

Tandem Group plc

Annual Report and Accounts
for the year ended 31 January 2011



Welcome to **Tandem Group plc**

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

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Financial Calendar

Annual General Meeting	27 June 2011
Interim Results for 6 months to 31 July 2011	October 2011
Annual Results for year ending 31 January 2012	May 2012

Directors and Advisers

Directors

M P J Keene	Non-Executive Chairman
S J Grant	Chief Executive Officer
J C Shears	Group Finance Director
J S T Morris	Non-Executive Director
A Q Bestwick	Non-Executive Director

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

61 Cheapside, London, EC2V 6AX

Auditor

Grant Thornton UK LLP

Enterprise House, 115 Edmund Street, Birmingham, B3 2HJ

Solicitors

Shoosmiths

125 Colmore Road, Birmingham B3 3SH

Registrars

Capita Registrars

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

Telephone 0871 664 0300

Brands

Bicycles

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

Golf

Ben Sayers

Snooker & pool

Pot Black

Football training

Kickmaster

Table sports

Pot Black

Outdoor play

Hedstrom
Hedstrom G-Max
Mike the Knight*
Raa Raa The Noisy Lion*

Plush

Fluffy Gardens*
Gogo's Crazy Bones*
Goochicoo*

Wheeled toys

Angelina Ballerina*
Ben 10*
Ben and Holly's Little Kingdom*
Bob the Builder*
Doctor Who*
Driver Dan*
Fireman Sam*
Green Lantern*
In the Night Garden*
Iron Man 2*
Little Charley Bear*
London 2012 Olympic and Paralympic Games*
Mike the Knight*
Moxie Girlz*
Raa Raa The Noisy Lion*

Skaight

Star Wars *
3rd & Bird*
The Avengers*
The First Avenger*
Thomas & Friends*
Thor*
Thundercats*
Tinga Tinga Tales*
Toot Toot Train
Transformers III*
Waybuloo*

* Under licence

Chairman's Statement

Introduction

At the beginning of the year we faced very significant cost pressures in respect of US dollar volatility, increases in freight and raw materials prices, shipping line disruptions and profit before taxation and Far East labour shortages. Notwithstanding this, turnover and profit before taxation for the half year to 31 July 2010 increased.

The 6 month period to 31 January 2011 was also challenging, particularly the pre-Christmas trading period from October to December 2010. Turnover from a bicycle promotional contract with a national retailer was over £2 million lower than last year. The inclement weather and weak consumer demand also had an adverse effect on trading with many of our customers reporting lower footfall and higher stock holdings than usual. As a result of these factors turnover for the second half of the year reduced. However, with strong management of margin and tight control of overhead your Board were still able to deliver increased profitability in that period.

Results

Revenue for the year ended 31 January 2011 reduced by 3% to £34,610,000 compared to £35,678,000 in the prior year but despite this I am very pleased to report that profit before taxation increased to £1,085,000 compared to £1,023,000 last year.

Basic earnings per share was 19.60p per share compared with 17.67p last year.

Net assets increased by £1,662,000 to £8,665,000. The year end stock position was higher than the prior year due to the early Chinese New Year which necessitated the shipping of the 2011 range ahead of the factory closures in the Far East. The pension schemes' deficits reduced significantly as a result of improvements in asset values at 31 January 2011 as explained in note 18 to the accounts.

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

Dividend

We are proposing to pay a final dividend of 2 pence per share (2010 – nil) which when combined with the interim dividend of 1 pence per share (2010 – nil) gives a total dividend of 3 pence for the year (2010 – nil). Subject to shareholder approval at the Annual General Meeting to be held on 27 June 2011, the final dividend will be paid on 1 July 2011 to shareholders on the Register as at 3 June 2011. The ex-dividend date will be 1 June 2011.

Share buyback

We have previously stated that we continue to explore ways in which to enhance shareholder value. On 14 February 2011 the Company purchased 821,500 ordinary shares and transferred them to Treasury. Based on this earnings per share at 31 January 2011 would have increased by 17% to 23.01p per share.

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. In the year to 31 January 2011 £192,000 (2010 - £191,000) was paid into the schemes to reduce the deficits in the funding and over £65,000 (2010 - £76,000) was paid out in government levies and administration costs.

Following the actuarial valuation carried out at the end of the year in accordance with International Accounting Standards, the net deficit in the schemes reduced from £1,450,000 as at 31 January 2010 to £479,000 as at 31 January 2011. However, this is significantly different to the preliminary results of the 2010 triennial actuarial valuations for both schemes which, by using the assumptions prescribed by regulatory authorities and due to the timing of the valuations, shows a larger deficit.

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.

Strategy

We continue to invest in the necessary areas to achieve our stated strategic objectives presented to shareholders in September 2010. The launch of new parts and accessories ranges has progressed as planned. New customer accounts have been opened as a result of successful trade shows. We continue to sign new licences to maintain our position as the market leader in the licensed wheeled toy sector. Export sales opportunities continue to be realised.

Outlook

The impact of the current economic climate is uncertain. After a positive start to the calendar year in January and February 2011, revenue in March and April has fallen behind the previous year. National retailers have delayed and in some cases cancelled orders in an attempt to reduce their stock holdings in line with declining retail footfall and weak consumer demand demonstrating how important new products and brand development is to the business.

Our product development teams continue to design and develop product ranges of both our own brand products and also licensed product. Despite the reduction in revenue, we expect performance in the first quarter to be in line with the previous year.

Our management team is focused on our strategic objectives and we believe we can deliver another profitable year for our shareholders.

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

Mervyn Keene

Non-Executive Chairman

3 May 2011

Business Review

Operations

For the 6 months ended 31 January 2011 revenue was £15,548,000 compared to £16,729,000 last year. Gross profit margin improved by 1.2% and overhead savings of £67,000 over the prior year resulted in an increase in profit for the second half of the year.

Revenue for the year ended 31 January 2011 was £34,610,000 compared to £35,678,000 last year despite a reduction in revenue of £2,132,000 from a bicycle promotional contract with a national retailer.

Gross profit percentage increased by 1.3% helped by the weakening US dollar in the second half of the year. Overheads continued to be tightly controlled with less than inflationary increases.

Interest payable was 38% lower at £120,000 (2010 - £194,000).

The tax charge for the year was nil (2010 - £22,000) with overseas taxation offset by movements to the deferred tax account.

The Group made a profit before taxation of £1,085,000 compared to £1,023,000 last year.

Bicycles and accessories

Revenue in our bicycles and accessories businesses of £20,032,000 was 8.7% behind last year (2010 - £21,951,000). The operating profit before management charges was £625,000 (2010 - £689,000).

Turnover, excluding the bicycle promotional contract with a national retailer, showed a small increase for the year. This was a little disappointing after being well ahead until the final quarter of 2010 when consumer demand reduced significantly due to poor weather and the challenging economic environment. Unit sales to independent retailers were marginally ahead.

