

# **Tandem Group plc**

Half Yearly Report  
for the six months ended

30 June 2019

## CHAIRMAN'S STATEMENT

### Results

Trading performance improved in the six months to 30 June 2019 with Group revenue increasing by approximately 27% to £16,029,000 compared to £12,670,000 in the six months to 30 June 2018.

There was an increase in gross profit from £3,779,000 to £4,911,000. Gross profit margin also increased to 30.6% compared to 29.8% in the prior period. We continue to work hard to maintain our profit margins.

Operating expenses increased from £3,997,000 to £4,331,000 in the six months to 30 June 2019 broadly as a result of the increased revenue.

Operating profit was £580,000 compared to an operating loss of £218,000 in the six months to 30 June 2018. There were no exceptional costs incurred during the period (six months ended 30 June 2018 - £45,000).

Finance costs were significantly higher at £210,000 in the six months to 30 June 2019. This compared to £85,000 in the prior period. There was a fair value charge for foreign currency derivative contracts of £54,000 compared to a credit of £55,000 in the prior period. This is shown in non-underlying items. Non-underlying items also included finance costs of £85,000 in respect of the pension schemes against £60,000 in the six months to 30 June 2018.

The profit before taxation after non-underlying items for the period was £370,000 compared to a loss of £348,000 in the six month period to 30 June 2018.

There was a tax charge of £215,000 during the period compared to £8,000 in the prior period. This reflected the increased level of business undertaken from our Far East operations.

Net profit for the period was £155,000 compared to a loss £356,000 in the six months to 30 June 2018.

Basic earnings per share in the six months to 30 June 2019 was 3.1 pence per share compared to a loss of 7.1 pence per share in the prior period.

Net assets at 30 June 2019 increased to £12,446,000 against £10,625,000 at 30 June 2018.

Cash and cash equivalents were £3,740,000 at 30 June 2019 which compared to £957,000 at 30 June 2018. The timing of creditor payments, utilisation of invoice finance facilities and ongoing careful management of inventories helped to improve this position.

There was a 43% reduction in net debt from £3,508,000 at 30 June 2018 to £2,006,000 at 30 June 2019.

### Trading update and outlook

As we reported in our AGM Statement on 27 June 2019, it has been an encouraging year so far for the Group with significant revenue and profitability growth over the prior year period.

Our licensed properties including LOL Surprise!, Peppa Pig and Paw Patrol have continued to perform strongly since the half year. Our new Disney licences, including Spider-Man and, most notably, Toy Story and Frozen, have also performed well. Disney Princess is ahead of the prior year. We remain enthusiastic about the cinema release of Frozen 2 in November 2019 which should bring further growth.

As previously reported, the majority of our own brands including Kickmaster, U-Move and Wired are ahead of the prior year. Hedstrom has continued to perform very well with significant growth since 30 June over the corresponding period.

Our investment into the Ben Sayers brand delivered double digit growth in the first half of the year which has improved further still going into the second half.

Performance from our bicycles brands remains mixed. Our Squish lightweight junior range continues to be significantly up against the same period in the prior year. We reported that Squish had been a particular success story at the half year, gaining market share and greater consumer brand awareness. This has been sustained in the second half and Squish is now recognised as a leading supplier to the lightweight junior cycle market.

Other independent bicycle dealer (IBD) sales from our Dawes and Claud Butler brands continue to be more challenging against a backdrop of declining traditional IBD customers following closures of a number of retailers coupled with falling consumer bicycle demand, particularly in the leisure market. We remain focussed on maintaining a strong and compelling offering to our IBD customers, despite these significant headwinds.

National retailer bicycle sales, from our Falcon, Boss, Townsend, Elswick and Zombie brands, which were tracking at similar levels to last year as at June 2019, have weakened slightly in the period since due to strong August 2018 comparatives.

Our online and direct-to-consumer activities continue to progress in a number of product areas albeit hampered by reduced gazebo revenue from a major online platform, the mixed August weather and overall economic environment. As we previously stated, the retail climate has been increasingly challenging for certain product groups.

Notwithstanding this, we are very pleased with the growth from our flagship website, Garden Comforts ([www.garden-camping.com](http://www.garden-camping.com)), which has shown significant growth this year. In addition, it has been a strong summer period for our mobility business, Pro Rider Mobility ([www.proidermobility.com](http://www.proidermobility.com)).

