Tandem Group plc

Annual Report and Accounts 2010

Contents

Financial calendar

Annual General Meeting	21 June 2010
Interim results for 6 months to 31 July 2010	October 2010
Annual results for year ending 31 January 2011	May 2011

Directors and advisers

Directors

G Waldron	Chairman
M P J Keene	Finance Director
S J Grant	Commercial Director
J S T Morris	Non-Executive Director
A Q Bestwick	Non-Executive Director

Company Secretary
J C Shears

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

Registration
Registered in England No. 616818

Website
www.tandemgroup.co.uk

Nominated Adviser and Broker
Cairn Financial Advisers
38 Bow Lane, London, EC4M 9AY

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

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

Shoosmiths
7th Floor, 125 Colmore Road, Birmingham B3 3SH

Registrars
Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, HD8 0LA
Telephone 0871 664 0300

Brands

Bicycles
Barrosa, British Eagle, Claud Butler, Dirty, Falcon, Optima, Townsend, Boss, CBR, Dawes, Elswick, Holdsworth, Scorpion

Wheeled toys
Angelina Ballerina*, Ben 10*, Bob the Builder*, Fireman Sam*, Iron Man 2*, Moxie Girlz*, Skaight, The Secret Saturdays*, Tinga Tinga Tales*, Transformers*, Ben and Holly's Little Kingdom*, Doctor Who*, In the Night Garden*, Mr Men Little Miss*, Puppy in My Pocket*, Star Wars*, Thomas & Friends*, Toot Toot Train, 3rd & Bird*

Golf
Ben Sayers

Snooker & Pool
Pot Black

Football training
Kickmaster

Table sports
Pot Black

Outdoor play
Hedstrom, Hedstrom G-Max, Hedstrom Evergreen, Mr Men Little Miss*

Plush
Fluffy Gardens*, Gogo's Crazy Bones*, Goochicoo*

* Under licence

Chairman's statement

I am pleased to present our results for the year ended 31 January 2010.

When we started the financial year in February 2009, trading conditions were difficult in an uncertain economic climate. Retailers were unsure of demand and consequently were de-stocking some product lines and buying others cautiously. The trend towards direct deliveries ("FOB" sales) to our customers arranged by our Hong Kong office, which exclude distribution costs, continued. This has the effect of reducing revenue for the same quantities sold. Despite these factors, we continued to follow our strategy of maintaining profitability, to reduce borrowings and to strengthen the balance sheet. I am therefore pleased to report that revenue for the year ended 31 January 2010 increased 1.5% to £35,678,000 from £35,161,000 in the prior year. There was a profit before goodwill impairment and taxation of £1,023,000 compared to £1,018,000 last year. Profit after goodwill impairment and before taxation was £1,023,000 (2009 - £593,000).

Basic earnings per share was 17.67p per share compared with 5.34p last year, after adjusting for the share capital reorganisation that took place in September 2009.

The balance sheet continues to strengthen with cash less invoice finance liability as at 31 January 2010 being £1,190,000, an improvement of £1,658,000 over the previous year.

We do not propose to pay a dividend but will keep the position under review.

Further details of the operational activities can be found in the Business review on page 3.

Share capital reorganisation
The share capital reorganisation was approved by shareholders at a General Meeting held on 24 September 2009. Before the reorganisation the Company had approximately 17,500 shareholders, a large proportion owning a small number of shares that would be uneconomic to sell. As part of the reorganisation small shareholders were able to receive cash for their shares without incurring dealing costs. The Company was also able to purchase 263,080 of its own shares and hold them in treasury, taking the total shares held in treasury to 519,080. Following the reorganisation we had fewer than 5,000 shareholders. We estimate this will save nearly £50,000 per annum in administration costs.

We will be sending out a letter in May to small shareholders giving them the chance to sell their shares without dealing costs.

Pensions
The Group operates two pension schemes that have defined benefit liabilities. Both of these schemes have no active members and are closed to new members. Despite this, these schemes continue to utilise cash resources and management time as government legislation and actuarial views change. During the year £191,000 was paid into the schemes to reduce the deficits in the funding and over £76,000 was paid out in government levies and administration costs. Despite a rise in the value of investments, changes in the Actuary's mortality assumptions and discount rates have increased the net deficit in the schemes from £964,000 as at 31 January 2009 to £1,450,000 as at 31 January 2010.

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

In the last few months we have appointed two non-executive Directors. Their biographies are shown on page 4. Simon Morris brings a wealth of City experience in the mid-cap corporate market and will no doubt be a valuable contributor. Andy Bestwick is another excellent addition to the Board, bringing us experience in areas of product development, sourcing and sales which are very much allied to those of Tandem.

I will not be standing for re-election at the AGM to be held on 21 June 2010. Immediately following the AGM, Mervyn Keene will be appointed non-executive Chairman of the Company. Mervyn has managed the Group for a number of years and has been responsible for leading the team that has delivered consistent profitability over the last four years, with profit before tax and goodwill impairment of over a million pounds in each of the last three years. In addition, the balance sheet has strengthened considerably with the profit eliminating bank borrowings at 31 January 2010. At the same time Steve Grant, our Commercial Director, will be appointed Group Chief Executive and Jim Shears, currently Group Financial Controller and Company Secretary, will be appointed Group Finance Director. I am confident that these changes will continue to take the business forward and enable future growth and development.

EU Customs issues

A number of European bicycle companies have received notification from the EU Customs authorities that Generalised System of Preferences (GSP) forms issued by the Cambodian government between 2007 and 2009 were invalid. The impact of this is that it is alleged duty should have been paid at the full rate rather than the zero rate charged at the time of the importation. We understand that those companies affected are appealing against the notification. Although we have purchased a significant number of bicycles from Cambodia we have not received any notice to this effect. If we receive such notice, it is the Board's intention to vigorously defend and appeal against it as we believe there is no liability and strongly consider that we have acted properly and in good faith at all times.

We have, however, received notification from HM Revenue & Customs affirming their intention to seek confirmation from the authorities in Indonesia and Bangladesh that bicycles purchased from these countries and admitted to the United Kingdom at a preferential rate of Customs duty were manufactured there in accordance with the rules of origin. Once again we consider that we have acted in good faith in respect of these imports, in all cases having received preference certificates which have been issued by the proper authority in each exporting country. Over the last three years we have benefited from a reduction in duty of approximately £3 million through GSP forms issued by foreign governments.

Outlook

The Group has traded well during a very difficult economic period. We have been and continue to be faced with very significant cost pressures in respect of US dollar volatility, increases in freight and raw material prices, shipping line disruptions and Far East labour shortages. Sales for the 12 weeks to 23 April 2010 were 24% up on the previous year. We believe this growth is unlikely to continue into the second quarter as we received a large order for bicycles from a national retailer in the comparative period last year. We have secured business from the same retailer this year but at lower volumes.

Revenue for the year to 31 January 2011 is currently expected to be slightly down on the previous year principally due to the reduction in national retailer sales on bicycles and competition from new licences on sports, leisure and toys. Gross margin and profitability will also be under pressure as a result of the issues referred to above.

In spite of very competitive market conditions, we have over the last four years managed to maintain profitability and to strengthen our balance sheet. Current markets are particularly challenging but the Group is now in a position to actively explore opportunities for growth in our bicycles and accessories and sports, leisure and toys businesses, both organically and by acquisition.

In the year to 31 January 2010 the sports, leisure and toys business was significantly more profitable than bicycles. However, although this sector can grow profits rapidly, the nature of character licences make it far more volatile. By contrast, the bicycle business, with our well established brands, provides a platform for steady progression. We believe that the development of both businesses enhances the ability of the Group to achieve growth in the long term.

Further details about current trading and prospects are contained in the Business review on page 3.

Graham Waldron
Chairman
28 April 2010

Operations

In the second half of the year revenue was 2.4% down on the same period in the previous year. The gross margin percentage was in line with the comparative period last year. With overheads in the second half down 3.3% operating profit before goodwill impairment was 3.6% higher.

Revenue for the year ended 31 January 2010 increased 1.5% to £35,678,000 from £35,161,000 last year. Gross margin percentage reduced due to a change in the mix between direct bulk deliveries and sales from our UK warehouses. Rising costs in Asia and the volatile US dollar also had a negative impact on gross margin. To counter this, operating expenses were 14% down on the previous year. There were reductions across most overhead categories, most notably establishment costs, with the closure of a warehouse facility. However, the Board recognised the need to continue to promote brand awareness and accordingly advertising and marketing expenditure increased over the previous year.