Our premier brands of Claud Butler and Dawes showed a considerable increase in both units and sales revenue over the previous year. The continued product development and promotion of these brands ensured consumer loyalty.

Unit sales of our lower price point product suffered as a result of heavy competitor price discounting of mass market brands.

As a result of the poor final quarter of 2010 and the early Chinese New Year, where product was required to be shipped before year end, bicycle stocks increased. We expect this position to be corrected before the half year in 2011.

The new Claud Butler branded parts and accessories range was exhibited at the 2011 bicycle road shows. Orders placed at the shows are being delivered to retailers and are ahead of our expectations.

Deliveries to fulfil new listings with a bicycle national retailer have commenced.

Bicycles and accessories revenue for the 13 weeks to 29 April 2011 was 1.7% ahead of the previous year.

Sports, leisure and toys

Revenue from our sports, leisure and toys business of £14,578,000 was 6.2% up on last year (2010 - £13,727,000). Operating profit before management charges increased to £1,279,000 (2010 - £1,201,000).

Strong performance from our new licences Moxie Girlz, Iron Man 2 and Star Wars together with the continued growth of the well established licence for Fireman Sam helped replace the significant decline from In The Night Garden and the deficit created from Thomas & Friends following the license for the battery operated train reverting to a new master toy licensee. Ben 10 remained our number one license but was behind the exceptionally high levels of previous years.

All our own brands including Hedstrom, Kickmaster and Pot Black continued to grow. Ben Sayers had a particularly good year with revenue growth of over 20%.

Our export sales also grew considerably with a particularly strong performance in South America, consistent with our strategic objectives.

As we have previously stated, the success of our sports, leisure and toys business is dependent on securing strong licences and investing in the necessary resources to design, develop and source product at competitive prices. Our continued commitment to invention and innovation is key to sustaining our position as market leader for licensed wheeled toys.

For the current year we anticipate that Ben & Holly's Little Kingdom will perform well with the listings achieved with national retailers. In difficult economic times we expect our classic licences of Thomas & Friends, Bob The Builder and Fireman Sam to do well as consumers return to tried and trusted brands.

New high profile licences including The Avengers, Little Charley Bear, Raa Raa the Noisy Lion, Thundercats, Driver Dan and Mike The Knight have been secured for 2012 and we are optimistic about the contribution that these will make to future revenues.

We are delighted that we have secured the London 2012 Olympic and Paralympic Games licence which allows us to produce official wheeled products including adult and children's bicycles, cycling accessories and wheeled toys. Work has commenced on development and we expect to bring a limited range to market this year followed by the roll out of the full range in the first half of 2012.

Sports, leisure and toys revenue for the 13 weeks to 29 April 2011 was 22.0% down on the extremely high level in the prior year but 9.1% higher than the same period in 2009.

Business Review continued

Key performance indicators

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

	2011 Actual	2011 Target	2010 Actual
Gross profit margin The ratio of gross profit to sales expressed as a percentage	28.4%	28.8%	27.1%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	£346,000	£322,000	£357,000
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	24.9%	26.8%	23.7%
Interest cover The ratio of operating profit before goodwill impairment and exceptional items, to net interest payable on bank overdrafts and invoice finance facilities	16.7	10.0	12.8
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	15.5%	7.6%	14.6%
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	19.6	9.6	17.7

Principal risks and uncertainties

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

Suppliers

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

Fluctuations in currency exchange rates

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

Licences

A number of the Group's brands are used under licence from global licensors. The licences are generally for between two and three years. If the 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.

S J Grant

Chief Executive Officer

J C Shears

Group Finance Director

3 May 2011

Directors' Report

The Directors submit their annual report with the audited financial statements for the year ended 31 January 2011.

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 3 and 4 should be read in conjunction with this report.

Results and dividend

The results for the year ended 31 January 2011 are set out in the consolidated income statement on page 10. An interim dividend of 1 pence per ordinary share was paid on 26 November 2010 (2010 — £nil). The Directors are proposing a final dividend of 2 pence per ordinary share (2010 — £nil) payable to shareholders on the register on 3 June 2011 and will be paid on 1 July 2011.

Significant shareholders

As at 3 May 2011 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 1,282,980 shares held in treasury.

	Ordinary shares of 25p	%
Jupiter Asset Management	540,941	11.4
S E Stride	383,320	8.1
M P J Keene	200,360	4.2
R C L Davis	171,920	3.6

Directors

The present Directors are as follows:

M P J Keene

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

S J Grant

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

J C Shears (appointed 21 June 2010)

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

J S T Morris (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 was appointed to the Board in March 2010 and 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, particularly from Asia, and selling to national and independent retailers. He was appointed to the Board in April 2010.

G Waldron who served on the Board during the year resigned on 21 June 2010.

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

Held beneficially and fully paid

	3 May 2011 Ordinary shares of 25p	31 January 2011 Ordinary shares of 25p	1 February 2010 Ordinary shares of 25p
M P J Keene	200,360	200,360	173,060
S J Grant	100,000	64,000	56,000
J C Shears	21,440	1,440	1,440

In accordance with the Articles of Association, M P J Keene and J C Shears, whose service contracts may be terminated by either party giving 6 months' and 12 months' written notice respectively, retire at the Annual General Meeting and offer themselves for re-election.

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

Directors' Report continued

Directors' and officers' liability insurance

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

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

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

Environmental policies

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

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

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

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

Corporate social responsibility

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

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

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

The Group continues to be engaged in a number of projects, in conjunction with stakeholders, to reduce carbon dioxide emissions, safely and efficiently dispose of waste and, where possible, 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 2011 represent 47 days (2010 — 39 days) as a proportion of the total amount invoiced by suppliers during the year.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Directors have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The financial statements are required by law to give a true and fair view of the state of affairs and profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Group's 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. 6 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
3 May 2011

Registered number: 00616818

Corporate Governance

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

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

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

The Board has established three committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the 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. M P J Keene and J S T Morris are members of the Audit Committee. M P J Keene and A Q Bestwick are members of the Nominations Committee. Independent external advice is taken when appropriate.

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

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

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

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

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

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

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

The Group meets its day to day working capital requirements through certain overdraft facilities. The bank facilities were renewed in April 2011 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 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 and 7 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2011 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

3 May 2011

Consolidated Income Statement

	Note	2011 £'000	2010 £'000
Revenue	3	34,610	35,678
Cost of sales		(24,777)	(25,998)
Gross profit		9,833	9,680
Operating expenses	4	(8,628)	(8,463)
Operating profit		1,205	1,217
Finance costs	5	(120)	(194)
Profit before taxation		1,085	1,023
Tax expense	7	—	(22)
Net profit for the year		1,085	1,001
Earnings per share	8	Pence	Pence
Basic		19.60	17.67
Diluted		18.98	17.67

Consolidated Statement of Comprehensive Income

	2011 £'000	2010 £'000
Net profit for the year	1,085	1,001
Other comprehensive income:		
Foreign exchange differences on translation of overseas assets subsidiaries	26	(250)
Actuarial gain/(loss) on pension schemes	827	(578)
Movement in pension schemes' deferred tax provision	(272)	136
Other comprehensive income for the year	581	(692)
Total comprehensive income for the year attributable to equity shareholders	1,666	309

All figures relate to continuing operations.

