TANDEM GROUP PLC

("Tandem" or the "Group")

HALF YEARLY REPORT

The Board of Tandem announces its half yearly report for the six months to 30 June 2015.

CHAIRMAN'S STATEMENT

Results

Group revenue in the six months to 30 June 2015 increased to £15,585,000 compared to £13,735,000 in the six months to 30 June 2014. Gross profit was £5,052,000 compared with £4,051,000 in 2014. The Pro Rider acquisition helped this growth.

There was an increase in operating expenses to £4,288,000 against £3,881,000 in the six months to 30 June 2014 through a combination of costs relating to both organic growth and the acquisition.

The operating profit before exceptional costs was £764,000 compared to £170,000 in the six months to 30 June 2014. There were no exceptional costs incurred during the period (six months to 30 June 2014 - £73,000).

Finance costs were £420,000 in the six months to 30 June 2015 against net finance income of £116,000 in 2014. Included in this figure was a fair value charge for foreign currency derivative contracts of £230,000 shown in non-underlying items. This was in contrast to the prior period where there was finance income of £272,000, a swing of £502,000. Also included in non-underlying items were finance costs of £85,000 in respect of the pension schemes (six months to 30 June 2014 – income £85,000).

The profit before taxation and non-underlying items for the period was £659,000 compared to £99,000 in the six month period to 30 June 2014.

The profit before taxation after non-underlying items for the period was £344,000 compared to £213,000 in the six month period to 30 June 2014.

There was a tax credit of £11,000 compared to tax expense of £73,000 in the prior period. Included in this total was a tax credit of £46,000 relating to deferred tax on the foreign currency derivative contracts (six months to 30 June 2014 – expense £57,000).

Net profit for the period was £355,000 (six months to 30 June 2014 – £140,000).

Basic earnings per share in the six months to 30 June 2015 was 7.60p compared to 3.00p in the prior period.

Net assets increased from £5,597,000 at 30 June 2014 to £6,843,000 at 30 June 2015.

Inventories were higher than the prior period at £7,983,000 (30 June 2014 – £5,104,000) principally due to the Pro Rider business and higher levels of stock holdings in the bicycle businesses.

There was an overdraft of £545,000 at 30 June 2015 compared to cash and cash equivalents of £2,124,000 at 30 June 2014, again reflecting the Pro Rider acquisition. Net debt increased to £6,164,000 at 30 June 2015 against £3,804,000 at 30 June 2014.

Bicycles, accessories and mobility

Revenue from our bicycles, bicycle accessories and mobility businesses increased from £7,463,000 in 2014 to £8,397,000, an increase of 12.5%.

Operating profit was £597,000 (2014 - £159,000).

The growth from our national retailer bicycles business, including the Falcon, Townsend, Elswick, Boss, Zombie and British Eagle brands, continued during the period with increased listings and a large supermarket promotion.

In the independent cycle market, competition remained fierce in both the Claud Butler and Dawes businesses. The leisure sector continued to be challenging with many suppliers competing for business in a stagnant or declining market.

Sales of the Dawes junior range, particularly the lightweight 'Academy' models increased in the period but we believe trading will be tough in both businesses for the remainder of the year.

In our Pro Rider business, sales of mobility scooters and electric bikes were encouraging and made a solid contribution.

Sports, leisure and toys
Revenue from our sports, leisure and toy businesses was £7,188,000, an increase of 14.6%, compared to £6,272,000 in the six months to 30 June 2014.

Operating profit in the sports, leisure and toys businesses for the period to 30 June 2015 was £435,000 compared to £186,000 in the same period last year.

Revenue from Thomas & Friends, Fireman Sam and Batman exceeded the prior year. Our new licence, Disney Princess, achieved significant revenue in its first six months. Customer exclusive brands also performed strongly.

Our own brands Hedstrom and Stunted were behind the exceptionally high levels of last year and Ben Sayers was marginally down too reflecting the challenging golf market.

We are pleased with the contribution of Pro Rider's leisure products range in the first six months of 2015. In particular, electric golf trolleys showed growth against pre-acquisition levels.

Acquisition
The acquisition of E.S.C. (Europe) Ltd (ESC) was completed in September 2015. ESC is a leading online retailer of gazebos, party tents, household, kitchen and fishing products under the Airwave, Windbar, Jack Stonehouse and Carpzone brands.