This has resulted in a profit before goodwill impairment and taxation of £1,023,000 compared to £1,018,000 last year. Profit after goodwill impairment and before taxation was £1,023,000 (2009 - £593,000).

Bicycles and accessories

Revenue in our bicycles and accessories businesses of £21,951,000 was 11.1% ahead of last year (2009 - £19,763,000). The operating profit before management charges and goodwill impairment was £689,000 (2009 - £1,148,000).

Improved sales to national retailers increased revenue. A proportion of this business was shipped direct to our customers from our overseas production sources and as such had lower margins with no distribution costs and minimal UK overhead. Although our unit selling prices increased it was not possible to recover the full impact of rising costs in Asia and the volatile US dollar and as a consequence margins in the bicycle businesses were lower.

Unit sales to independent bicycle retailers were down on last year but with customers moving to models with higher price points, average selling price and therefore revenue in this sector was up. The Claud Butler and Dawes brands increased revenue. Sales of traditional bikes with mudguards, padded leather look seats, stands and baskets for ladies were considerably up on last year.

We continue to invest in marketing to support the brands by attending bicycle events, trade fairs and supporting customers with promotional literature, point of sale materials and equipment. Hits on our websites have increased as our brands develop further. This is a positive sign in a highly competitive market.

The stock of bicycles as at 31 January 2010 was over 33% down on the previous year. This was primarily due to the shipping of the 2009 range ahead of the two week closure for Chinese New Year which fell on 26 January 2009. As these goods were in transit prior to the year end they were classified as stock. In 2010 Chinese New Year was later, on 14 February 2010, enabling shipment of the new 2010 range after 31 January 2010.

Bicycles revenue for the 12 weeks to 23 April 2010 was 13% up on the previous year. We expect revenue to be behind last year in the second quarter due to a reduction in sales to national retailers mentioned in the Chairman's statement. However, increasing levels of demand from independent retailers combined with good weather during the summer should help to mitigate this shortfall.

Sports, leisure and toys

Revenue from our sports, leisure and toys business of £13,727,000 was 10.9% down on last year (2009 - £15,398,000). Operating profit before management charges increased to £1,201,000 (2009 - £808,000).

The demise of Woolworths, one of our largest customers, in late 2008 and the continued trend towards direct deliveries arranged by our Hong Kong office, which exclude distribution costs, reduced total revenue. Sales of Barbie and In the Night Garden were down on the same period last year whilst Thomas and Friends revenue was up significantly. However, the big success of the year were the Ben 10 wheeled products which won the award for Best Licensed Toy or Games Range at the industry's Licensing Award ceremony in September 2009. Sales of this range considerably exceeded expectations.

Our continued product development and innovative design enabled us to sustain our position as market leader for licensed wheeled toys. Although this helped to maintain margins in the sports, leisure and toys business, the main improvement to profitability was as a result of overhead savings. The increase towards FOB sales facilitated the closure of a warehouse and further reduced expenses in the UK.

Whilst our Ben Sayers golf business suffered from recessionary pressures and poor weather, we benefited from a complete period of the integration within the MV business reducing overheads further. A focus on new product development and strong product reviews has led to increased revenues for the 12 weeks to 23 April 2010.

Some large national retailers are developing their own brands rather than using well known licensed brands. They can design and source these products themselves or buy them from experienced companies such as us. It is a credit to our product development and sourcing teams that we are able to secure these sales ahead of the competition, albeit at lower margins.

The success of our sports, leisure and toys business depends on securing licences that perform well, designing and developing product and sourcing at competitive prices. We have experienced staff both in the UK and Hong Kong that achieves success at these tasks.

We have taken on a number of new licences for 2010. These new licences, particularly in wheeled toys, include Moxie Girlz, Iron Man 2, Star Wars and Doctor Who. Due to the nature of the business we are already creating products for the 2011 ranges and have successfully secured licences for Ben & Holly's Little Kingdom, Tinga Tinga Tales and Angelina Ballerina.

Sports, leisure and toys revenue for the 12 weeks to 23 April 2010 was 43% up on the previous year. Whilst this is a promising start to the year, we anticipate that revenue may fall behind last year in the second half due to the high levels of sales for Ben 10 in the same period of last year and competition from new licences. However, we are encouraged by the potential that our new licences are showing.

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 January 2010.

Principal activity
The Group is principally engaged in the design, development, sourcing and distribution of sports and leisure equipment. The Chairman's statement and Business review on pages 1 to 3 should be read in conjunction with this report.

Results and dividend
The results for the year ended 31 January 2010 are set out in the consolidated income statement on page 9. No dividend has been paid or declared for the year (2009 — £nil).

Significant shareholders
As at 28 April 2010 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 519,080 shares held in treasury.

	Ordinary Shares of 25p	%
Mr A Burgess	661,750	12.0
Jupiter Asset Management	519,040	9.4
Barclays PLC	406,560	7.4
Mr M P J Keene	173,960	3.2
Mr R C L Davies	171,920	3.1

Directors
The present Directors are as follows:

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

M P J Keene
Mervyn joined the Company in 1989 and became Managing Director of the former 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.

J S T Morris (appointed 22 March 2010)
Simon has worked in corporate finance for over 30 years, initially at Lazard Brothers and Dillon Read and later with MSB Corporate Finance and Smith & Williamson. He is an experienced non-executive Director.

A Q Bestwick (appointed 14 April 2010)
Andy was formerly Managing Director of Gardman Holdings Limited. He has considerable experience in product development, sourcing and supply chain management, especially from Asia, and selling to national and independent retailers.

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

Held beneficially and fully paid

	28 April 2010 25p ordinary shares	31 January 2010 25p ordinary shares	Restated 1 February 2009 25p ordinary shares
G Waldron	58,400	58,400	58,400
M P J Keene	173,960	173,960	144,000
S J Grant	56,000	56,000	48,000

In accordance with the Articles of Association, G Waldron, whose service contract may be terminated by either party giving 6 months' written notice, retires at the Annual General Meeting and does not offer himself for re-election.

In accordance with the Articles of Association, J S T Morris and A Q Bestwick, whose service contracts may be terminated by either party giving 6 months' written notice, retire at the Annual General Meeting and offer themselves for re-election.

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

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 Business review on page 3. 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 as follows:

	2010 Actual	2010 Target	2009 Actual
Gross profit margin The ratio of gross profit to sales expressed as a percentage	**27.1%**	**28.9%**	31.2%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	**£357,000**	**£295,000**	£320,000
Net operating expenses % of sales The ratio of net operating expenses, before goodwill impairment and exceptional items, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage	**23.7%**	**26.5%**	28.0%
Interest cover The ratio of operating profit before goodwill impairment and exceptional items, to net interest payable on bank overdrafts and invoice finance facilities	**12.8**	**7.2**	7.6
Shareholders' return The ratio of net profit for the year before goodwill impairment and exceptional items to shareholders' funds at the start of the year expressed as a percentage	**14.6%**	**9.4%**	10.7%
Adjusted earnings per share — pence The net profit for the year before goodwill impairment and exceptional items divided by the weighted average number of ordinary shares in issue during the year	**17.7**	**11.4**	12.5

Environmental policies
The Board welcomes the government's 'Cycling England', 'Cycling City, Cycling Towns' and 'Bikeability' initiatives and its ongoing objective to increase the National Cycle Network throughout the country. As a major supplier of bicycles and wheeled toys in the UK we believe that we are contributing to a sustainable transport strategy, improving the environment by providing an emission free transport alternative and encouraging better health and fitness of the nation.

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

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

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

The Group continues to be engaged in a number of projects, in conjunction with stakeholders, to reduce carbon dioxide emissions, safely and efficiently dispose of waste and, where possible, 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 2010 represent 39 days (2009 — 65 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 we develop contingency plans should the need arise to make changes.

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

Licences
A number of the Group's brands are used under licence from global licensors. The licences are generally for between two and three years. If the licenses are not renewed the Group would have to seek alternative licenses 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 annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Directors have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

In so far as each of the Directors is aware:

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

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.

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

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

By Order of the Board
J C Shears
Company Secretary
28 April 2010

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

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

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

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

The Group encourages two-way communication with both its institutional and private investors and responds quickly to all queries received verbally or in writing. The executive Directors attended meetings with institutional shareholders in the year ended 31 January 2010.