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

Consolidated Balance Sheet

At 31 January 2011

	Note	2011 £'000	2010 £'000
Non current assets			
Goodwill	9	2,236	2,236
Property, plant and equipment	10	336	368
Deferred taxation	17	1,165	1,365
		3,737	3,969
Current assets			
Inventories	11	7,636	4,991
Trade and other receivables	12	4,696	3,956
Cash and cash equivalents	13	2,721	3,046
		15,053	11,993
Total assets		18,790	15,962
Current liabilities			
Trade and other payables	14	(6,880)	(5,352)
Financial liabilities	15	(2,666)	(1,856)
Current tax liabilities		(100)	(301)
		(9,646)	(7,509)
Non current liabilities			
Pension schemes' deficits	18	(479)	(1,450)
Total liabilities		(10,125)	(8,959)
Net assets		8,665	7,003
Equity			
Share capital	19	1,503	1,503
Shares held in treasury	19	(115)	(129)
Other reserves		2,785	2,759
Profit and loss account		4,492	2,870
Total equity		8,665	7,003

The financial statements were approved by the Board on 3 May 2011 and signed on its behalf by:

M P J Keene
Director

J C Shears
Director

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

Consolidated Statement of Changes in Equity

	Share capital £'000	Shares held in treasury £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 February 2009	1,503	(64)	1,036	1,427	546	2,410	6,858
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 for the year attributable to equity shareholders	—	—	—	—	(250)	559	309
Share based payments	—	—	—	—	—	15	15
Share buyback	—	(65)	—	—	—	(114)	(179)
Total transactions with owners	—	(65)	—	—	(250)	460	145
Balance at 1 February 2010	1,503	(129)	1,036	1,427	296	2,870	7,003
Net profit for the year	—	—	—	—	—	1,085	1,085
Re-translation of overseas subsidiaries	—	—	—	—	26	—	26
Net actuarial gain on pension schemes	—	—	—	—	—	555	555
Total comprehensive income for the year attributable to equity shareholders	—	—	—	—	26	1,640	1,666
Share based payments	—	—	—	—	—	12	12
Exercise of share options	—	14	—	—	—	26	40
Dividends paid	—	—	—	—	—	(56)	(56)
Total transactions with owners	—	14	—	—	26	1,622	1,662
Balance at 31 January 2011	1,503	(115)	1,036	1,427	322	4,492	8,665

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

	2011 £'000	2010 £'000
Cash flows from operating activities		
Net profit for the year	1,085	1,001
Adjustments:		
Depreciation of property, plant and equipment	98	132
Finance costs	120	194
Taxation paid	(135)	(282)
Tax expense	—	22
Share-based payments	12	15
Fair value adjustments of forward contracts	—	437
Net cash inflow from operating activities before movements in working capital	1,180	1,519
(Increase)/decrease in inventories	(2,645)	2,592
(Increase)/decrease in trade and other receivables	(813)	1,173
Increase/(decrease) in trade and other payables	1,270	(3,095)
Cash (utilised)/generated from operations	(1,008)	2,189
Cash flows from investing activities		
Purchases of property, plant and equipment	(66)	(16)
Net cash used in investing activities	(66)	(16)
Cash flows from financing activities		
Increase/(decrease) in invoice financing	810	(733)
Interest paid	(71)	(89)
Exercise of share options	40	—
Dividends paid	(56)	—
Payment to acquire own shares	—	(179)
Net cash generated/ (used) in financing activities	723	(1,001)
Net (decrease)/increase in cash and cash equivalents	(351)	1,172
Cash and cash equivalents at beginning of year	3,046	2,121
Effect of foreign exchange rate changes	26	(247)
Cash and cash equivalents at end of year	2,721	3,046

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

Notes to the Financial Statements

1. General information

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

The financial statements for the year ended 31 January 2011 (including the comparatives for the year ended 31 January 2010) were approved by the Board of Directors on 3 May 2011. Under the security regulations act of the EU, amendments to the financial statements are not permitted after they have been approved.

The Group does not have an ultimate controlling related party.

2. Accounting policies

Basis of preparation

The principal accounting policies of the Group are set out below and are consistent with those applied in the 2010 financial statements.

Overall considerations

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

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Group's latest approved budget where applicable. Judgements are based on the information available at each balance sheet date. Disclosure of the significant accounting estimates and judgements can be found on pages 18 and 19.

Basis of consolidation

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

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the consolidated financial statements of the

subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at these fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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

Foreign currency

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

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

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

The Group has taken advantage of the exemption in 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.

2. Accounting policies continued

Income recognition

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

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

Business combinations and goodwill

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

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

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

Impairment

The Group's goodwill and property, plant and equipment is subject to impairment testing.

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

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

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

Property, plant and equipment

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

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

Inventories

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

Notes to the Financial Statements continued

2. Accounting policies continued

Segment reporting

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

Leases

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

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

Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS12, 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.

2. Accounting policies continued

Financial assets

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

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

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

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

Forward foreign exchange contracts

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

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

Cash and cash equivalents

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

Equity

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

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

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

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

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

Share-based employee remuneration

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

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

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

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

Notes to the Financial Statements continued

2. Accounting policies continued

Financial liabilities

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

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

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

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

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

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.

2. Accounting policies continued

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.

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 2011.

IFRS9
IAS24 (Revised 2009)
IAS12 (Amendment)
IFRS7 (Amendment)
Improvements to IFRS issued May 2010

Financial Instruments
Related Party Disclosures
Income Taxes

Effective for annual periods:
beginning on or after 1 January 2013
beginning on or after 1 January 2011
beginning on or after 1 January 2012
beginning on or after 1 July 2011
1 July 2010 or 1 January 2011

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.

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.

Notes to the Financial Statements continued

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
2011			
Revenue	20,032	14,578	34,610
Segment result before management charges	625	1,279	1,904
Management charges	(571)	(98)	(669)
Segment result after goodwill impairment and management charges	54	1,181	1,235
Unallocated corporate expenses			(30)
Operating profit			1,205
Finance costs			(120)
Profit before taxation			1,085
Tax expense			—
Net profit for the year			1,085
Segment assets	11,506	2,749	14,255
Unallocated assets			6,496
			20,751
Segment liabilities	(8,065)	(3,088)	(11,153)
Unallocated liabilities			(933)
			(12,086)
Consolidated net assets			8,665
Capital additions	7	59	66
Depreciation and goodwill impairment	52	46	98

3. Segmental reporting continued

	Bicycles and accessories £'000	Sports, leisure and toys £'000	Total £'000
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 management charges	125	1,097	1,222
Unallocated corporate expenses			(5)
Operating profit			1,217
Finance costs			(194)
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

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
2011				
Revenue	32,528	1,390	692	34,610
Non current assets	3,734	—	3	3,737
2010				
Revenue	33,939	1,504	235	35,678
Non current assets	3,955	—	14	3,969

There were two customers (2010 — two) whose revenues from transactions amounted to 14.4% and 10.1% (2010 — 11.7% and 9.3%) of the Group's revenue.