The improvements that we previously reported ranging from refinements in search engine optimisation and more focussed 'pay per click' advertising to an enriched website/mobile shopping experience and a more responsive customer service function have helped to grow certain channels.

The potential threats on the horizon that we previously alluded to remain in place. Whilst we shouldn't seek to 'blame' Brexit, we remain cautious as to the impact that it will have, should it materialise soon, with potentially uncertain future import duty rates and with regards to consumer spending which is discretionary for the type of products that we supply.

Weak sterling, and therefore a correspondingly stronger US dollar, is also likely to effect the cost of future imports.

We previously stated that the longevity and success of most licences is limited and transient. Whilst we continue to seek new, exciting and profitable properties there is no guarantee of this.

Despite these threats we look forward to the rest of the year with some confidence and expect to deliver a satisfactory result to our stakeholders for the full year.

## **Dividend**

Due to the strong performance of the Company in the first half of the year we are declaring an interim dividend of 1.56p per share (2018 – 1.42p per share) payable on or about 11 November 2019. This represents an increase of 10% over the prior year. We will continue to review our dividend strategy and pay a progressive dividend where profits permit. The ex-dividend date will be 10 October 2019 and the record date 11 October 2019.

## **Board change**

We have announced the appointment of Mark Taylor as a non executive director of the Company who joins with effect from 1 October.

Mark served as a Partner with Grant Thornton for 19 years and has considerable experience in the areas of corporate transactions, governance as well as audit and financial reporting.

In addition, Mark brings a wealth of pensions knowledge and is currently Chairman of the Grant Thornton Pensions Fund.

## **Investor presentation**

A presentation for investors has been posted on the Company's website and may be found **here**. This sets out detailed information about the Group for existing, new and potential investors. Investors are encouraged to contact the Company with any questions about the business by telephone, using the website or by emailing our dedicated shareholder email address **investorrelations@tanddemgroup.co.uk**.

## **Shareholder benefits**

We have added a facility for shareholders to benefit from an exclusive 10% discount code on our garden, home and leisure websites **www.garden-camping.com**, **www.athomecomforts.co.uk** and **www.proriderleisure.com** by entering the discount code "SH10" on the checkout page.

**Mervyn Keene**  
**Chairman**  
**30 September 2019**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**For the 6 months ended 30 June 2019**

	<b>6 months ended 30 June 2019</b> <i>Unaudited</i>			<b>6 months ended 30 June 2018</b> <i>Unaudited</i>			<b>Year ended 31 December 2018</b> <i>Audited</i>			
	Note	<b>Before non- underlying items £'000</b>	<b>Non- underlying items £'000</b>	<b>After non- underlying items £'000</b>	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
<b>Revenue</b>		<b>16,029</b>	—	<b>16,029</b>	12,670	—	12,670	32,511	—	32,511
Cost of sales		<b>(11,118)</b>	—	<b>(11,118)</b>	(8,891)	—	(8,891)	(22,262)	—	(22,262)
<b>Gross profit</b>		<b>4,911</b>	—	<b>4,911</b>	3,779	—	3,779	10,249	—	10,249
Operating expenses		<b>(4,331)</b>	—	<b>(4,331)</b>	(3,997)	—	(3,997)	(8,002)	—	(8,002)
<b>Operating profit/(loss) before exceptional items</b>		<b>580</b>	—	<b>580</b>	(218)	—	(218)	2,247	—	2,247
Exceptional items		—	—	—	—	(45)	(45)	—	(218)	(218)
<b>Operating profit/(loss) after exceptional items</b>		<b>580</b>	—	<b>580</b>	(218)	(45)	(263)	2,247	(218)	2,029
Finance costs		(71)	(139)	(210)	(80)	(5)	(85)	(166)	9	(157)
<b>Profit/(loss) before taxation</b>		<b>509</b>	<b>(139)</b>	<b>370</b>	(298)	(50)	(348)	2,081	(209)	1,872
Tax expense		(215)	—	(215)	(8)	—	(8)	(195)	(55)	(250)
<b>Net profit/(loss) for the period</b>		<b>294</b>	<b>(139)</b>	<b>155</b>	(306)	(50)	(356)	1,886	(264)	1,622
				<b>Pence</b>			<b>Pence</b>			<b>Pence</b>
<b>Earnings/(loss) per share</b>										
Basic	2			<u><u>3.1</u></u>			<u><u>(7.1)</u></u>			<u><u>32.3</u></u>
Diluted	2			<u><u>3.0</u></u>			<u><u>(7.0)</u></u>			<u><u>32.1</u></u>