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 US 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 bank facilities were renewed in April 2010 and the Group expects to operate within the facilities currently agreed. Based on the Group's plans, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Report of the Independent Auditor

to the members of Tandem Group plc

We have audited the financial statements of Tandem Group plc for the year ended 31 January 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
28 April 2010

Consolidated income statement

	Note	Year ended 31 January 2010 Before goodwill impairment £'000	Goodwill impairment £'000	After goodwill impairment £'000	Year ended 31 January 2009 Before goodwill impairment £'000	Goodwill impairment £'000	After goodwill impairment £'000
Revenue	3	**35,678**	—	**35,678**	35,161	—	35,161
Cost of sales		**(25,998)**	—	**(25,998)**	(24,193)	—	(24,193)
Gross profit		**9,680**	—	**9,680**	10,968	—	10,968
Operating expenses	4	**(8,463)**		**(8,463)**	(9,842)	(425)	(10,267)
Operating profit		**1,217**		**1,217**	1,126	(425)	701
Finance costs	5	**(194)**	—	**(194)**	(173)	—	(173)
Finance income	5	—	—	—	65	—	65
Profit before taxation		**1,023**	—	**1,023**	1,018	(425)	593
Tax expense	7	**(22)**	—	**(22)**	(278)	—	(278)
Net profit for the year		**1,001**	—	**1,001**	740	(425)	315

Earnings per share	8	**Pence**	Restated Pence
Basic		**17.67**	5.34
Diluted		**17.67**	5.31

Consolidated statement of comprehensive income

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Profit for the year	**1,001**	315
Other comprehensive income:		
Foreign exchange differences on translation of overseas assets subsidiaries	**(250)**	583
Actuarial loss on pension schemes	**(578)**	(938)
Movement in pension schemes' deferred tax provision	**136**	191
Other comprehensive income for the year	**(692)**	(164)
Total comprehensive income for the year attributable to owners of the parent company	**309**	151

All figures relate to continuing operations.

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

Consolidated balance sheet

At 31 January 2010

	Note	At 31 January 2010 £'000	At 31 January 2009 £'000
Non current assets			
Goodwill	9	**2,236**	2,236
Property, plant and equipment	10	**368**	488
Deferred taxation	17	**1,365**	1,009
		3,969	3,733
Current assets			
Inventories	11	**4,991**	7,583
Trade and other receivables	12	**3,956**	5,786
Cash and cash equivalents	13	**3,046**	2,121
		11,993	15,490
Total assets		**15,962**	19,223
Current liabilities			
Trade and other payables	14	**(5,352)**	(8,536)
Financial liabilities	15	**(1,856)**	(2,589)
Current tax liabilities		**(301)**	(276)
		(7,509)	(11,401)
Non current liabilities			
Pension schemes' deficits	18	**(1,450)**	(964)
Total liabilities		**(8,959)**	(12,365)
Net assets		**7,003**	6,858
Equity			
Share capital	19	**1,503**	1,503
Shares held in treasury		**(129)**	(64)
Other reserves		**2,759**	3,009
Profit and loss account		**2,870**	2,410
Total equity		**7,003**	6,858

The financial statements were approved by the Board on 28 April 2010 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 changes in equity

	Share capital £'000	Shares held in treasury £'000	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 2008	1,503	—	5,258	1,036	1,427	(37)	(2,293)	6,894
Share-based payments	—	—	—	—	—	—	16	16
Share buyback	—	(64)	—	—	—	—	(139)	(203)
Cancellation of share premium account	—	—	(5,258)	—	—	—	5,258	—
Transactions with owners	—	(64)	(5,258)	—	—	—	5,135	(187)
Net profit for the year	—	—	—	—	—	—	315	315
Re-translation of overseas subsidiaries	—	—	—	—	—	583	—	583
Net actuarial loss on pension schemes	—	—	—	—	—	—	(747)	(747)
Total comprehensive income attributable to owners of the parent company	—	—	—	—	—	583	(432)	151
Balance at 1 February 2009	1,503	(64)	—	1,036	1,427	546	2,410	6,858
Share-based payments	—	—	—	—	—	—	15	15
Share buyback	—	(65)	—	—	—	—	(114)	(179)
Transactions with owners	—	(65)	—	—	—	—	(99)	(164)
Net profit for the year	—	—	—	—	—	—	1,001	1,001
Re-translation of overseas subsidiaries	—	—	—	—	—	(250)	—	(250)
Net actuarial loss on pension schemes	—	—	—	—	—	—	(442)	(442)
Total comprehensive income attributable to owners of the parent company	—	—	—	—	—	(250)	559	309
Balance at 31 January 2010	**1,503**	**(129)**	**—**	**1,036**	**1,427**	**296**	**2,870**	**7,003**

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

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

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

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

Consolidated cash flow statement

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Cash flows from operating activities		
Net profit for the year	**1,001**	315
Adjustments:		
Depreciation of property, plant and equipment	**132**	186
Goodwill impairment	**—**	425
Loss on sale of property, plant and equipment	**—**	1
Finance cost	**194**	173
Finance income	**—**	(65)
Taxation paid	**(282)**	(133)
Tax expense	**22**	278
Share-based payments	**15**	16
Fair value adjustments of forward contracts	**437**	(394)
Net cash inflow from operating activities before movements in working capital	**1,519**	802
Decrease/(increase) in inventories	**2,592**	(2,001)
Decrease in trade and other receivables	**1,173**	242
(Decrease)/increase in trade and other payables	**(3,095)**	333
Cash generated/(utilised) from operations	**2,189**	(624)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(16)**	(168)
Sale of property, plant and equipment	**—**	8
Net cash used in investing activities	**(16)**	(160)
Cash flows from financing activities		
(Decrease)/increase in invoice financing	**(733)**	289
Interest paid	**(89)**	(147)
Payment to acquire own shares	**(179)**	(203)
Net cash used in financing activities	**(1,001)**	(61)
Net increase/(decrease) in cash and cash equivalents	**1,172**	(845)
Cash and cash equivalents at beginning of year	**2,121**	2,389
Effect of foreign exchange rate changes	**(247)**	577
Cash and cash equivalents at end of year	**3,046**	2,121

The accompanying notes form an integral part of these 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 advisors page to these financial statements. The Group's principal activity is disclosed on page 4.

The financial statements for the year ended 31 January 2010 (including the comparatives for the year ended 31 January 2009) were approved by the Board of Directors on 28 April 2010. Under the security regulations act of the EU, amendments to the financial statements are not permitted after they have been approved.

The Group does not have an ultimate controlling related party.

2. Accounting policies

Basis of preparation

The principal accounting policies of the Company are set out below and are consistent with those applied in the 2009 financial statements except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments.

The adoption of IAS 1 (Revised) 2007 does not affect the financial position or profits of the Company, but gives rise to additional disclosures. The measurement and recognition of the Company's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 (Revised) 2007 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". IAS 1 (Revised) 2007 requires, in certain circumstances, presentation of a comparative balance sheet as at the beginning of the first comparative period. Management consider that this is not necessary as the balance sheet as at 31 January 2008 is the same as previously published.

The adoption of IFRS 8 Operating Segments has not affected the identified operating segments. IFRS 8 requires segments to be identified based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous financial statements, segments were identified by reference to the dominant source and nature of the Company's risks and returns.

Overall considerations

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

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Group's latest approved budget where applicable. Judgements are based on the information available at each balance sheet date. Disclosure of the significant accounting estimates and judgements can be found on page 17.

Basis of consolidation

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

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

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

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 of the parent Company.

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

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

2. Accounting policies continued

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 but includes later translation differences.

Income recognition

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when they are received by the customer at the agreed place of delivery;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 and property, plant and equipment is subject to impairment testing.

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

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

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

Property, plant and equipment

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

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

Inventories

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

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.

2. Accounting policies continued

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised on the initial recognition of goodwill, nor on the initial recognition of assets or liabilities unless acquired in a business combination or in a transaction that affects tax or accounting profit. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

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

Employee benefits

Defined contribution pension schemes

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

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

Defined benefit pension schemes

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

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

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

Other employee benefits

Short-term employee benefits, including holiday entitlement, are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. 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.

2. Accounting policies continued

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

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

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

Share-based employee remuneration

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.

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

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

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

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.

Significant accounting estimates and judgements

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

Key areas of estimation uncertainty

Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 9 to the consolidated financial statements.

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Inventory provisioning

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

Bad debt provision

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels. The recovery of certain debts is dependent on the individual circumstances of customers. As disclosed in note 12 there are a number of debts which remain outstanding past their due date, which the Directors believe to be recoverable.