Notes to the Financial Statements continued

4. Operating expenses

	2011 £'000	2010 £'000
Distribution costs	5,110	4,974
Administrative expenses	3,518	3,489
Total operating expenses as shown in the consolidated income statement	8,628	8,463
The operating expenses disclosed above include the following charges:		
Employee benefits expenses (note 6)	3,890	3,950
Depreciation	98	132
Other expenses	4,640	4,381
	8,628	8,463

Auditors' remuneration in the capacity as auditors of the parent Company was £3,000 (2010 — £3,000) and in the capacity as auditors of the subsidiary companies was £58,000 (2010 — £58,000). Non audit remuneration in respect of tax services totalled £19,000 (2010 — £13,000).

5. Finance costs

	2011 £'000	2010 £'000
Finance costs		
Interest payable on bank overdrafts and invoice finance facilities	(72)	(95)
Expected return on pension scheme assets less interest on liabilities	(48)	(99)
	(120)	(194)

6. Directors and employees remuneration

Employee benefits expense

Expense recognised for employee benefits is analysed below:

	2011 £'000	2010 £'000
Wages and salaries	3,402	3,390
Social security costs	337	341
Share-based employee remuneration	12	15
Pension scheme contributions — defined contribution schemes	139	204
	3,890	3,950

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

6. Directors and employees remuneration continued

Directors' remuneration

	Year ended 31 January 2011					Total £'000	Year ended 31 January 2010 £'000
	Salary/Fee £'000	Compensation for loss of office £'000	Performance bonus £'000	Benefits in kind £'000	Pension contribution £'000		
M P J Keene	68	—	20	2	26	116	276
S J Grant	124	—	78	4	29	235	242
J C Shears ¹	57	—	7	2	32	98	—
J S T Morris ²	17	—	—	—	—	17	—
A Q Bestwick ³	16	—	—	—	—	16	—
G Waldron ⁴	21	37	—	—	—	58	50
	303	37	105	8	87	540	568

¹ J C Shears was appointed to the Board on 21 June 2010

² J S T Morris was appointed to the Board on 23 March 2010

³ A Q Bestwick was appointed to the Board on 14 April 2010

⁴ G Waldron resigned from the Board on 21 June 2010

In addition to the above the total charge for Employer's National Insurance for the year was £33,000 (2010 — £42,000). During the year and in the previous year the Group contributed to defined contribution pension schemes for M P J Keene, S J Grant and J C Shears. The related share-based remuneration charge was £7,000 (2010 — £8,000) of which £4,000 (2010 — £4,000) relates to M P J Keene and £3,000 (2010 — £4,000) relates to S J Grant.

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

Notes to the Financial Statements continued

6. Directors and employees remuneration continued

Share-based employee remuneration

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

Number of shares	1 February 2010	Granted during year	Exercised during year	Cancelled during year	31 January 2011	Option price per 25p ordinary share	Exercise period
<i>2007 Employee Share Option Scheme</i>							
Directors							
M P J Keene	86,400	—	—	—	86,400	78.91p	31/01/10 – 14/06/17
S J Grant	83,200	—	—	—	83,200	78.91p	31/01/10 – 14/06/17
J C Shears	8,000	—	—	—	8,000	78.91p	31/01/10 – 14/06/17
Other employees	164,000	—	—	(16,000)	148,000	78.91p	31/01/10 – 14/06/17
<i>1996 Approved Share Option Scheme</i>							
Directors							
M P J Keene	15,200	—	—	—	15,200	71.88p	01/05/06 – 01/05/13
	16,000	—	—	—	16,000	62.50p	26/09/09 – 26/06/16
S J Grant	20,800	—	—	—	20,800	71.88p	01/05/06 – 01/05/13
	16,000	—	—	—	16,000	62.50p	26/06/09 – 26/06/16
Other employees	59,200	—	—	—	59,200	71.88p	01/05/06 – 01/05/13
	41,600	—	(9,600)	—	32,000	62.50p	26/06/09 – 26/06/16
<i>1996 Unapproved Share Option Scheme</i>							
Directors							
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	—	(13,600)	(8,000)	—	71.88p	01/05/06 – 01/05/10

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

	2011			2010		
	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	2.2	95,200	71.88	3.2
2006 (up to 2010) — Unapproved	—	—	—	56,000	71.88	0.2
2009 (up to 2016)	64,000	62.50	5.4	73,600	62.50	6.4
2010 (up to 2017)	325,600	78.91	9.4	341,600	78.91	10.4

The ordinary share mid-market price on 31 January 2011 was 159.5p (2010 — 80.5p). During the year, the highest mid-market price was 171.5p (2010 — 85.0p) and the lowest was 64.0p (2010 — 34.4p). The weighted average exercise price of the options in issue was 75.4p (2010 — 74.9p).

6. Directors and employees remuneration continued

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

- exercise prices of 62.50p (2010 — 62.50p) to 78.91p (2010 — 78.91p);
- 36.3% (2010 — 36.3%) to 48.0% (2010 — 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.60% (2010 — 0.60%); and
- all options are assumed to vest after three and a half years from the date of grant of the options.

In total £12,000 (2010 — £15,000) 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% (2010 — 28%) and the actual tax income recognised in the consolidated income statement can be reconciled as follows:

	2011 £'000	%	2010 £'000	%
Profit before taxation	1,085		1,023	
Tax rate	28%		28%	
Expected tax expense	304	28.0	286	28.0
Expenses not deductible for tax purposes	(40)	(13.0)	2	0.2
Movement in unrecognised deferred tax asset	(172)	(56.6)	(198)	(19.4)
Effect of differing rates on overseas taxation	(229)	(75.3)	(68)	(6.6)
Effect of change in tax rate	137	45.1	—	—
Actual tax expense	—	—	22	2.2
Actual tax expense comprises:				
Current tax expense	72		242	
Deferred tax (credit)/charge	(72)		(220)	
	—		22	

There is no tax expense or credit in relation to share-based payments credited to equity. At 31 January 2011 there are trading losses and loan relationship deficits of approximately £14,141,000 (2010 — £14,164,000) available for carry forward against future profits of the same trade.

Notes to the Financial Statements continued

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:

	2011 £'000	2010 £'000
Net profit for the year	1,085	1,001
Weighted average shares in issue (excluding shares held in Treasury) used for basic earnings per share	5,536,482	5,665,222
Weighted average dilutive shares under option	179,533	—
Average number of shares used for diluted earnings per share	5,716,015	5,665,222
	Pence	Pence
Basic earnings per share	19.60	17.67
Diluted earnings per share	18.98	17.67

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.