All figures relate to continuing operations.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the 6 months ended 30 June 2019**

	<b>6 months ended 30 June 2019 Unaudited £'000</b>	6 months ended 30 June 2018 Unaudited £'000	Year ended 31 December 2018 Audited £'000
<b>Profit/(loss) for the period</b>	<b>155</b>	(356)	1,622
<b>Other comprehensive income:</b>			
<i>Items that will be reclassified subsequently to profit and loss:</i>			
Foreign exchange differences on translation of overseas subsidiaries	<b>13</b>	45	102
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial loss on pension schemes	—	—	(222)
Movement in pension schemes' deferred tax provision	—	—	37
<b>Other comprehensive income for the period</b>	<b>13</b>	45	(83)
<b>Total comprehensive income attributable to equity shareholders of Tandem Group plc</b>	<b>168</b>	(311)	1,539

All figures relate to continuing operations.

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**As at 30 June 2019**

	<b>At 30 June 2019 Unaudited £'000</b>	At 30 June 2018 <i>Unaudited</i> £'000	At 31 December 2018 <i>Audited</i> £'000
<b>Non current assets</b>			
Intangible fixed assets	<b>5,574</b>	5,588	5,580
Property, plant and equipment	<b>3,458</b>	3,532	3,480
Deferred taxation	<b>1,776</b>	1,800	1,776
	<b>10,808</b>	10,920	10,836
<b>Current assets</b>			
Inventories	<b>5,735</b>	6,164	4,250
Trade and other receivables	<b>7,123</b>	5,572	4,397
Derivative financial asset held at fair value	<b>—</b>	—	54
Cash and cash equivalents	<b>3,740</b>	957	4,847
	<b>16,598</b>	12,693	13,548
<b>Total assets</b>	<b>27,406</b>	23,613	23,384
<b>Current liabilities</b>			
Trade and other payables	<b>(6,240)</b>	(5,655)	(4,266)
Other liabilities	<b>(4,736)</b>	(3,048)	(3,542)
Current tax liabilities	<b>(304)</b>	(68)	(143)
	<b>(11,280)</b>	(8,771)	(7,951)
<b>Non current liabilities</b>			
Other payables	<b>—</b>	(1)	—
Other liabilities	<b>(1,010)</b>	(1,417)	(1,198)
Pension schemes' deficits	<b>(2,670)</b>	(2,799)	(2,827)
	<b>(3,680)</b>	(4,217)	(4,025)
<b>Total liabilities</b>	<b>(14,960)</b>	(12,988)	(11,976)
<b>Net assets</b>	<b>12,446</b>	10,625	12,408
<b>Equity</b>			
Share capital	<b>1,503</b>	1,503	1,503
Shares held in treasury	<b>(247)</b>	(247)	(247)
Share premium	<b>286</b>	286	286
Other reserves	<b>3,657</b>	3,587	3,644
Profit and loss account	<b>7,247</b>	5,496	7,222
<b>Total equity</b>	<b>12,446</b>	10,625	12,408