Deferred tax assets

In determining the deferred tax asset to be recognised the Directors carefully review the recoverability of these assets on a prudent basis and reach a judgement based on the best available information. Estimates and judgements used in the financial statements are based on historical experience and other assumptions that the Directors and management consider reasonable and are consistent with the Group's latest budgeted forecasts where applicable. Judgements are based on the information available at each balance sheet date. Although these estimates are based on the best information available to the Directors, actual results may ultimately differ from those estimates.

Key judgements

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

Standards and interpretations not yet applied

The following new standards and interpretations, which are yet to become mandatory, have not been applied in the Group's consolidated financial statements for the year ended 31 January 2010.

		Effective for annual periods:
IFRS 9	Financial Instruments	beginning on or after 1 January 2013
IAS 24 (Revised 2009)	Related Party Disclosures	beginning on or after 1 January 2011
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements	beginning on or after 1 July 2009
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedged Items	beginning on or after 1 July 2009
IFRS 3 (Revised 2008)	Business Combinations	beginning on or after 1 July 2009

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

3. Segmental reporting

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

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
Year ended 31 January 2010			
Revenue	21,951	13,727	35,678
Segment result before management charges	689	1,201	1,890
Management charges	(564)	(104)	(668)
Segment result after goodwill impairment and management charges	125	1,097	1,222
Unallocated corporate expenses			(5)
Operating profit			1,217
Finance costs			(194)
Finance income			—
Profit before taxation			1,023
Tax expense			(22)
Net profit for the year			1,001
Segment assets	9,081	3,847	12,928
Unallocated assets			4,121
			17,049
Segment liabilities	(5,468)	(2,716)	(8,184)
Unallocated liabilities			(1,862)
			(10,046)
Consolidated net assets			7,003
Capital additions	3	13	16
Depreciation and goodwill impairment	55	77	132

3. **Segmental reporting** continued

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
Year ended 31 January 2009			
Revenue	19,763	15,398	35,161
Segment result before goodwill impairment	1,148	808	1,956
Goodwill impairment	(425)	—	(425)
Segment result after goodwill impairment	723	808	1,531
Unallocated corporate expenses			(830)
Operating profit			701
Finance costs			(173)
Finance income			65
Profit before taxation			593
Tax expense			(278)
Net profit for the year			315
Segment assets	12,123	4,227	16,350
Unallocated assets			3,616
			19,966
Segment liabilities	(8,963)	(2,625)	(11,588)
Unallocated liabilities			(1,520)
			(13,108)
Consolidated net assets			6,858
Capital additions	33	135	168
Depreciation and goodwill impairment	480	131	611

The Group's revenues and non current assets are divided into the following geographical areas:

	United Kingdom £'000	**Europe £'000**	**Rest of the World £'000**	**Total £'000**
Year ended 31 January 2010				
Revenue	**33,939**	**1,504**	**235**	**35,678**
Non current assets	**3,955**	**—**	**14**	**3,969**
Year ended 31 January 2009				
Revenue	33,397	1,432	332	35,161
Non current assets	3,702	—	31	3,733

There were two customers (2009 — two) whose revenues from transactions amounted to 10% or more of the Group's revenue.

4. Operating expenses

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Distribution costs	**4,974**	5,857
Administrative expenses	**3,489**	3,985
Goodwill impairment	**—**	425
Total operating expenses as shown in the consolidated income statement	**8,463**	10,267
The operating expenses disclosed above include the following charges:		
Employee benefits expenses (note 6)	**3,950**	4,081
Depreciation	**132**	186
Goodwill impairment	**—**	425
Other expenses	**4,381**	5,575

Auditors' remuneration in the capacity as auditors of the parent Company was £3,000 (2009 — £3,000) and in the capacity as auditors of the subsidiary companies was £58,000 (2009 — £59,000). Non audit remuneration in respect of tax compliance services totalled £13,000 (2009 — £13,000).

5. Finance costs and finance income

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Finance costs		
Interest payable on bank overdrafts and invoice finance facilities	**(95)**	(148)
Expected return on pension scheme assets less interest on liabilities	**(99)**	(25)
Finance costs	**(194)**	(173)
Finance income		
Expected return on pension scheme assets less interest on liabilities	**—**	65

6. Directors and employees remuneration

Employee benefits expense

Expense recognised for employee benefits is analysed below:

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Wages and salaries	**3,390**	3,474
Social security costs	**341**	378
Share-based employee remuneration	**15**	16
Pension scheme contributions — defined contribution schemes	**204**	213
Finance costs	**3,950**	4,081

	Number	Number
The average number of people (including Directors) employed by the Group during the year was:	**100**	110

6. **Directors and employees remuneration** continued

Directors' remuneration

	Salary/fees £'000	Performance bonus £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	Year ended 31 January 2009 £'000
	Year ended 31 January 2010					
G Waldron	**50**	—	—	—	**50**	50
M P J Keene	**89**	**102**	**3**	**82**	**276**	270
S J Grant	**114**	**93**	**5**	**30**	**242**	237
	253	**195**	**8**	**112**	**568**	557

The Group considers the key management of the business to be the Directors of Tandem Group plc. During the year and in the previous year the Group contributed to defined contribution pension schemes for M P J Keene and S J Grant. The related share-based remuneration charge was £8,000 (2009 — £8,000).

Share-based employee remuneration

The following options were held at 31 January 2010 under the Group's share option schemes:

Number of shares	1 February 2009	Granted during year	Exercised during year	Cancelled during year	**31 January 2010**	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	86,400	—	—	—	**86,400**	78.91p	31/01/10–14/06/20
S J Grant	83,200	—	—	—	**83,200**	78.91p	31/01/10–14/06/20
Other employees	172,000	—	—	—	**172,000**	78.91p	31/01/10–14/06/20
1996 Approved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	15,200	—	—	—	**15,200**	71.88p	01/05/06–01/05/13
	16,000	—	—	—	**16,000**	62.50p	26/09/09–26/06/16
S J Grant	20,800	—	—	—	**20,800**	71.88p	01/05/06–01/05/13
	16,000	—	—	—	**16,000**	62.50p	26/06/09–26/06/16
Other employees	59,200	—	—	—	**59,200**	71.88p	01/05/06–01/05/13
	41,600	—	—	—	**41,600**	62.50p	26/06/09–26/06/16
1996 Unapproved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	26,400	—	—	—	**26,400**	71.88p	01/05/06–01/05/10
S J Grant	8,000	—	—	—	**8,000**	71.88p	01/05/06–01/05/10
Other employees	21,600	—	—	—	**21,600**	71.88p	01/05/06–01/05/10

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

	2010			2009		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2006 (up to 2013) — Approved	**95,200**	**71.88**	**3.2**	95,200	71.88	4.2
2006 (up to 2010) — Unapproved	**56,000**	**71.88**	**0.2**	56,000	71.88	1.2
2009 (up to 2016)	**73,600**	**62.50**	**6.4**	73,600	62.50	7.4
2010 (up to 2020)	**341,600**	**78.91**	**10.4**	341,600	78.91	11.4

6. Directors and employees remuneration continued

The ordinary share mid-market price on 31 January 2010 was 80.5p (2009 restated — 47.7p). During the year, the highest mid-market price was 85.0p (2009 restated — 120.3p) and the lowest was 34.4p (2009 restated — 42.2p). The weighted average exercise price of the options in issue was 74.9p (2009 restated — 74.9p). The ordinary share mid-market prices for the year ended 31 January 2009 have been restated for the share consolidation and sub-division which became unconditional on 24 September 2009.

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 62.50p (2009 restated – 62.50p) to 78.91p (2009 restated – 78.91p);
- 36.3% (2009 - 36.3%) to 48.0% (2009 – 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.60% (2009 – 0.86%);
- 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 £15,000 (2009 — £16,000) of share-based employee remuneration expense has been included in the consolidated income statement. No liabilities were recognised due to share-based transactions.

7. Tax expense

The relationship between the expected tax expense at 28% (2009 — 28%) and the actual tax income recognised in the consolidated income statement can be reconciled as follows:

	Year ended 31 January 2010		Year ended 31 January 2009	
	£'000	**%**	£'000	%
Profit before taxation	**1,023**		593	
Tax rate	**28%**		28%	
Expected tax expense	**286**	**28.0**	166	28.0
Expenses not deductible for tax purposes	**2**	**0.2**	54	9.1
Movement in unrecognised deferred tax asset	**(198)**	**(19.4)**	29	4.9
Effect of differing rates on overseas taxation	**(68)**	**(6.6)**	(26)	(4.4)
Effect of change in tax rate	**—**	**—**	55	9.3
Actual tax expense	**22**	**2.2**	278	46.9
Actual tax expense comprises:				
Current tax expense	**242**		200	
Deferred tax (credit)/charge	**(220)**		78	
	22		278	

There is no tax expense or credit in relation to share-based payments credited to equity. At 31 January 2010 there are trading losses and loan relationship deficits of approximately £14,164,000 (2009 — £13,854,000) available for carry forward against future profits of the same trade.

