TANDEM GROUP PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Tandem Group plc (AIM: TND), designers, developers, distributors and retailers of sports, leisure and mobility equipment, announces its results for the year ended 31 December 2020.

Highlights

- Revenue decreased approximately 4.6% to £37,056,000 (2019 - £38,837,000)
- Gross profit increased to £12,192,000 (2019 - £11,788,000)
- Increase in operating profit before exceptional items to £4,095,000 (2019 - £3,033,000)
- Profit before tax after non-underlying items was £4,004,000 (2019 - £2,507,000)
- Net profit for the period was £3,458,000 (2019 - £2,034,000)
- Basic earnings per share 68.5p (2019 – 40.5p)
- Net assets increased to £16,608,000 (2019 - £14,311,000)
- Cash and cash equivalents as at 31 December 2020 of £6,076,000 (2019 - £5,037,000)
- Net cash as at 31 December 2020 of £3,779,000 (2019 - £1,846,000)

Chairman's statement

Introduction
I am pleased to present the results for the year ended 31 December 2020. Despite a reduction in revenue, profitability increased significantly and it was a further year of development for the Group.

Results
Group revenue for the year ended 31 December 2020 was £37,056,000 compared to £38,837,000 in the year ended 31 December 2019, a reduction of 4.6%.

In the first half of the year revenue increased by approximately 6% as a result of strong growth in cycling and sales of outdoor products, partially offset by cautious national retailer FOB (where product is purchased in full containers and shipped direct from the country of origin) wheeled toy buying.

In the second half of the year revenue in the Summer period and to the end of Quarter 3 was behind the prior year due to the ongoing cautious national retailer FOB buying and stock availability. However, Quarter 4 revenue was approximately 6% ahead of the prior year which recovered some of the reduction in Quarter 3.

In our character licensed wheeled toy business Peppa Pig, Batman, Frozen, Paw Patrol and Spiderman all made a significant contribution to revenue.

In our own branded ranges Hedstrom, Wired, Kickmaster and Stunted made solid contributions.

Our Ben Sayers golf brand had a particularly successful year with revenue more than double the prior year. The quality and value proposition offered from the range enabled us to benefit once consumers took advantage of golf courses reopening in May 2020.

The impact of COVID-19 led to a material change in the bicycle market. Consumers were keen to cycle which was very positive for the business. From Quarter 2 onwards, revenues were at exceptional levels with significant growth with both independent bicycle dealers (IBD) and national retailer customers.

Stock availability, although slower than we would have hoped for, improved towards the end of the year to enable a strong finish to 2020 for all parts of the cycling businesses from the flagship Dawes and Claud Butler ranges through to our national retailer brands, Falcon, Boss, Elswick, Townsend and Zombie.

The continued growth in our lightweight Squish junior bikes range was particularly pleasing; we increased market share and that part of the business was ahead of the same period in the prior year.

The ebikes and escooter ranges continued to grow significantly in Quarter 3 and Quarter 4, utilising our own bicycle brands Dawes and Falcon for ebikes and Li-Fe and Wired for escooters.

Our Expressco Direct group of online businesses significantly increased turnover and profitability, with growth from many of our outdoor and indoor product ranges.

In the Spring and Summer months our outdoor living, garden storage and outdoor play ranges were ahead of the prior year. From Autumn onwards, our ranges of small domestic appliances and household products performed well.

Group operating profit before exceptionals, finance costs and taxation was £4,095,000 for the year ended 31 December 2020 compared to £3,033,000 for the year ended 31 December 2019. This represented an increase of 35% for the second consecutive year.

Cash and cash equivalents increased to £6,076,000 at 31 December 2020 compared to £5,037,000 at 31 December 2019. The overall net cash position improved from £1,846,000 at the end of 2019 to £3,779,000 at the end of 2020. This was the fifth consecutive year of increased net cash.

Net assets also increased during the year from £14,311,000 at 31 December 2019 to £16,608,000 at 31 December 2020.