Further to our announcement on 2 September, completion accounts are being finalised. This will enable us to verify the unaudited statutory accounts for the year ended 31 October 2014 which showed net assets of £1.1 million.

The acquisition of ESC utilised a combination of external debt finance and existing cash resources.

It is expected that the ESC business will be integrated into the Group's existing Northampton premises in early 2016. This will provide the economy of scale to enable the business to become a major retailer to the direct to consumer market.

Trading update and outlook
Group revenue for the 38 week period to 18 September was approximately £24.7 million compared to £22.7 million in the comparative period last year. In the 12 week period to 18 September 2015, Group revenue was approximately 5% ahead of the prior year period.

In the bicycles, accessories and mobility businesses revenue for the 38 weeks to 18 September was approximately £11.7 million compared to £11.6 million in the prior year.

Both independent cycle dealers and national retailers have recently reported challenging market conditions, particularly in the leisure cycling market.

We have addressed some of the challenges by relocating the sales and administrative functions in our Claud Butler business to our head office in Castle Bromwich.

Sports, leisure and toys revenue for the 38 week period to 18 September was approximately £12.9 million compared to £11.0 million last year. Autumn/Winter sales have started strongly as national retailers stock up for the Christmas period.

The new Star Wars movie is released in December 2015 and we anticipate that this will be a strong licence for the Group. In addition, new licences including Teletubbies, Shopkins and Finding Dory are expected to contribute to 2016 revenues.

Dividend
Although we have utilised cash in respect of the recent acquisition, we are declaring an interim dividend of 1.25p per share (2014 – 1.20p per share) payable on or about 7 November 2015 in line with our progressive dividend policy. The ex-dividend date will be 8 October 2015 and the record date 9 October 2015.

MPJ Keene
Chairman
29 September 2015

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 June 2015

		6 months ended 30 June 2015 *Unaudited*			6 months ended 30 June 2014 *Unaudited*			Year ended 31 December 2014 *Audited*		
	Note	**Before non-underlying items £'000**	**Non-underlying items £'000**	**After non-underlying items £'000**	Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000	Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000
Revenue		**15,585**	—	**15,585**	13,735	—	13,735	31,320	—	31,320
Cost of sales		**(10,533)**	—	**(10,533)**	(9,684)	—	(9,684)	(21,755)	—	(21,755)
Gross profit		**5,052**	—	**5,052**	4,051	—	4,051	9,565	—	9,565
Operating expenses		**(4,288)**	—	**(4,288)**	(3,881)	—	(3,881)	(8,107)		(8,107)
Operating profit before exceptional costs		**764**	—	**764**	170	—	170	1,458	—	1,458
Exceptional costs		—	—	—	—	(73)	(73)	—	(73)	(73)
Operating profit after exceptional costs		**764**	—	**764**	170	(73)	97	1,458	(73)	1,385
Finance costs		**(105)**	**(315)**	**(420)**	(71)	(85)	(156)	(175)	(151)	(326)
Finance income		—	**—**	—	—	272	272	—	657	657
Profit before taxation		**659**	**(315)**	**344**	99	114	213	1,283	433	1,716
Tax credit/(expense)		**(35)**	**46**	**11**	(16)	(57)	(73)	34	(124)	(90)
Net profit for the period		**624**	**(269)**	**355**	83	57	140	1,317	309	1,626
				Pence			Pence			Pence
Earnings per share										
Basic	3			**7.60**			3.00			34.82
Diluted	3			**7.30**			2.95			34.09

All figures relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2015

	6 months ended 30 June 2015 *Unaudited* **£'000**	6 months ended 30 June 2014 *Unaudited* £'000	Year ended 31 December 2014 *Audited* £'000
Profit for the period	**355**	140	1,626
Other comprehensive income:			
Items that will be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of overseas subsidiaries	**(12)**	(78)	163
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on pension schemes	**—**	—	(778)
Movement in pension schemes' deferred tax provision	**—**	—	89
Other comprehensive income for the period	**(12)**	(78)	(526)
Total comprehensive income attributable to equity shareholders of Tandem Group plc	**343**	62	1,100

All figures relate to continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2015