9. Goodwill

	Goodwill £'000
Gross carrying amount at 1 February 2009, 1 February 2010 and 31 January 2011	7,193
Impairment provisions at 1 February 2009, 1 February 2010 and 31 July 2011	4,957
Net book value At 31 January 2011	2,236
At 31 January 2010	2,236

Goodwill above relates to the following cash generating units:

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

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

9. Goodwill continued

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

The recoverable amounts were determined based on a value-in-use calculation, covering a detailed one year conservative forecast, followed by an extrapolation of expected cash flow over the next four years at growth rates of between 5.0% and 7.5%, which represents a conservative long term average growth rate, followed by year five cash flows in perpetuity. The growth rates used do not exceed the long term average growth for the market in which the Group operates but they exceed the overall long term average growth rates for the UK. This is appropriate because this sector is expected to continue to grow at above-average rates for the foreseeable future. A forecast period of ten years has been used representing the expected minimum period that the business model is sustainable assuming no significant changes in the business. The discount rate used is 12.65% which is considered to be suitable for each cash generating unit as they operate in similar markets. No sensitivities have been applied to the calculation.

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

10. Property, plant and equipment

	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Gross carrying amount				
At 1 February 2009	452	22	2,087	2,561
Additions	—	—	16	16
Disposals	—	—	(14)	(14)
Foreign exchange adjustments	(6)	—	(12)	(18)
At 1 February 2010	446	22	2,077	2,545
Additions	49	—	17	66
Disposals	—	—	(25)	(25)
At 31 January 2011	495	22	2,069	2,586
Depreciation				
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 1 February 2010	322	22	1,833	2,177
Provided in the year	30	—	68	98
Eliminated on disposals	—	—	(25)	(25)
At 31 January 2011	352	22	1,876	2,250
Net book amount at 31 January 2011	143	—	193	336
Net book amount at 31 January 2010	124	—	244	368

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

Notes to the Financial Statements continued**11. Inventories**

	2011 £'000	2010 £'000
Finished goods for resale	7,636	4,991

Cost of sales includes material costs of £23,369,000 (2010 — £24,339,000) and other costs of £1,408,000 (2010 — £1,659,000).

12. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	4,239	3,569
Prepayments and accrued income	356	294
Other receivables	101	93
	4,696	3,956

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 £54,000 (2010 — £115,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	2011 £'000	2010 £'000
At 1 February	115	369
Amounts written off	(25)	(84)
Impairment loss	11	91
Impairment loss reversed	(47)	(261)
At 31 January	54	115

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

	2011 £'000	2010 £'000
Not past due	3,395	3,046
Past due 0–90 days	802	517
Past due 91–180 days	30	1
Past due more than 180 days	12	5
	4,239	3,569

13. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash and cash equivalents per consolidated cash flow statement	2,721	3,046

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

14. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	4,751	3,359
Other payables	2,129	1,993
	6,880	5,352

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

	2011 £'000	2010 £'000
Invoice finance liability	2,666	1,856

Notes to the Financial Statements continued**16. Financial assets and liabilities**

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

	2011			2010		
	Loans and receivables £'000	Assets not within the scope of IAS39 £'000	Total £'000	Loans and receivables £'000	Assets not within the scope of IAS39 £'000	Total £'000
Cash and cash equivalents:						
— Sterling	1,143	—	1,143	247	—	247
— US Dollars	1,431	—	1,431	2,804	—	2,804
— Euro	(17)	—	(17)	(8)	—	(8)
— Others	164	—	164	3	—	3
	2,721	—	2,721	3,046	—	3,046
Trade and other receivables	4,322	374	4,696	3,594	362	3,956
Inventories	—	7,636	7,636	—	4,991	4,991
Current assets	7,043	8,010	15,053	6,640	5,353	11,993

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

	2011			2010		
	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS39 £'000	Total £'000
Trade and other payables	5,344	1,536	6,880	4,146	1,206	5,352
Invoice finance liability	2,666	—	2,666	1,856	—	1,856
Current tax liability	—	100	100	—	301	301
Current liabilities	8,010	1,636	9,646	6,002	1,507	7,509

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

Interest rate risk

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

Liquidity risk

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

16. Financial assets and liabilities continued*Credit risk*

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

Foreign currency risk

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

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

The Group's US Dollar forward contracts relate to cash flows that have been forecasted for 2011. At 31 January 2011, no gain or losses (2010 — loss £437,000) have been recorded in the consolidated income statement in relation to these instruments. There is no fair value adjustment for foreign exchange contracts held at 31 January 2011.

17. Deferred taxation

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

	2009 £'000	Movement in the year £'000	2010 £'000	Movement in the year £'000	2011 £'000
Provided					
Pension obligations	(270)	(136)	(406)	272	(134)
Accelerated capital allowances	(688)	191	(497)	(14)	(511)
Short term temporary differences	47	(54)	(7)	(8)	(15)
Unused tax losses	(98)	(357)	(455)	(50)	(505)
Total	(1,009)	(356)	(1,365)	200	(1,165)
Presented as:					
Deferred tax asset	(1,009)	(356)	(1,365)	200	(1,165)
Unprovided					
Accelerated capital allowances	(27)	(48)	(75)	58	(17)
Short term temporary differences	(22)	(26)	(48)	18	(30)
Unused tax losses	(3,106)	287	(2,819)	171	(2,648)
Capital losses	(1,866)	(292)	(2,158)	359	(1,799)
ACT	(648)	—	(648)	—	(648)
Total	(5,669)	(79)	(5,748)	606	(5,142)

The provision of a deferred tax asset is based on the future trading forecasts for the Group.

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

Notes to the Financial Statements continued

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 Defined Accrued Benefit Method.

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligation at the beginning of the year	8,464	7,383	7,190	10,749	11,340
Current service cost	—	—	—	14	39
Contributions	—	—	—	2	5
Interest cost	458	479	439	513	545
Actuarial (gain)/loss	(105)	1,090	248	(1,227)	(697)
Benefits paid	(580)	(488)	(494)	(1,021)	(483)
Payment due to members following buyout of non-statutory increases	—	—	—	(352)	—
Past service saving	—	—	—	(1,488)	—
Present value of defined benefit obligation 31 January	8,237	8,464	7,383	7,190	10,749

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

	2011	2010	2009	2008	2007
Discount rate	5.70%	5.60%	6.70%	6.30%	5.50%
Increase in pensionable salaries	—%*	—%*	—%*	3.60%	3.15%
Increase in pensions in payment	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%	5.00%
Increase in deferred pensions					
Inflation assumption	3.50%	3.50%	3.30%	3.60%	3.15%
Mortality assumption table	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (C=2010)	PA92 (C=2010)	PA92 (C=2010)

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

18. Pension scheme arrangements continued

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

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets at the beginning of the year	7,410	6,736	8,161	9,202	9,139
Expected return on scheme assets	440	404	504	546	499
Actuarial gain/(loss)	514	667	(1,541)	(682)	(77)
Contributions	91	91	106	116	124
Benefits paid	(580)	(488)	(494)	(1,021)	(483)
Fair value of scheme assets at 31 January	7,875	7,410	6,736	8,161	9,202