8. Earnings per share

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

	Year ended 31 January 2010 £'000	Restated Year ended 31 January 2009 £'000
Net profit for the year — before goodwill impairment	**1,001**	740
Net profit for the year — after goodwill impairment	**1,001**	315
Weighted average shares in issue used for basic earnings per share	**5,665,222**	5,898,455
Weighted average dilutive shares under option	**—**	28,400
Average number of shares used for diluted earnings per share	**5,665,222**	5,926,855
	Pence	Pence
Basic earnings per share — before goodwill impairment	**17.67**	12.55
Basic earnings per share — after goodwill impairment	**17.67**	5.34
Diluted earnings per share	**17.67**	5.31

There was no dilutive effect of shares under option for the year ended 31 January 2010 because the option exercise prices were greater than the average market share price. The weighted average shares in issue for the year ended 31 January 2009 have been restated for the share consolidation and sub-division which became unconditional on 24 September 2009.

9. Goodwill

	Goodwill £'000
Gross carrying amount at 1 February 2008, 1 February 2009 and 31 January 2010	**7,193**
Impairment provisions	
At 1 February 2008	4,532
Provided in the year	425
At 1 February 2009	4,957
Provided in the year	—
At 31 January 2010	**4,957**
Net book value	
At 31 January 2010	**2,236**
At 31 January 2009	2,236

Goodwill above relates to the following cash generating units:

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

9. Goodwill continued

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

The recoverable amounts were determined based on a value-in-use calculation, covering a detailed one year conservative forecast, followed by an extrapolation of expected cash flow over the next four years at growth rates of between 5.0% and 7.5%, which represents a conservative long-term average growth rate, followed by year five cash flows in perpetuity. The growth 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 assuming no significant changes in the business. The discount rate used is 13.35% which is considered to be suitable for each cash generating unit as they operate in similar markets.

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

10. Property, plant and equipment

	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Gross carrying amount				
At 1 February 2008	405	22	3,231	3,658
Additions	32	—	136	168
Disposals	—	—	(1,309)	(1,309)
Foreign exchange adjustments	15	—	29	44
At 1 February 2009	452	22	2,087	2,561
Additions	—	—	16	16
Disposals	—	—	(14)	(14)
Foreign exchange adjustments	(6)	—	(12)	(18)
At 31 January 2010	**446**	**22**	**2,077**	**2,545**
Depreciation				
At 1 February 2008	256	22	2,870	3,148
Provided in the year	30	—	156	186
Eliminated on disposals	—	—	(1,300)	(1,300)
Foreign exchange adjustments	15	—	24	39
At 1 February 2009	301	22	1,750	2,073
Provided in the year	25	—	107	132
Eliminated on disposals	—	—	(14)	(14)
Foreign exchange adjustments	(4)	—	(10)	(14)
At 31 January 2010	**322**	**22**	**1,833**	**2,177**
Net book amount at 31 January 2010	**124**	**—**	**244**	**368**
Net book amount at 31 January 2009	151	—	337	488

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

11. Inventories

	At 31 January 2010 £'000	At 31 January 2009 £'000
Finished goods for resale	**4,991**	7,583

Cost of sales includes material costs of £24,339,000 (2009 — £22,659,000) and other costs of £1,659,000 (2009 — £1,534,000).

12. Trade and other receivables

	At 31 January 2010 £'000	At 31 January 2009 £'000
Trade receivables	**3,569**	4,832
Prepayments and accrued income	**294**	319
Other receivables	**93**	635
	3,956	5,786

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 £115,000 (2009 — £369,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	At 31 January 2010 £'000	At 31 January 2009 £'000
At 1 February	**369**	317
Amounts written off	**(84)**	(116)
Impairment loss	**91**	209
Impairment loss reversed	**(261)**	(41)
At 31 January	**115**	369

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 2010 £'000	At 31 January 2009 £'000
Not past due	**3,046**	4,536
Past due 0–90 days	**517**	276
Past due 91–180 days	**1**	17
Past due more than 180 days	**5**	3
	3,569	4,832

13. Cash and cash equivalents

	At 31 January 2010 £'000	At 31 January 2009 £'000
Cash and cash equivalents per consolidated cash flow statement	**3,046**	2,121

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

14. Trade and other payables

	At 31 January 2010 £'000	At 31 January 2009 £'000
Trade payables	**3,359**	6,495
Other payables	**1,993**	2,041
	5,352	8,536

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

15. Financial liabilities

	At 31 January 2010 £'000	At 31 January 2009 £'000
Invoice finance liability	**1,856**	2,589

16. Financial assets and liabilities

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

	At 31 January 2010				At 31 January 2009			
	Assets held at fair value through profit or loss £'000	**Loans and receiv-ables £'000**	**Assets not within the scope of IAS 39 £'000**	**Total £'000**	Assets held at fair value through profit or loss £'000	Loans and receiv-ables £'000	Assets not within the scope of IAS 39 £'000	Total £'000
Cash and cash equivalents:								
— Sterling	—	**247**	—	**247**	—	1,731	—	1,731
— US dollars	—	**2,804**	—	**2,804**	—	349	—	349
— Euro	—	**(8)**	—	**(8)**	—	37	—	37
— Others	—	**3**	—	**3**	—	4	—	4
	—	**3,046**	—	**3,046**	—	2,121	—	2,121
Trade and other receivables	—	**3,594**	**362**	**3,956**	437	4,886	463	5,786
Inventories	—	—	**4,991**	**4,991**	—	—	7,583	7,583
Current assets	—	**6,640**	**5,353**	**11,993**	437	7,007	8,046	15,490

16. Financial assets and liabilities continued

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

	At 31 January 2010			At 31 January 2009		
	Other financial liabilities at amortised cost £'000	**Liabilities not within the scope of IAS 39 £'000**	**Total £'000**	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade and other payables	**4,146**	**1,206**	**5,352**	7,128	1,408	8,536
Invoice finance liability	**1,856**	**—**	**1,856**	2,589	—	2,589
Current tax liability	**—**	**301**	**301**	—	276	276
Current liabilities	**6,002**	**1,507**	**7,509**	9,717	1,684	11,401

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

Foreign currency risk

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

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 2011. At 31 January 2010, a cumulative loss of £437,000 (2009 — gain £394,000) has been recorded in the consolidated income statement in relation to these instruments. There is no fair value adjustment for foreign exchange contracts held at 31 January 2010.

17. Deferred taxation

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

	31 January 2008 £'000	Movement in the year £'000	31 January 2009 £'000	Movement in the year £'000	**31 January 2010 £'000**
Provided					
Pension obligations	(79)	(191)	(270)	(136)	**(406)**
Accelerated capital allowances	(466)	(222)	(688)	191	**(497)**
Short-term temporary differences	(48)	95	47	(54)	**(7)**
Unused tax losses	(303)	205	(98)	(357)	**(455)**
Total	(896)	(113)	(1,009)	(356)	**(1,365)**
Presented as:					
Deferred tax asset	(970)	(39)	(1,009)	(356)	**(1,365)**
Deferred tax liability	74	(74)	—	—	**—**
Total	(896)	(113)	(1,009)	(356)	**(1,365)**
Unprovided					
Accelerated capital allowances	(19)	(8)	(27)	(48)	**(75)**
Short-term temporary differences	—	(22)	(22)	(26)	**(48)**
Unused tax losses	(3,738)	632	(3,106)	287	**(2,819)**
Capital losses	(1,066)	(800)	(1,866)	(292)	**(2,158)**
ACT	(648)	—	(648)	—	**(648)**
Total	(5,471)	(198)	(5,669)	(79)	**(5,748)**

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

18. Pension scheme arrangements

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

The Tandem Group Pension Plan

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

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

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

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligation at the beginning of the year	**7,383**	7,190	10,749	11,340	9,296
Current service cost	**—**	—	14	39	33
Contributions	**—**	—	2	5	5
Interest cost	**479**	439	513	545	478
Actuarial loss/(gain)	**1,090**	248	(1,227)	(697)	1,945
Benefits paid	**(488)**	(494)	(1,021)	(483)	(417)
Payment due to members following buyout of non-statutory increases	**—**	—	(352)	—	—
Past service saving	**—**	—	(1,488)	—	—
Present value of defined benefit obligation 31 January	**8,464**	7,383	7,190	10,749	11,340