	At 30 June 2015 *Unaudited* **£'000**	At 30 June 2014 *Unaudited* £'000	At 31 December 2014 *Audited* £'000
Non current assets			
Intangible fixed assets	**4,107**	2,236	4,112
Property, plant and equipment	**3,352**	3,371	3,330
Deferred taxation	**2,036**	1,890	1,990
	9,495	7,497	9,432
Current assets			
Inventories	**7,983**	5,104	5,072
Trade and other receivables	**6,306**	6,279	6,501
Derivative financial asset held at fair value	**—**	—	142
Cash and cash equivalents	**—**	2,124	1,805
	14,289	13,507	13,520
Total assets	**23,784**	21,004	22,952
Current liabilities			
Bank overdraft	**(545)**	—	—
Trade and other payables	**(6,325)**	(5,405)	(5,457)
Other liabilities	**(4,185)**	(4,577)	(4,869)
Derivative financial liability held at fair value	**(88)**	(245)	—
Current tax liabilities	**(306)**	(489)	(232)
	(11,449)	(10,716)	(10,558)
Non current liabilities			
Other payables	**(38)**	—	(161)
Other liabilities	**(1,434)**	(1,351)	(1,500)
Pension schemes' deficits	**(4,020)**	(3,340)	(4,147)
	(5,492)	(4,691)	(5,808)
Total liabilities	**16,941**	(15,407)	16,366
Net assets	**6,843**	5,597	6,586
Equity			
Share capital	**1,503**	1,503	1,503
Shares held in treasury	**(328)**	(336)	(336)
Share premium	**130**	84	84
Other reserves	**2,881**	2,652	2,893
Profit and loss account	**2,657**	1,694	2,442
Total equity	**6,843**	5,597	6,586

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2015

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	1,503	(336)	84	1,036	1,427	267	1,659	5,640
Net profit for the period	—	—	—	—	—	—	140	140
Retranslation of overseas subsidiaries	—	—	—	—	—	(78)	—	(78)
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	—	*(78)*	*140*	*62*
Share based payments	—	—	—	—	—	—	3	3
Dividends paid	—	—	—	—	—	—	(108)	(108)
Total transactions with owners	—	—	—	—	—	*(78)*	*35*	*(43)*
At 30 June 2014	1,503	(336)	84	1,036	1,427	189	1,694	5,597
Net profit for the period	—	—	—	—	—	—	1,486	1,486
Retranslation of overseas subsidiaries	—	—	—	—	—	241	—	241
Net actuarial loss on pension schemes	—	—	—	—	—	—	(689)	(689)
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	—	241	*797*	1,038
Share based payments	—	—	—	—	—	—	6	6
Dividends paid	—	—	—	—	—	—	(55)	(55)
Total transactions with owners	—	—	—	—	—	241	*748*	989
At 1 January 2015	1,503	(336)	84	1,036	1,427	430	2,442	6,586
Net profit for the period	—	—	—	—	—	—	355	355
Retranslation of overseas subsidiaries	—	—	—	—	—	(12)	—	(12)
Total comprehensive income for period attributable to equity shareholders	—	—	—	—	—	*(12)*	*355*	*343*
Share based payments	—	—	—	—	—	—	2	2
Exercise of share options	—	8	46	—	—	—	(29)	25
Dividends paid	—	—	—	—	—	—	(113)	(113)
Total transactions with owners	—	*8*	*46*	—	—	*(12)*	*215*	*257*
At 30 June 2015	**1,503**	**(328)**	**130**	**1,036**	**1,427**	**418**	**2,657**	**6,843**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 June 2015

	6 months ended 30 June 2015 *Unaudited* **£'000**	6 months ended 30 June 2014 *Unaudited* £'000	Year ended 31 December 2014 *Audited* £'000
Cash flows from operating activities			
Profit before taxation for the period	**344**	213	1,716
Adjustments:			
Depreciation of property, plant and equipment	**97**	72	196
Amortisation of intangible fixed assets	**5**	—	4
Finance income	**—**	(272)	(657)
Finance costs	**420**	156	326
Share based payments	**2**	3	9
Net cash flow from operating activities before movements in working capital	**868**	172	1,594
Change in inventories	**(2,911)**	(1,277)	(803)
Change in trade and other receivables	**291**	(1,120)	(489)
Change in trade and other payables	**471**	2,105	1,143
Cash flows from operations	**(1,281)**	(120)	1,445
Interest paid	**(78)**	(46)	(98)
Taxation paid	**(23)**	(10)	(14)
Net cash flow from operating activities	**(1,382)**	(176)	1,333
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired	**—**	—	(2,147)
Purchase of property, plant and equipment	**(119)**	(315)	(369)
Net cash flow from investing activities	**(119)**	(315)	(2,516)
Cash flows from financing activities			
Loan repayments	**(54)**	(54)	(107)
Finance lease repayments	**(11)**	(11)	(36)
Change in invoice financing	**(684)**	(59)	210
Exercise of share options	**25**	—	—
Dividends paid	**(113)**	(108)	(163)
Net cash flow from financing activities	**(837)**	(232)	(96)
Net change in cash and cash equivalents	**(2,338)**	(723)	(1,279)
Cash and cash equivalents at beginning of period	**1,805**	2,925	2,925
Effect of foreign exchange rate changes	**(12)**	(78)	159
(Overdraft)/cash and cash equivalents at end of period	**(545)**	2,124	1,805