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**As at 30 June 2019**

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	1,503	(247)	286	1,036	1,427	530	549	5,984	11,068
Net loss for the period	—	—	—	—	—	—	—	(356)	(356)
Retranslation of overseas subsidiaries	—	—	—	—	—	—	45	—	45
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	—	45	(356)	(311)
Share based payments	—	—	—	—	—	—	—	6	6
Dividends paid	—	—	—	—	—	—	—	(138)	(138)
<i>Total transactions with owners</i>	—	—	—	—	—	—	45	(488)	(443)
At 30 June 2018	1,503	(247)	286	1,036	1,427	530	594	5,496	10,625
Net profit for the period	—	—	—	—	—	—	—	1,978	1,978
Retranslation of overseas subsidiaries	—	—	—	—	—	—	57	—	57
Net actuarial loss on pension schemes	—	—	—	—	—	—	—	(185)	(185)
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	—	57	1,793	1,850
Share based payments	—	—	—	—	—	—	—	5	5
Dividends paid	—	—	—	—	—	—	—	(72)	(72)
<i>Total transactions with owners</i>	—	—	—	—	—	—	57	1,726	1,783
At 1 January 2019	1,503	(247)	286	1,036	1,427	530	651	7,222	12,408
Net profit for the period	—	—	—	—	—	—	—	155	155
Retranslation of overseas subsidiaries	—	—	—	—	—	—	13	—	13
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	—	13	155	168
Share based payments	—	—	—	—	—	—	—	15	15
Dividends paid	—	—	—	—	—	—	—	(145)	(145)
<i>Total transactions with owners</i>	—	—	—	—	—	—	13	25	38
<b>At 30 June 2019</b>	<b>1,503</b>	<b>(247)</b>	<b>286</b>	<b>1,036</b>	<b>1,427</b>	<b>530</b>	<b>664</b>	<b>7,247</b>	<b>12,446</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the 6 months ended 30 June 2019**

	<b>At 30 June 2019 Unaudited £'000</b>	At 30 June 2018 Unaudited £'000	At 31 December 2018 Audited £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period	155	(356)	1,622
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	69	73	139
Amortisation of intangible fixed assets	11	10	41
Profit on sale of property, plant and equipment	(1)	—	(5)
Contributions to defined benefit pension schemes	(219)	(189)	(423)
Finance costs	210	85	157
Tax expense	215	8	250
Share based payments	15	6	11
<b>Net cash flow from operating activities before movements in working capital</b>	<b>455</b>	<b>(363)</b>	<b>1,792</b>
Change in inventories	(1,485)	(2,163)	(407)
Change in trade and other receivables	(2,726)	(1,033)	142
Change in trade and other payables	1,977	1,343	111
<b>Cash flows from operations</b>	<b>(1,779)</b>	<b>(2,216)</b>	<b>1,638</b>
Interest paid	(96)	(80)	(166)
Tax paid	(54)	(47)	(153)
<b>Net cash flow from operating activities</b>	<b>(1,929)</b>	<b>(2,343)</b>	<b>1,319</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets	(5)	(1)	(24)
Purchase of property, plant and equipment	(48)	(56)	(70)
Sale of property, plant and equipment	1	1	6
<b>Net cash flow from investing activities</b>	<b>(52)</b>	<b>(56)</b>	<b>(88)</b>
<b>Cash flows from financing activities</b>			
Loan repayments	(203)	(204)	(408)
Finance lease repayments	(12)	(13)	(27)
Movement in invoice financing	1,221	(190)	303
Dividends paid	(145)	(138)	(210)
<b>Net cash flow from financing activities</b>	<b>861</b>	<b>(545)</b>	<b>(342)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,120)</b>	<b>(2,944)</b>	<b>889</b>
Cash and cash equivalents at beginning of period	4,847	3,856	3,856
Effect of foreign exchange rate changes	13	45	102
<b>Cash and cash equivalents at end of period</b>	<b>3,740</b>	<b>957</b>	<b>4,847</b>

## 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, distribution and retail 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 2019 (including the comparatives for the period ended 30 June 2018 and the year ended 31 December 2018) were approved by the Board of Directors on 30 September 2019. 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 2018, 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 2018 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](http://www.tandemgroup.co.uk)**.

The net retirement benefit obligation recognised at 30 June 2019 is based on the actuarial valuation under IAS19 at 31 December 2018 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 2019.

## 2 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:

	<b>6 months ended 30 June 2019 £'000</b>	6 months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Profit/(loss) for the period	<u><b>155</b></u>	<u>(356)</u>	<u>1,622</u>
	<b>Number</b>	Number	Number
Weighted average shares in issue used for basic earnings per share	<b>5,026,091</b>	5,026,091	5,026,091
Weighted average dilutive shares under option	<b>92,590</b>	27,968	25,005
Average number of shares used for diluted earnings per share	<u><b>5,118,681</b></u>	<u>5,054,059</u>	<u>5,051,096</u>
	<b>Pence</b>	Pence	Pence
Basic earnings/(loss) per share	<u><b>3.1</b></u>	<u>(7.1)</u>	<u>32.3</u>
Diluted earnings/(loss) per share	<u><b>3.0</b></u>	<u>(7.0)</u>	<u>32.1</u>