18. Pension scheme arrangements continued

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

	2010	2009	2008	2007	2006
Discount rate	**5.60%**	6.70%	6.30%	5.50%	4.90%
Increase in pensionable salaries	**—%***	—%*	3.60%	3.15%	2.75%
Increase in pensions in payment	**Up to 5.00%**	Up to 5.00%	Up to 5.00%	5.00%	5.00%
Increase in deferred pensions			**3.00% to 5.00% for all years**		
Inflation assumption	**3.50%**	3.30%	3.60%	3.15%	2.75%
Mortality assumption table	**PA92 (YOB MC)**	PA92 (YOB MC)	PA92 (C=2010)	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:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of scheme assets at the beginning of the year	**6,736**	8,161	9,202	9,139	8,041
Expected return on scheme assets	**404**	504	546	499	471
Actuarial gain/(loss)	**667**	(1,541)	(682)	(77)	953
Contributions	**91**	106	116	124	91
Benefits paid	**(488)**	(494)	(1,021)	(483)	(417)
Fair value of scheme assets at 31 January	**7,410**	6,736	8,161	9,202	9,139

The long-term expected rates of return were:

	2010	2009	2008	2007	2006
Equities	**7.4%**	7.4%	7.6%	7.5%	7.5%
Property	**6.4%**	6.4%	6.6%	6.5%	—%
Gilts	**4.4%**	4.4%	4.6%	4.5%	4.5%
Corporate Bonds	**5.6%**	6.7%	5.8%	5.5%	—%
Cash and other	**4.0%**	1.5%	5.5%	5.0%	4.5%

The value of assets in the scheme were:

	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000	At 31 January 2007 £'000	At 31 January 2006 £'000
Equities	**3,471**	3,168	3,677	4,346	3,263
Property	**809**	699	873	981	—
Gilts	**2,150**	2,012	2,686	2,910	5,839
Corporate Bonds	**802**	683	900	960	—
Cash and other	**178**	174	25	5	37
Total fair value of assets	**7,410**	6,736	8,161	9,202	9,139

* There are no members whose benefits are linked to salaries

18. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
(Deficit)/surplus at the beginning of the year	**(647)**	971	(1,547)	(2,201)	(1,255)
Movement in year:					
Current service cost	**—**	—	(14)	(39)	(33)
Contributions	**91**	106	114	119	86
Finance (cost)/income	**(75)**	65	33	(46)	(7)
Actuarial (loss)/gain	**(423)**	(1,789)	545	620	(992)
Payment due to members following buyout of non-statutory increases	**—**	—	352	—	—
Past service saving	**—**	—	1,488	—	—
(Deficit)/surplus at 31 January	**(1,054)**	(647)	971	(1,547)	(2,201)
Related deferred tax asset/(liability)	**295**	181	(272)	464	660
Net (deficit)/surplus at 31 January	**(759)**	(466)	699	(1,083)	(1,541)

	2010	2009	2008	2007	2006
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**667**	(1,541)	(682)	(77)	953
Percentage of scheme assets	**9.0%**	(22.9)%	(8.4)%	(0.8)%	10.4%
Experience losses on scheme liabilities					
Amount (£'000)	**1**	(542)	(539)	—	(447)
Percentage of scheme liabilities	**—%**	7.3%	7.5%	—%	3.9%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	**(423)**	(1,789)	545	620	(992)
Percentage of the present value of the scheme liabilities	**(5.0)%**	(24.2)%	7.6%	5.8%	(8.7)%

The expected contributions in the year ending 31 January 2011 are £92,000.

The Casket Group Retirement and Death Benefit Scheme

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

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligation at the beginning of the year	**1,737**	2,171	2,223	2,304	2,077
Interest cost	**113**	135	121	112	108
Actuarial loss/(gain)	**391**	(511)	(124)	(168)	155
Benefits paid	**(101)**	(58)	(49)	(25)	(36)
Present value of defined benefit obligation 31 January	**2,140**	1,737	2,171	2,223	2,304

18. Pension scheme arrangements continued

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

	2010	2009	2008	2007	2006
Discount rate	**5.60%**	6.70%	6.30%	5.50%	4.90%
Increase in pensions in payment	**3.50%**	3.30%	3.60%	3.15%	2.75%
Increase in pensionable salaries*	**—%**	—%	—%	—%	—%
Increase in deferred pensions	**3.50%**	3.30%	3.60%	3.15%	2.75%
Inflation assumption	**3.50%**	3.30%	3.60%	3.15%	2.75%
Mortality assumption table	**PA92 (YOB MC)**	PA92 (YOB MC)	PA92 (C=2010)	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:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of scheme assets at the beginning of the year	**1,420**	1,625	1,633	1,468	1,164
Expected return on scheme assets	**89**	110	109	99	84
Actuarial gain/(loss)	**236**	(367)	(169)	(10)	153
Contributions	**100**	110	101	101	103
Benefits paid	**(101)**	(58)	(49)	(25)	(36)
Fair value of scheme assets at 31 January	**1,744**	1,420	1,625	1,633	1,468

The long-term expected rates of return were:

	2010	2009	2008	2007	2006
Equities	**7.4%**	7.4%	7.6%	7.5%	7.5%
Property	**6.4%**	6.4%	6.6%	6.5%	—%
Gilts	**4.4%**	4.4%	4.6%	4.5%	4.5%
Corporate bonds	**5.6%**	6.7%	—%	—%	—%
Cash and other	**4.0%**	1.5%	5.5%	5.0%	4.5%

The value of assets in the scheme were:

	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000	At 31 January 2007 £'000	At 31 January 2006 £'000
Equities	**104**	810	952	977	883
Property	**44**	183	207	244	216
Gilts	**1,014**	377	422	394	356
Corporate bonds	**496**	—	—	—	—
Cash and other	**86**	50	44	18	13
Total fair value of assets	**1,744**	1,420	1,625	1,633	1,468

The reconciliation of movements in the year were as follows:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Deficit at the beginning of the year	**(317)**	(546)	(590)	(836)	(913)
Movement in year:					
Contributions	**100**	110	101	101	103
Other finance cost	**(24)**	(25)	(12)	(13)	(24)
Actuarial (loss)/gain	**(155)**	144	(45)	158	(2)
Deficit at 31 January	**(396)**	(317)	(546)	(590)	(836)
Related deferred tax asset	**111**	89	153	177	251
Net deficit at 31 January	**(285)**	(228)	(393)	(413)	(585)

* There are no members whose benefits are linked to salaries.

18. Pension scheme arrangements continued

	2010	2009	2008	2007	2006
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**236**	(367)	(169)	(10)	153
Percentage of scheme assets	**13.5%**	(25.8)%	(10.4)%	(0.6)%	10.4%
Experience gains/(losses) on scheme liabilities					
Amount (£'000)	**—**	351	—	103	175
Percentage of scheme liabilities	**—%**	20.2%	—%	4.6%	7.6%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	**(155)**	144	(45)	158	(2)
Percentage of the present value of the scheme liabilities	**(7.2)%**	8.3%	(2.1)%	7.1%	(0.1)%

The expected contributions in the year ending 31 January 2011 are £101,000.