NOTES TO THE HALF YEARLY REPORT

1 GENERAL INFORMATION

Tandem Group plc is a public limited company incorporated and domiciled in the United Kingdom with its shares listed on AIM, the market of that name operated by the London Stock Exchange.

The principal activity of the Group is the design, development and distribution of sports, leisure and mobility equipment.

The ultimate parent company of the Group is Tandem Group plc whose principal place of business and registered office address is 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.

The interim financial statements for the period ended 30 June 2015 (including the comparatives for the period ended 30 June 2014 and the year ended 31 December 2014) were approved by the Board of Directors on 29 September 2015 Under the Security Regulations Act of the European Union ("EU"), amendments to the financial statements are not permitted after they have been approved.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2014, prepared under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498(3) of the Companies Act 2006.

This interim financial information has been prepared using the accounting policies set out in the Group's 2014 statutory accounts. Copies of the annual statutory accounts and the interim report may be obtained by writing to the Company Secretary of Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG and can be found on the Company's website at www.tandemgroup.co.uk.

The net retirement benefit obligation recognised at 30 June 2015 is based on the actuarial valuation under IAS19 at 31 December 2014 updated for movements in net defined benefit pension income and contributions paid during the half year period. A full valuation for IAS19 financial reporting purposes will be carried out for incorporation in the audited financial statements for the year ending 31 December 2015.

2 SEGMENTAL REPORTING

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

	Bicycles, accessories and mobility £'000	Sports, leisure and toys £'000	Total £'000
6 months ended 30 June 2015			
Revenue	**8,397**	**7,188**	**15,585**
Segment result	**597**	**435**	**1,032**
Unallocated corporate charges			**(268)**
Operating profit			**764**
Finance costs			**(420)**
Profit for the period before taxation			**344**
Tax credit			**11**
Net profit for the period			**355**
6 months ended 30 June 2014			
Revenue	7,463	6,272	13,735
Segment result	159	186	345
Unallocated corporate charges			(175)
Operating loss before exceptional costs			170
Exceptional costs			(73)
Operating loss after exceptional costs			97
Finance income			272
Finance costs			(156)
Profit for the period before taxation			213
Tax expense			(73)
Net profit for the period			140
Year ended 31 December 2014			
Revenue	16,074	15,246	31,320
Segment result before corporate charges	874	1,452	2,326
Corporate charges	(331)	(507)	(838)
Segment result after corporate charges	543	945	1,488
Unallocated corporate charges			(30)
Operating profit before exceptional costs			1,458
Exceptional costs			(73)
Operating profit after exceptional costs			1,385
Finance income			657
Finance costs			(326)
Profit before taxation			1,716
Tax expense			(90)
Net profit for the year			1,626

3 EARNINGS PER SHARE

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

	6 months ended 30 June 2015	6 months ended 30 June 2014	Year ended 31 December 2014
	£'000	£'000	£'000
Net profit for the period	**355**	140	1,626
	Number	Number	Number
Weighted average shares in issue used for basic earnings per share	**4,670,908**	4,669,754	4,669,754
Weighted average dilutive shares under option	**192,444**	68,140	100,453
Average number of shares used for diluted earnings per share	**4,863,352**	4,737,894	4,770,207
	Pence	Pence	Pence
Basic earnings per share	**7.60**	3.00	34.82
Diluted earnings per share	**7.30**	2.95	34.09

4 POST BALANCE SHEET EVENT

On 1 September 2015 the Company acquired 100% of the share capital of E.S.C. (Europe) Ltd (ESC).

The initial consideration for the acquisition was £2.1 million satisfied in cash with additional consideration also to be paid in cash, subject to completion accounts and ESC fulfilling certain profitability criteria. The acquisition was funded from the Company's existing cash resources and a new 5 year bank loan from HSBC.

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