Further details of operational activities can be found in the Strategic Review.

Dividend
It is the Board's view that following a further strong year there is capacity to again increase the dividend.

We are therefore proposing to pay a final ordinary dividend of 5.50 pence per share (year ended 31 December 2019 – 5.04 pence per share including a special dividend of 2.00 pence per share).

With the addition of the interim dividend of 3.12 pence per share (year ended 31 December 2019 – 1.56 pence per share), this is a total dividend of 8.62 pence per share for the year. This compared to 6.60 pence per share in the year ended 31 December 2019 which included a special dividend of 2.00 pence per share.

As in previous years it is the Board's intention to maintain the progressive dividend as trading results and funds permit.

Subject to shareholder approval at the Annual General Meeting to be held on 24 June 2021, the final dividend will be paid on or around 1 July 2021 to shareholders on the share register as at 14 May 2021. The ex-dividend date will be 13 May 2021.

In accordance with the provision that in any calendar year should dividend payments exceed pension deficit contributions, an additional contribution, equal to the excess, is paid into the scheme, an additional payment of approximately £100,000 will be paid into the Tandem Group Pension Plan.

Employees
In a very challenging year the Board thanks all staff for their efforts and contribution to the profitability of the businesses in 2020. Our teams remain committed, loyal and hard working and deserve great credit.

Outlook
We are optimistic about the outlook for 2021. As we reported in February, we are pleased with the encouraging start to 2021 with year to date revenue in the 11 weeks to 21 March 2021 approximately 90% ahead of the same period last year, despite a number of pressures facing the Group.

COVID-19 continues to have an impact on the supply chain and on our ability to travel overseas. We are being hindered in our ability to identify and source new products as efficiently as before and to exhibit our products at the various fairs and shows that we would normally attend. As we have previously reported both the Hong Kong and London toy fairs were cancelled in 2021 and the Nuremburg fair provisionally deferred until Summer.

The freight issues which we reported on in February are showing signs of improvement. There is now more capacity in the system to fulfil demand, ports are reporting being less congested and consequently container costs are reducing. We have continued to import products during this period to ensure stock availability although in some cases, due to these costs, we have chosen not to. We are, however, still paying much higher shipping rates than we were paying last year but we believe that rates will settle further in forthcoming months. Clearly this has and will continue to have an impact on margin as we are not able to pass all these costs on to our customers albeit we are maximising the opportunities to mitigate the situation.

Lead times are becoming an increasingly prevalent issue, particularly with regard to bicycles due to global demand for components and we are therefore committing to purchases much further into the future.

The US dollar is currently weaker than previously which is a positive although Far East costs are under great pressure due to component and raw material price increases, global demand and the adverse relationship between the US dollar and Chinese renminbi.

Notwithstanding these issues the forward order book is substantially greater than it was at the same time last year, so we have reason to look forward with some optimism.

We have signed a number of new licences for 2021 and beyond, including Brandelised Banksy's Graffiti, Baby Shark, CoComelon, Hey Duggee and Kindi Kids. We believe each of these properties has the potential to make a solid contribution to the business and initial feedback from retailers is encouraging. There is a strong resurgence in Barbie and our classic licences including Batman, Frozen, Paw Patrol, Peppa Pig and Spiderman continue to perform well.

Our 2021 range of bicycles has been well received by customers and the demand for bicycles is showing no sign of abatement. We have now presold nearly all Squish bicycles for 2021 with an order book well into 2022 and demand for ebikes is strong. We are investing more into our cycling business this year with additional recruitment in the digital marketing area and the full redesign of all bicycle websites underway. As part of this redesign we will be enabling 'click and collect' functionality for bicycle purchases which will be fulfilled by participating independent bicycle retailers.

We have expanded our Ben Sayers golf range to cater for a wider range of golfers and we believe that this strategy will be successful, once golf courses reopen again, in light of the increased popularity in golf over the last year.