Group pension scheme deficit

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
(Deficit)/surplus					
The Tandem Group Pension Plan	**(1,054)**	(647)	971	(1,547)	(2,201)
The Casket Group Retirement and Death Benefit Scheme	**(396)**	(317)	(546)	(590)	(836)
	(1,450)	(964)	425	(2,137)	(3,037)
Related deferred tax asset/(liability)					
The Tandem Group Pension Plan	**295**	181	(272)	464	660
The Casket Group Retirement and Death Benefit Scheme	**111**	89	153	177	251
	(1,044)	(694)	306	(1,496)	(2,126)

The amounts recognised in the consolidated statement of comprehensive income in the year ended 31 January 2010 are a loss of £309,000 in respect of the Tandem Group Pension plan and a loss of £133,000 in respect of the Casket Group Retirement and Death Benefit Scheme. The net cumulative actuarial gain taken directly to the consolidated statement of comprehensive income since the date of transition to IFRS on 1 February 2006 is £751,000 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		
At 1 February 2008 and 1 February 2009 — ordinary shares 4p each	51,875,000	2,075
24 September 2009 Consolidation and sub-division	(43,575,000)	—
At 31 January 2010 — ordinary shares 25p each	8,300,000	2,075
Non-voting "A" ordinary shares of 1p each		
At 1 February 2007, 1 February 2008 and 31 January 2009	125,000,000	1,250
Total authorised share capital at 31 January 2010	**133,300,000**	**3,325**
Allotted, called up and fully paid		
At 1 February 2008 — ordinary shares 4p each	37,584,412	1,503
20 August 2008 Share buyback	(1,600,000)	(64)
At 1 February 2009 — ordinary shares 4p each	35,984,412	1,439
24 September 2009 Consolidation and sub-division	(30,226,932)	—
25 September 2009 Share buyback	(263,080)	(65)
At 31 January 2010 — ordinary shares 25p each	**5,494,400**	**1,374**

During the year the Group purchased 263,080 of its ordinary shares and held them as treasury shares. Following the purchase there were a total of 519,080 shares held in treasury.

20. Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £607,000 (2009 - £793,000) and for other operating leases was £213,000 (2009 - £213,000).

	At 31 January 2010		At 31 January 2009	
Operating lease commitments	**Land and buildings £'000**	**Other £'000**	Land and buildings £'000	Other £'000
Total future minimum payments under operating leases:				
Within 1 year	**691**	**186**	728	155
Within 2 to 5 years	**2,344**	**242**	2,587	293
More than 5 years	**420**	**—**	876	—
	3,455	**428**	4,191	448

Total future minimum lease commitments include £514,000 in respect of premises at Pinchbeck, Spalding, previously occupied by the Group's former Garden Leisure Division, which have been sublet at an equivalent annual rental.

21. Related parties

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

22. Contingent assets and liabilities

The Group had no contingent liabilities at 31 January 2010 or 31 January 2009.

23. 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.

Five year history

	IFRS 2010 £'000	IFRS 2009 £'000	IFRS 2008 £'000	IFRS 2007 £'000	UK GAAP 2006 £'000
Revenue	**35,678**	35,161	34,878	33,785	42,760
Cost of sales	**(25,998)**	(24,193)	(23,753)	(23,196)	(30,819)
Gross profit	**9,680**	10,968	11,125	10,616	11,941
Operating expenses	**(8,463)**	(9,842)	(9,757)	(9,696)	(13,097)
Goodwill impairment	**—**	(425)	(16)	—	(640)
Operating profit	**1,217**	701	1,352	920	(1,796)
Finance costs	**(194)**	(173)	(280)	(271)	(361)
Finance income	**—**	65	33	—	—
Profit before taxation	**1,023**	593	1,105	649	(2,157)
Tax expense	**(22)**	(278)	—	297	(152)
Net profit for the year	**1,001**	315	1,105	946	(2,309)

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

Company balance sheet under UK GAAP

At 31 January 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	4	**585**	680
Investments	4	**1,909**	1,909
Tangible assets	5	**2**	1
		2,496	2,590
Current assets			
Debtors	6	**4,902**	4,435
Cash at bank and in hand		**2,733**	2,289
		7,635	6,724
Creditors — amounts falling due within one year	7	**(5,094)**	(5,282)
Net current assets		**2,541**	1,442
Total assets less current liabilities and net assets before pension scheme deficit		**5,037**	4,032
Net pension scheme deficit	13	**(759)**	(466)
Net assets after pension scheme deficit		**4,278**	3,566
Capital and reserves			
Called up share capital	9	**1,503**	1,503
Shares held in treasury	10	**(129)**	(64)
Merger reserve	10	**1,036**	1,036
Capital redemption reserve	10	**1,427**	1,427
Profit and loss account	10	**441**	(336)
Shareholders' funds		**4,278**	3,566

The financial statements were approved by the Board of Directors on 28 April 2010.

G Waldron
Director

M P J Keene
Director

The accompanying notes on pages 38 to 45 form part of these UK GAAP financial statements.

1. Accounting policies

Basis of preparation

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

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

Investments

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

Goodwill

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

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

Tangible fixed assets

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

Plant and machinery	3–10 years

Foreign exchange

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

Financial instruments

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

Deferred taxation

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

Pension costs

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

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

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

For further pension information see note 13.

Share-based employee remuneration

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

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

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

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

2. Profit for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit for the year was £884,000 (2009 — loss £1,114,000).

Auditors' remuneration incurred by the Company during the year for audit services totalled £3,000 (2009 — £3,000), and for tax compliance services totalled £1,000 (2009 — £1,000).

3. Directors and employees remuneration

Expense recognised for employee benefits is analysed below:

	Year ended 31 January 2010 £'000	Year ended 31 January 2009 £'000
Wages and salaries	**347**	342
Benefits	**4**	4
Social security costs	**43**	41
Share-based employee remuneration	**15**	16
Pension scheme contributions — defined contribution scheme	**106**	92
	515	495
	Number	Number
The average number of persons employed by the Company during the year was:	**3**	3

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

4. Intangible fixed assets and investments

	Unlisted investments in subsidiary undertakings £'000	**Goodwill £'000**	**Negative goodwill £'000**
Cost			
At 1 February 2009 and 31 January 2010	**5,866**	**2,506**	**(197)**
Amortisation and impairment provisions			
At 1 February 2009	3,957	1,826	(197)
Amortisation provided in the year	—	95	—
At 31 January 2010	**3,957**	**1,921**	**(197)**
Net book value			
At 31 January 2010	**1,909**	**585**	**—**
At 31 January 2009	1,909	680	—

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

	Design, development, sourcing and distribution of:
Falcon Cycles Limited	Bicycles and bicycle accessories
Dawes Cycles Limited*	Bicycles and bicycle accessories
MV Sports Group Plc*	Sports, snooker and pool, outdoor play, toy and leisure products
M.V. Sports (Hong Kong) Limited	Sports, snooker and pool, outdoor play, toy and leisure products

* Denotes 100% of issued ordinary shares.

5. Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 February 2009	21
Additions	2
At 31 January 2010	**23**
Depreciation	
At 1 February 2009	20
Provided in the year	1
At 31 January 2010	**21**
Net book value	
At 31 January 2010	**2**
At 31 January 2009	1

6. Debtors

Amounts due within one year	**2010 £'000**	2009 £'000
Amounts due from subsidiary undertakings	**4,838**	4,344
Other debtors	**6**	8
Other taxation	**49**	75
Prepayments and accrued income	**9**	8
	4,902	4,435

7. Creditors — amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	**99**	76
Amounts due to subsidiary undertakings	**4,692**	4,783
Taxation and social security costs	**8**	16
Other creditors	**156**	133
Accruals	**139**	274
	5,094	5,282

8. Deferred taxation

	2010 £'000	2009 £'000
At the beginning of the year	**181**	(74)
Origination and reversal of timing differences	**114**	255
At 31 January	**295**	181

	Provided 2010 £'000	Not Provided 2010 £'000	Provided 2009 £'000	Not Provided 2009 £'000
Accelerated capital allowances	—	**(4)**	—	(5)
Short-term timing differences	—	**(16)**	—	(16)
Losses	—	**(43)**	—	(167)
Excess management expenses	—	**(690)**	—	(690)
Capital losses	—	**(774)**	—	(774)
Advance corporation tax (ACT)	—	**(51)**	—	(51)
Pensions	**295**	—	181	—
	295	**(1,578)**	181	(1,703)

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

9. Called up share capital

	Number of Shares	£'000
Authorised		
At 1 February 2008 and 1 February 2009 — ordinary shares 4p each	51,875,000	2,075
24 September 2009 Consolidation and sub-division	(43,575,000)	—
At 31 January 2010 — ordinary shares 25p each	8,300,000	2,075
At 1 February 2007, 1 February 2008 and 31 January 2009	125,000,000	1,250
Total authorised share capital at 31 January 2010	**133,300,000**	**3,325**
Allotted, called up and fully paid		
At 1 February 2008 — ordinary shares 4p each	37,584,412	1,503
20 August 2008 Share buyback	(1,600,000)	(64)
At 1 February 2009 — ordinary shares 4p each	35,984,412	1,439
24 September 2009 Consolidation and sub-division	(30,226,932)	—
25 September 2009 Share buyback	(263,080)	(65)
At 31 January 2010 — ordinary shares 25p each	**5,494,400**	**1,374**

During the year the Group purchased 263,080 of its ordinary shares and held them as treasury shares. Following the purchase there were a total of 519,080 shares held in treasury.