The long term expected rates of return were:

	2011	2010	2009	2008	2007
Equities	7.4%	7.4%	7.4%	7.6%	7.5%
Property	6.3%	6.4%	6.4%	6.6%	6.5%
Gilts	4.3%	4.4%	4.4%	4.6%	4.5%
Corporate Bonds	5.7%	5.6%	6.7%	5.8%	5.5%
Cash and other	4.0%	4.0%	1.5%	5.5%	5.0%

The value of assets in the scheme were:

	At 31 January	At 31 January	At 31 January	At 31 January	At 31 January
	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Equities	4,797	3,471	3,168	3,677	4,346
Property	707	809	699	873	981
Gilts	1,350	2,150	2,012	2,686	2,910
Corporate Bonds	780	802	683	900	960
Cash and other	241	178	174	25	5
Total fair value of assets	7,875	7,410	6,736	8,161	9,202

Notes to the Financial Statements continued

18. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
(Deficit)/surplus at the beginning of the year	(1,054)	(647)	971	(1,547)	(2,201)
Movement in year:					
Current service cost	—	—	—	(14)	(39)
Contributions	91	91	106	114	119
Finance (cost)/income	(18)	(75)	65	33	(46)
Actuarial gain/(loss)	619	(423)	(1,789)	545	620
Payment due to members following buyout of non-statutory increases	—	—	—	352	—
Past service saving	—	—	—	1,488	—
(Deficit)/surplus at 31 January	(362)	(1,054)	(647)	971	(1,547)
Related deferred tax asset/(liability)	101	295	181	(272)	464
Net (deficit)/surplus at 31 January	(261)	(759)	(466)	699	(1,083)
	2011	2010	2009	2008	2007
History of experience gains and losses					
<i>Difference between the actual and expected return on scheme assets</i>					
Amount (£'000)	514	667	(1,541)	(682)	(77)
Percentage of scheme assets	6.5%	9.0%	(22.9)%	(8.4)%	(0.8)%
Experience losses on scheme liabilities					
Amount (£'000)	—	1	(542)	(539)	—
Percentage of scheme liabilities	—%	—%	7.3%	7.5%	—%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	619	(423)	(1,789)	545	620
Percentage of the present value of the scheme liabilities	7.5%	(5.0)%	(24.2)%	7.6%	5.8%

The expected contributions in the year ending 31 January 2012 are £96,000 although this may change following the results of the 2010 triennial valuation.

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:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligation at the beginning of the year	2,140	1,737	2,171	2,223	2,304
Interest cost	117	113	135	121	112
Actuarial (gain)/loss	(33)	391	(511)	(124)	(168)
Benefits paid	(92)	(101)	(58)	(49)	(25)
Present value of defined benefit obligation 31 January	2,132	2,140	1,737	2,171	2,223

18. Pension scheme arrangements continued

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

	2011	2010	2009	2008	2007
Discount rate	5.70%	5.60%	6.70%	6.30%	5.50%
Increase in pensions in payment	3.50%	3.50%	3.30%	3.60%	3.15%
Increase in pensionable salaries*	—%	—%	—%	—%	—%
Increase in deferred pensions	3.00%	3.50%	3.30%	3.60%	3.15%
Inflation assumption	3.50%	3.50%	3.30%	3.60%	3.15%
Mortality assumption table	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (C=2010)	PA92 (C=2010)

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

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

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets at the beginning of the year	1,744	1,420	1,625	1,633	1,468
Expected return on scheme assets	87	89	110	109	99
Actuarial gain/(loss)	175	236	(367)	(169)	(10)
Contributions	101	100	110	101	101
Benefits paid	(92)	(101)	(58)	(49)	(25)
Fair value of scheme assets at 31 January	2,015	1,744	1,420	1,625	1,633

The long term expected rates of return were:

	2011	2010	2009	2008	2007
Equities	7.3%	7.4%	7.4%	7.6%	7.5%
Property	6.3%	6.4%	6.4%	6.6%	6.5%
Gilts	4.3%	4.4%	4.4%	4.6%	4.5%
Corporate bonds	5.7%	5.6%	6.7%	—%	—%
Cash and other	4.0%	4.0%	1.5%	5.5%	5.0%

The value of assets in the scheme were:

	At 31 January	At 31 January	At 31 January	At 31 January	At 31 January
	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Equities	1,436	104	810	952	977
Property	24	44	183	207	244
Gilts	239	1,014	377	422	394
Corporate bonds	235	496	—	—	—
Cash and other	81	86	50	44	18
Total fair value of assets	2,015	1,744	1,420	1,625	1,633

Notes to the Financial Statements continued

18. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Deficit at the beginning of the year	(396)	(317)	(546)	(590)	(836)
Movement in year:					
Contributions	101	100	110	101	101
Other finance cost	(30)	(24)	(25)	(12)	(13)
Actuarial (loss)/gain	208	(155)	144	(45)	158
Deficit at 31 January	(117)	(396)	(317)	(546)	(590)
Related deferred tax asset	33	111	89	153	177
Net deficit at 31 January	(84)	(285)	(228)	(393)	(413)

	2011	2010	2009	2008	2007
History of experience gains and losses					
<i>Difference between the actual and expected return on scheme assets</i>					
Amount (£'000)	175	236	(367)	(169)	(10)
Percentage of scheme assets	8.7%	13.5%	(25.8)%	(10.4)%	(0.6)%
Experience gains/(losses) on scheme liabilities					
Amount (£'000)	—	—	351	—	103
Percentage of scheme liabilities	—%	—%	20.2%	—%	4.6%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	208	(155)	144	(45)	158
Percentage of the present value of the scheme liabilities	9.8%	(7.2)%	8.3%	(2.1)%	7.1%

The expected contributions in the year ending 31 January 2012 are £101,000 although this may change following the results of the 2010 triennial valuation.

Group pension scheme deficit

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
<i>(Deficit)/surplus</i>					
The Tandem Group Pension Plan	(362)	(1,054)	(647)	971	(1,547)
The Casket Group Retirement and Death Benefit Scheme	(117)	(396)	(317)	(546)	(590)
	(479)	(1,450)	(964)	425	(2,137)
<i>Related deferred tax asset/(liability)</i>					
The Tandem Group Pension Plan	101	295	181	(272)	464
The Casket Group Retirement and Death Benefit Scheme	33	111	89	153	177
	(345)	(1,044)	(694)	306	(1,496)

18. Pension scheme arrangements continued

The amounts recognised in the consolidated statement of comprehensive income in the year ended 31 January 2011 are a gain of £425,000 in respect of the Tandem Group Pension plan and a gain of £130,000 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 £1,306,000 in total in respect of both schemes.