In our online businesses our focus remains on both existing profitable ranges and being opportunistic to take advantage of new products that we identify.

The full redesign of our online websites towards the end of 2020 is paying dividends with revenues from Garden Comforts by Garden & Camping (www.garden-camping.com) and At Home Comforts by Jack Stonehouse (www.jackstonehouse.com) in particular delivering double digit revenue growth in 2021 year to date and website visitors well ahead of the prior year.

We recently announced the acquisition of freehold land next to our existing Birmingham building. The construction of a new warehousing and distribution facility will provide us with the springboard for future growth and, in particular, will help us to further grow domestic business.

We remain mindful of macro-economic uncertainties and the challenges that we have highlighted but with an excellent start to 2021 and a very strong order book we expect to achieve turnover growth and we continue to be confident that we will deliver another year of profitability to our shareholders.

S J Grant
Chairman

25 March 2021

Strategic report

Operating and Financial Review

Revenue
Group revenue for the year ended 31 December 2020 was £37,056,000 compared to £38,837,000 in the prior year. Increased domestic B2B and B2C business across our sports, leisure, toy and bicycle ranges helped to partly offset a reduction in FOB revenues.

Gross profit
Gross profit of £11,788,000 in 2019 increased by 3.4% to £12,192,000 in 2020.

The gross profit margin percentage increased from 30.4% to 32.9%. This reflected the strong domestic demand for products across the ranges and was achieved by controlling supplier cost prices, re-sourcing product where necessary, discontinuing low margin product lines and introducing new, more profitable products. There was also very little discounting necessary during the year.

Operating expenses
Group operating expenses decreased by 7.5% to £8,097,000 in the year (year ended 31 December 2019 - £8,755,000). This was driven by a reduction in travel, exhibition costs and employment expenses. In addition, there were reduced third party storage costs incurred as stock holdings were lower.

Operating profit
Operating profit before exceptional costs was £4,095,000 for the year ended 31 December 2020 compared to £3,033,000 in the prior year.

Exceptional costs and Non-underlying items
Exceptional costs and non-underlying items are material items which have arisen from unusual non-recurring or non-trading events.

There were no exceptional costs incurred in the year to 31 December 2020 (year ended 31 December 2019 – £29,000).

Other non-underlying items comprised:

- a fair value adjustment for foreign currency derivative contracts under IFRS9 of £106,000 credit (year ended 31 December 2019 – charge of £160,000);
- pension finance costs under IAS19 of £132,000 (year ended 31 December 2019 - £155,000); and
- a deferred tax charge of £143,000 (year ended 31 December 2019 - £48,000) in respect of pension schemes.

Finance costs
Total net finance costs decreased to £91,000 in the year ended 31 December 2020 compared to £497,000 in the year ended 31 December 2019.

The Group adopted hedge accounting from 1 January 2020 and, as such, gains and losses designated as hedges are now reflected in other comprehensive income rather than in the Consolidated income statement. In accordance with IFRS9, there was a fair value credit of £106,000 in respect of derivative foreign exchange contracts entered into prior to us adopting a formal hedging policy which compared to a charge of £160,000 in the prior year.

There was also a significant reduction in interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities from £149,000 in the prior year to £26,000 in 2020.

Interest payable on lease arrangements was £39,000 compared to £33,000 in 2019.

Finance costs in respect of the pension schemes provided in line with IAS19 were £132,000 compared to £155,000 for the year ended 31 December 2019.

Taxation
The tax expense for the year ended 31 December 2020 was £546,000 compared to £473,000 in the prior year.

The current tax credit, which comprised corporation tax from the overseas Hong Kong operation and a refund provision for UK research and development, was £98,000 (year ended 31 December 2019 - charge of £604,000). This reduction reflects the increase in domestic business which enables the brought forward tax losses to be utilised.

There was a deferred tax charge of £644,000 compared to a credit of £131,000 in the prior year as tax losses were utilised.

