	11.500p	01/05/06 – 01/05/10
Other employees	165,000	—	—	(30,000)	**135,000**	11.500p	01/05/06 – 01/05/10

The ordinary share mid-market price on 31 January 2008 was 13.75p (2007 — 8.13p). During the year, the highest mid-market price was 20.50p (2007 — 12.25p) and the lowest was 7.13p (2007 — 6.25p). The weighted average exercise price of the options in issue was 11.98p (2007 — 11.04p).

9. Statement of movements on reserves

	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2007	5,258	1,036	1,453	(3,836)	3,911
Loss for the year	—	—	—	(521)	(521)
Net actuarial gain on pension scheme	—	—	—	788	788
Share-based payments	—	—	(26)	39	13
Balance at 31 January 2008	**5,258**	**1,036**	**1,427**	**(3,530)**	**4,191**

10. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to HSBC Bank plc. The maximum potential liability to the Company at year end is £1,091,000 (2007 — £10,388,000).

11. Capital commitments

There were no capital commitments at 31 January 2008 or at 31 January 2007.

12. Pension arrangements

The Tandem Group Pension Plan

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

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

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

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 2008. Scheme assets are stated at their fair value at 31 January 2008. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	Projected unit valuation method				
	2008	2007	2006	2005	2004
Discount rate	**6.30%**	5.50%	4.90%	5.25%	5.50%
Increase in pensionable salaries	**3.60%**	3.15%	2.75%	3.75%	3.75%
Increase in pensions in payment	**Up to 5.00%**	5.00%	5.00%	5.00%	5.00%
Increase in deferred pensions	**3.00% to 5.00% for all years**				
Inflation assumption	**3.60%**	3.15%	2.75%	2.75%	2.75%

The long term expected rates of return were:

	2008	2007	2006	2005	2004
Equities	**7.6%**	7.5%	7.5%	8.0%	8.0%
Property	**6.6%**	6.5%	—	—	—
Gilts	**4.6%**	4.5%	4.5%	5.0%	5.0%
Corporate Bonds	**5.8%**	5.5%	—	—	—
Cash and other	**5.5%**	5.0%	4.5%	4.0%	4.0%

12. Pension arrangements continued

The Tandem Group Pension Plan continued

The values of assets in the scheme were:

	Value at 31 January 2008 £'000	**Value at 31 January 2007 £'000**	Value at 31 January 2006 £'000	Value at 31 January 2005 £'000	Value at 31 January 2004 £'000
Equities	**3,677**	**4,346**	3,263	2,603	2,309
Property	**873**	**981**	—	—	—
Gilts	**2,686**	**2,910**	5,839	5,452	5,420
Corporate Bonds	**900**	**960**	—	—	—
Cash and other	**25**	**5**	37	(14)	11
Total fair value of assets	**8,161**	**9,202**	9,139	8,041	7,740
Present value of scheme liabilities	**(7,190)**	**(10,749)**	(11,340)	(9,296)	(8,777)
Surplus/(deficit) in the scheme	**971**	**(1,547)**	(2,201)	(1,255)	(1,037)

	2008 £'000	2007 £'000
Analysis of the amount that has been charged to operating profit		
Current service cost	**(14)**	(39)
Analysis of the amount that has been charged to other finance income		
Expected return on pension scheme assets	**546**	499
Interest on pension scheme liabilities	**(513)**	(545)
Net income/(charge)	**33**	(46)
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	**(682)**	(77)
Experience losses arising on liabilities	**539**	—
Gain due to changes in assumptions underlying the present value of scheme liabilities	**688**	697
Actuarial gain that has been recognised in the statement of total recognised gains and losses	**545**	620

	2008 £'000	2007 £'000
Movement in surplus/(deficit) during the year		
Deficit at the beginning of the year	**(1,547)**	(2,201)
Movement in year:		
Current service cost	**(14)**	(39)
Contributions	**114**	119
Finance income/(cost)	**33**	(46)
Actuarial gain	**545**	620
Payment due to members following buyout of non-statutory increases	**352**	—
Past service saving	**1,488**	—
Surplus/(deficit) at the end of the year	**971**	(1,547)
Related deferred tax (liability)/asset	**(272)**	464
	699	(1,083)

In accordance with FRS 17, out of the pension surplus of £971,000 (2007 — deficit £1,547,000) the value of the economic benefit expected to flow to the Company is £264,000 (2007 — £nil). Accordingly, an amount of £264,000 and a related deferred tax liability of £74,000 have been recognised in these financial statements.

12. **Pension arrangements** continued

The Tandem Group Pension Plan continued

	2008	2007	2006	2005	2004
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**(682)**	(77)	953	166	132
Percentage of scheme assets	**(8.4)%**	(0.8)%	10.4%	2.1%	1.7%
Experience losses on scheme liabilities					
Amount (£'000)	**(539)**	—	(447)	(83)	(22)
Percentage of scheme liabilities	**7.5%**	—	3.9%	0.9%	0.3%
Total amount recognised in statement of total recognised gains/(losses)					
Amount (£'000)	**545**	620	(992)	(227)	267
Percentage of the present value of the scheme liabilities	**7.6%**	5.8%	8.7%	2.4%	3.0%

13. Related party transactions

Transactions between group companies have not been disclosed as the Company has taken advantage of the exemption conferred by FRS 8 on the basis that Tandem Group plc prepares consolidated financial statements which are publicly available.

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, Woods ome Park, Fenay Bridge, Huddersfield, HD8 0LA or by telephone on: **0871 664 0300**