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

19. Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 February 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 1 February 2010 — ordinary shares 25p each	5,494,400	1,374
29 April 2010 Exercise of share options	48,000	12
30 June 2010 Exercise of share options	9,600	2
At 31 January 2011 — ordinary shares 25p each	5,552,000	1,388

On 14 February 2011 the Group purchased 821,500 of its ordinary shares and held them as treasury shares. Following the purchase there were a total of 1,282,980 ordinary shares held in treasury.

20. Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £630,000 (2010 — £607,000) and for other operating leases was £177,000 (2010 — £213,000).

	At 31 January 2011		At 31 January 2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating lease commitments				
Total future minimum payments under operating leases:				
Within 1 year	725	204	691	186
Within 2 to 5 years	2,301	255	2,344	242
More than 5 years	84	—	420	—
	3,110	459	3,455	428

Total future minimum lease commitments include £414,000 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.

Notes to the Financial Statements continued

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 2011 or 31 January 2010.

23. Capital management policies and procedures

The Group's capital management objectives are:

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

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

Five Year History

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Revenue	34,610	35,678	35,161	34,878	33,785
Cost of sales	(24,777)	(25,998)	(24,193)	(23,753)	(23,169)
Gross profit	9,833	9,680	10,968	11,125	10,616
Operating expenses	(8,628)	(8,463)	(9,842)	(9,757)	(9,696)
Goodwill impairment	—	—	(425)	(16)	—
Operating profit	1,205	1,217	701	1,352	920
Finance costs	(120)	(194)	(173)	(280)	(271)
Finance income	—	—	65	33	—
Profit before taxation	1,085	1,023	593	1,105	649
Tax expense	—	(22)	(278)	—	297
Net profit for the year	1,085	1,001	315	1,105	946

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

Company Balance Sheet under UK GAAP

At 31 January 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	4	490	585
Investments	4	—	1,909
Tangible assets	5	1	2
		491	2,496
Current assets			
Debtors	6	4,544	4,902
Cash at bank and in hand		5,306	2,733
		9,850	7,635
Creditors — amounts falling due within one year	7	(474)	(5,094)
		9,376	2,541
Net current assets			
Total assets less current liabilities and net assets before pension scheme deficit			
		9,867	5,037
Net pension scheme deficit	13	(261)	(759)
		9,606	4,278
Net assets after pension scheme deficit			
Capital and reserves			
Called up share capital	9	1,503	1,503
Shares held in treasury	10	(115)	(129)
Merger reserve	10	1,036	1,036
Capital redemption reserve	10	1,427	1,427
Profit and loss account	10	5,755	441
		9,606	4,278
Shareholders' funds			

The financial statements were approved by the Board of Directors on 3 May 2011.

M P J Keene
Director

J C Shears
Director

The accompanying notes on pages 40 to 48 form part of these UK GAAP financial statements.

Notes to the UK GAAP Financial Statements

1. Accounting policies

Basis of preparation

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

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

Investments

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

Goodwill

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

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

Tangible fixed assets

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

Plant and machinery	3–10 years
---------------------	------------

Foreign exchange

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

Financial instruments

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

Deferred taxation

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

Pension costs

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

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

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

For further pension information see note 13.

Equity

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

Share-based employee remuneration

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

1. Accounting policies continued

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

All share-based remuneration is ultimately recognised as an expense in the profit and loss account with a corresponding credit to reserves, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number

of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

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

2. Profit for the financial year

The Company has taken advantage of section 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 £4,907,000 (2010 — £884,000).

Auditors' remuneration incurred by the Company during the year for audit services totalled £3,000 (2010 — £3,000), and for tax compliance services totalled £1,000 (2010 — £1,000).

3. Directors and employees remuneration

Expense recognised for employee benefits is analysed below:

	2011 £'000	2010 £'000
Salaries	287	347
Benefits in kind	3	4
Social security costs	30	43
Share-based employee remuneration	12	15
Pension scheme contributions — defined contribution schemes	60	106
	392	515

	Number	Number
The average number of persons employed by the Company during the year was:	5	3

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

Notes to the UK GAAP Financial Statements continued

4. Intangible fixed assets and investments

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
Cost			
At 1 February 2010	5,866	2,506	(197)
Investments in subsidiary companies	3,368	—	—
At 31 January 2011	9,234	2,506	(197)
Impairment and amortisation provisions			
At 1 February 2010	3,957	1,921	(197)
Impairment and amortisation provided in the year	5,277	95	—
At 31 January 2011	9,234	2,016	(197)
Net book value			
At 31 January 2011	—	490	—
At 31 January 2010	1,909	580	—

Following a Group reorganisation and subsequent impairment review, certain investments were found to be impaired and accordingly an impairment provision of £5,277,000 was recorded in the year. 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.

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

* denotes 100% of issued ordinary shares

† denotes 100% indirect ownership of issued ordinary shares

5. Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 February 2010 and at 31 January 2011	23
Depreciation	
At 1 February 2010	21
Provided in the year	1
At 31 January 2011	22
Net book value	
At 31 January 2011	1
At 31 January 2010	2

6. Debtors

	2011 £'000	2010 £'000
<i>Amounts due within one year</i>		
Amounts due from subsidiary undertakings	4,454	4,838
Other debtors	9	6
Other taxation	64	49
Prepayments and accrued income	17	9
	4,544	4,902

7. Creditors — amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	100	99
Amounts due to subsidiary undertakings	77	4,692
Taxation and social security costs	10	8
Other creditors	131	156
Accruals	156	139
	474	5,094

8. Deferred taxation

	2011 £'000	2010 £'000
At 1 February	295	181
Origination and reversal of timing differences	(194)	114
At 31 January	101	295

	Provided 2011 £'000	Not Provided 2011 £'000	Provided 2010 £'000	Not Provided 2010 £'000
Accelerated capital allowances	—	(3)	—	(4)
Short term timing differences	—	(5)	—	(16)
Losses	—	(62)	—	(43)
Excess management expenses	—	—	—	(690)
Capital losses	—	(746)	—	(774)
Advance corporation tax (ACT)	—	(51)	—	(51)
Pensions	101	—	295	—
	101	(867)	295	(1,578)

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.

Notes to the UK GAAP Financial Statements continued

9. Called up share capital

	Number of Shares	£'000
Allotted, called up and fully paid		
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 1 February 2010 — ordinary shares 25p each	5,494,400	1,374
29 April 2010 Exercise of share options	48,000	12
30 June 2010 Exercise of share options	9,600	2
At 31 January 2011 — ordinary shares 25p each	5,552,000	1,388

On 14 February 2011 the Group purchased 821,500 of its ordinary shares and held them as treasury shares. Following the purchase there were a total of 1,282,980 ordinary shares held in treasury.