9. **Called up share capital** continued

Share options

The following options were held at 31 January 2010 under the Group's share option schemes:

Number of shares	1 February 2009	Granted during year	Exercised during year	Cancelled during year	**31 January 2010**	Option price per 25p ordinary share	Exercise Period
2007 Employee Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	86,400	—	—	—	**86,400**	78.91p	31/01/10–14/06/20
S J Grant	83,200	—	—	—	**83,200**	78.91p	31/01/10–14/06/20
Other employees	172,000	—	—	—	**172,000**	78.91p	31/01/10–14/06/20
1996 Approved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	15,200	—	—	—	**15,200**	71.88p	01/05/06–01/05/13
	16,000	—	—	—	**16,000**	62.50p	26/09/09–26/06/16
S J Grant	20,800	—	—	—	**20,800**	71.88p	01/05/06–01/05/13
	16,000	—	—	—	**16,000**	62.50p	26/06/09–26/06/16
Other employees	59,200	—	—	—	**59,200**	71.88p	01/05/06–01/05/13
	41,600	—	—	—	**41,600**	62.50p	26/06/09–26/06/16
1996 Unapproved Share Option Scheme							
Directors							
G Waldron	—	—	—	—	**—**	—	—
M P J Keene	26,400	—	—	—	**26,400**	71.88p	01/05/06–01/05/10
S J Grant	8,000	—	—	—	**8,000**	71.88p	01/05/06–01/05/10
Other employees	21,600	—	—	—	**21,600**	71.88p	01/05/06–01/05/10

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

		2010			2009	
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2006 (up to 2013) — Approved	**95,200**	**71.88**	**3.2**	95,200	71.88	4.2
2006 (up to 2010) — Unapproved	**56,000**	**71.88**	**0.2**	56,000	71.88	1.2
2009 (up to 2016)	**73,600**	**62.50**	**6.4**	73,600	62.50	7.4
2010 (up to 2020)	**341,600**	**78.91**	**10.4**	341,600	78.91	11.4

The ordinary share mid-market price on 31 January 2010 was 80.5p (2009 restated — 47.7p). During the year, the highest mid-market price was 85.0p (2009 restated — 120.3p) and the lowest was 34.4p (2009 restated — 42.2p). The weighted average exercise price of the options in issue was 74.9p (2009 restated — 74.9p). The ordinary share mid-market prices for the year ended 31 January 2009 have been restated for the share consolidation and sub-division which became unconditional on 24 September 2009.

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 62.50p (2009 restated — 62.50p) to 78.91p (2009 restated — 78.91p);
- 36.3% (2009 - 36.3%) to 48.0% (2009 — 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.60% (2009 — 0.86%);
- 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 £15,000 (2009 — £16,000) of share-based employee remuneration expense has been included in the consolidated income statement. No liabilities were recognised due to share-based transactions.

10. Statement of movements on reserves

	Shares held in treasury £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2009	(64)	1,036	1,427	(336)	2,063
Profit for the year	—	—	—	884	884
Net actuarial loss on pension scheme	—	—	—	(309)	(309)
Share buyback	(65)	—	—	(114)	(179)
Share-based payments	—	—	—	15	15
Transfer of intercompany impairment provisions	—	—	—	301	301
Balance at 31 January 2010	**(129)**	**1,036**	**1,427**	**441**	**2,775**

The intercompany impairment provisions relate to balances receivable and payable between wholly owned subsidiary companies. Accordingly, the provisions have been transferred to the subsidiaries to which the impairments relate.

11. 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 was £nil (2009 — £168,000).

12. Capital commitments

There were no capital commitments at 31 January 2010 or at 31 January 2009.

13. Pension arrangements

The Tandem Group Pension Plan

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

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

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

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligation at the beginning of the year	**7,383**	7,190	10,749	11,340	9,296
Current service cost	**—**	—	14	39	33
Contributions	**—**	—	2	5	5
Interest cost	**479**	439	513	545	478
Actuarial loss/(gain)	**1,090**	248	(1,227)	(697)	1,945
Benefits paid	**(488)**	(494)	(1,021)	(483)	(417)
Payment due to members following buyout of non-statutory increases	**—**	—	(352)	—	—
Past service saving	**—**	—	(1,488)	—	—
Present value of defined benefit obligation 31 January	**8,464**	7,383	7,190	10,749	11,340

13. Pension arrangements continued

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

	2010	2009	2008	2007	2006
Discount rate	**5.60%**	6.70%	6.30%	5.50%	4.90%
Increase in pensionable salaries	**—%***	—%*	3.60%	3.15%	2.75%
Increase in pensions in payment	**Up to 5.00%**	Up to 5.00%	Up to 5.00%	5.00%	5.00%
Increase in deferred pensions			**3.00% to 5.00% for all years**		
Inflation assumption	**3.50%**	3.30%	3.60%	3.15%	2.75%
Mortality assumption table	**PA92 (YOB MC)**	PA92 (YOB MC)	PA92 (C=2010)	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:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of scheme assets at the beginning of the year	**6,736**	8,161	9,202	9,139	8,041
Expected return on scheme assets	**404**	504	546	499	471
Actuarial gain/(loss)	**667**	(1,541)	(682)	(77)	953
Contributions	**91**	106	116	124	91
Benefits paid	**(488)**	(494)	(1,021)	(483)	(417)
Fair value of scheme assets at 31 January	**7,410**	6,736	8,161	9,202	9,139

The long-term expected rates of return were:

	2010	2009	2008	2007	2006
Equities	**7.4%**	7.4%	7.6%	7.5%	7.5%
Property	**6.4%**	6.4%	6.6%	6.5%	—%
Gilts	**4.4%**	4.4%	4.6%	4.5%	4.5%
Corporate Bonds	**5.6%**	6.7%	5.8%	5.5%	—%
Cash and other	**4.0%**	1.5%	5.5%	5.0%	4.5%

The value of assets in the scheme were:

	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000	At 31 January 2007 £'000	At 31 January 2006 £'000
Equities	**3,471**	3,168	3,677	4,346	3,263
Property	**809**	699	873	981	—
Gilts	**2,150**	2,012	2,686	2,910	5,839
Corporate Bonds	**802**	683	900	960	—
Cash and other	**178**	174	25	5	37
Total fair value of assets	**7,410**	6,736	8,161	9,202	9,139

* There are no members whose benefits are linked to salaries.

13. Pension arrangements continued

The reconciliation of movements in the year were as follows:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
(Deficit)/surplus at the beginning of the year	**(647)**	971	(1,547)	(2,201)	(1,255)
Movement in year:					
Current service cost	**—**	—	(14)	(39)	(33)
Contributions	**91**	106	114	119	86
Finance (cost)/income	**(75)**	65	33	(46)	(7)
Actuarial (loss)/gain	**(423)**	(1,789)	545	620	(992)
Payment due to members following buyout of non-statutory increases	**—**	—	352	—	—
Past service saving	**—**	—	1,488	—	—
(Deficit)/surplus at 31 January	**(1,054)**	(647)	971	(1,547)	(2,201)
Related deferred tax asset/(liability)	**295**	181	(272)	464	660
Net (deficit)/surplus at 31 January	**(759)**	(466)	699	(1,083)	(1,541)

	2010	2009	2008	2007	2006
History of experience gains and losses					
Difference between the actual and expected return on scheme assets					
Amount (£'000)	**667**	(1,541)	(682)	(77)	953
Percentage of scheme assets	**9.0%**	(22.9)%	(8.4)%	(0.8)%	10.4%
Experience losses on scheme liabilities					
Amount (£'000)	**1**	(542)	(539)	—	(447)
Percentage of scheme liabilities	**—%**	7.3%	7.5%	—%	3.9%
Total amount recognised					
Amount (£'000)	**(423)**	(1,789)	545	620	(992)
Percentage of the present value of the scheme liabilities	**(5.0)%**	(24.2)%	7.6%	5.8%	(8.7)%

The expected contributions in the year ending 31 January 2011 are £92,000.

14. Related party transactions

Transactions between Group companies have not been disclosed in accordance with the exemption conferred by FRS 8.

IMPORTANT INFORMATION FOR SHAREHOLDERS

Unsolicited mail

Some shareholders may receive unsolicited mail, including from unauthorised investment firms. For more information on unapproved or unauthorised investment firms, visit the website of the Financial Services Authority at www.fsa.gov.uk.

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Northern House
Woodsome Park,
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Huddersfield
HD8 0LA
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