Share options

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

Number of shares	1 February 2010	Granted during year	Exercised during year	Cancelled during year	31 January 2011	Option price per 25p ordinary share	Exercise period
<i>2007 Employee Share Option Scheme</i>							
Directors							
M P J Keene	86,400	—	—	—	86,400	78.91p	31/01/10 – 14/06/17
S J Grant	83,200	—	—	—	83,200	78.91p	31/01/10 – 14/06/17
J C Shears	8,000	—	—	—	8,000	78.91p	31/01/10 – 14/06/17
Other employees	164,000	—	—	(16,000)	148,000	78.91p	31/01/10 – 14/06/17
<i>1996 Approved Share Option Scheme</i>							
Directors							
M P J Keene	15,200	—	—	—	15,200	71.88p	01/05/06 – 01/05/13
	16,000	—	—	—	16,000	62.50p	26/09/09 – 26/06/16
S J Grant	20,800	—	—	—	20,800	71.88p	01/05/06 – 01/05/13
	16,000	—	—	—	16,000	62.50p	26/06/09 – 26/06/16
Other employees	59,200	—	—	—	59,200	71.88p	01/05/06 – 01/05/13
	41,600	—	(9,600)	—	32,000	62.50p	26/06/09 – 26/06/16
<i>1996 Unapproved Share Option Scheme</i>							
Directors							
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	—	(13,600)	(8,000)	—	71.88p	01/05/06 – 01/05/10

9. Called up share capital continued

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

	2011			2010		
	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	2.2	95,200	71.88	3.2
2006 (up to 2010) — Unapproved	—	—	—	56,000	71.88	0.2
2009 (up to 2016)	64,000	62.50	5.4	73,600	62.50	6.4
2010 (up to 2017)	325,600	78.91	9.4	341,600	78.91	10.4

The ordinary share mid-market price on 31 January 2011 was 159.5p (2010 — 80.5p). During the year, the highest mid-market price was 171.5p (2010 — 85.0p) and the lowest was 64.0p (2010 — 34.4p). The weighted average exercise price of the options in issue was 75.4p (2010 — 74.9p).

The fair value of options granted was determined for FRS20 using the Black-Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 62.50p (2010 — 62.50p) to 78.91p (2010 — 78.91p);
- 36.3% (2010 — 36.3%) to 48.0% (2010 — 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.60% (2010 — 0.60%); and
- all options are assumed to vest after three and a half years from the date of grant of the options.

In total £12,000 (2010 — £15,000) of share-based employee remuneration expense has been included in the profit and loss account. 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 2010	(129)	1,036	1,427	441	2,775
Profit for the year	—	—	—	4,907	4,907
Net actuarial gain on pension scheme	—	—	—	425	425
Exercise of share options	14	—	—	26	40
Share-based payments	—	—	—	12	12
Dividends paid	—	—	—	(56)	(56)
Balance at 31 January 2011	(115)	1,036	1,427	5,755	8,103

Notes to the UK GAAP Financial Statements continued

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 £2,585,000 (2010 — £nil).

12. Capital commitments

There were no capital commitments at 31 January 2011 or at 31 January 2010.

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 Defined Accrual Benefit Method.

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligation at the beginning of the year	8,464	7,383	7,190	10,749	11,340
Current service cost	—	—	—	14	39
Contributions	—	—	—	2	5
Interest cost	458	479	439	513	545
Actuarial (gain)/loss	(105)	1,090	248	(1,227)	(697)
Benefits paid	(580)	(488)	(494)	(1,021)	(483)
Payment due to members following buyout of non-statutory increases	—	—	—	(352)	—
Past service saving	—	—	—	(1,488)	—
Present value of defined benefit obligation 31 January	8,237	8,464	7,383	7,190	10,749

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

	2011	2010	2009	2008	2007
Discount rate	5.70%	5.60%	6.70%	6.30%	5.50%
Increase in pensionable salaries	— %*	— %*	— %*	3.60%	3.15%
Increase in pensions in payment	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%	5.00%
Increase in deferred pensions					
Inflation assumption	3.50%	3.50%	3.30%	3.60%	3.15%
Mortality assumption table	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (C=2010)	PA92 (C=2010)

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

13. Pension arrangements continued

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of scheme assets at the beginning of the year	7,410	6,736	8,161	9,202	9,139
Expected return on scheme assets	440	404	504	546	499
Actuarial gain/(loss)	514	667	(1,541)	(682)	(77)
Contributions	91	91	106	116	124
Benefits paid	(580)	(488)	(494)	(1,021)	(483)
Fair value of scheme assets at 31 January	7,875	7,410	6,736	8,161	9,202

The long term expected rates of return were:

	2011	2010	2009	2008	2007
Equities	7.4%	7.4%	7.4%	7.6%	7.5%
Property	6.3%	6.4%	6.4%	6.6%	6.5%
Gilts	4.3%	4.4%	4.4%	4.6%	4.5%
Corporate Bonds	5.7%	5.6%	6.7%	5.8%	5.5%
Cash and other	4.0%	4.0%	1.5%	5.5%	5.0%

The value of assets in the scheme were:

	At 31 January 2011 £'000	At 31 January 2010 £'000	At 31 January 2009 £'000	At 31 January 2008 £'000	At 31 January 2007 £'000
Equities	4,797	3,471	3,168	3,677	4,346
Property	707	809	699	873	981
Gilts	1,350	2,150	2,012	2,686	2,910
Corporate Bonds	780	802	683	900	960
Cash and other	241	178	174	25	5
Total fair value of assets	7,875	7,410	6,736	8,161	9,202

Notes to the UK GAAP Financial Statements continued

13. Pension arrangements continued

The reconciliation of movements in the year were as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
(Deficit)/surplus at the beginning of the year	(1,054)	(647)	971	(1,547)	(2,201)
Movement in year:					
Current service cost	—	—	—	(14)	(39)
Contributions	91	91	106	114	119
Finance (cost)/income	(18)	(75)	65	33	(46)
Actuarial gain/(loss)	619	(423)	(1,789)	545	620
Payment due to members following buyout of non-statutory increases	—	—	—	352	—
Past service saving	—	—	—	1,488	—
(Deficit)/surplus at 31 January	(362)	(1,054)	(647)	971	(1,547)
Related deferred tax asset/(liability)	101	295	181	(272)	464
Net (deficit)/surplus at 31 January	(261)	(759)	(466)	699	(1,083)
	2011	2010	2009	2008	2007
History of experience gains and losses					
<i>Difference between the actual and expected return on scheme assets</i>					
Amount (£'000)	514	667	(1,541)	(682)	(77)
Percentage of scheme assets	6.5%	9.0%	(22.9)%	(8.4)%	(0.8)%
Experience losses on scheme liabilities					
Amount (£'000)	—	1	(542)	(539)	—
Percentage of scheme liabilities	—%	—%	7.3%	7.5%	—%
Total amount recognised in the consolidated statement of comprehensive income					
Amount (£'000)	619	(423)	(1,789)	545	620
Percentage of the present value of the scheme liabilities	7.5%	(5.0)%	(24.2)%	7.6%	5.8%

The expected contributions in the year ending 31 January 2012 are £96,000 although this may change following the results of the 2010 triennial valuation.

14. Related party transactions

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

Dividends

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

Duplicate mailings

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

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

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