Net profit
Net profit for the year ended 31 December 2020 after non-underlying items, finance costs and taxation was £3,458,000 compared to £2,034,000 for the year ended 31 December 2019.

Capital expenditure
Total capital expenditure incurred during the year was £72,000 excluding the required adjustment of £92,000 with respect to IFRS16 (year ended 31 December 2019 - £63,000 excluding £250,000 with respect to IFRS16).

Cash flows, working capital and net cash
Net cash inflow from operating activities before movements in working capital for the year ended 31 December 2020 was £3,986,000 compared to £2,843,000 in the year ended 31 December 2019.

Cash generated from operations was £3,100,000 compared to £2,329,000 last year.

Net cash outflows from investing activities were £49,000 in 2020 against £70,000 in the previous year.

There was a net cash outflow from financing activities of £1,361,000 in 2020 which compared to £1,773,000 in 2019.

As a result of these movements the closing cash position at 31 December 2020 was £6,076,000 compared to £5,037,000 at 31 December 2019.

Net cash, comprising cash and cash equivalents less invoice financing liabilities and borrowings, was £3,779,000 at 31 December 2020 compared to £1,846,000 at the end of the previous year.

Dividends
A final dividend of 5.50 pence per share will be paid, subject to shareholder approval, compared to 5.04 pence per share for the year ended 31 December 2019. The prior year included a special dividend of 2.00 pence per share.

Total dividends paid and proposed for the year ended 31 December 2020 of 8.62 pence per share have increased by over 30%. As the total dividend will exceed the deficit repair contributions paid to the Tandem Group Pension Plan, an additional contribution, equal to the excess of approximately £100,000, is expected to be paid into the scheme.

The dividend cover ratio was 7.9 (year ended 31 December 2019 – 6.1).

As we have previously stated, it continues to be the Group's policy to progressively increase the dividend payment to shareholders where trading performance permits.

Earnings per share
Basic earnings per share was 68.5 pence per share for the year ended 31 December 2020 compared to 40.5 pence per share in the year ended 31 December 2019. Diluted earnings per share was 64.7 pence per share compared to 39.6 pence per share in the prior year.

Product range review

B2B
Our B2B business comprises character licensed products which are mostly wheeled toys, own brand sports and leisure products and bicycles, sold to both independent and national retailers.

Industry data reported that the toy market showed growth of 5% in 2020. In our character licensed wheeled toy business we were impacted by two significant retail accounts who adopted a cautious FOB buying strategy. This had a major impact on turnover for the year.

Despite this, our classic licences including Peppa Pig, Batman, Frozen, Paw Patrol, Spiderman and Thomas all contributed to licensed revenue.

LOL Surprise and Disney Princess also made valuable contributions.

Our range of stunt scooters under the Stunted brand and our Kickmaster football training products were both ahead of the prior year.

Although FOB revenues for Hedstrom outdoor play products were behind the prior year, domestic revenues increased significantly.

uMoVe scooters were ahead of the prior year and Wired escooters made a good contribution to revenue from a standing start.

Ben Sayers, our golf brand, had a very strong year with revenue more than doubling over the prior year.

Revenue from our three IBD brands Claud Butler, Dawes and Squish increased to IBD customers. We were impeded by lack of stock availability which improved towards the end of the year to enable a strong finish to 2020.

There was also particularly strong growth from national retailer brand Falcon for adult and junior bike and our Boss mountain bike ranges. Our other brands including Elswick for heritage, Townsend for junior and Zombie for BMX also contributed to the year.

Our ranges of ebikes and escooters continued to grow significantly, particularly in the second half of the year, utilising our bicycle brands Dawes and Falcon for ebikes and Li-Fe and Wired for escooters.

B2C
Our Expressco Direct group of online businesses significantly increased turnover and profitability, with growth in 2020 from many of our outdoor and indoor product ranges.

Our outdoor living, garden storage and outdoor play ranges were well ahead of the prior year. Sales of parasols and trampolines were especially strong during the Summer months.

From Autumn onwards, our ranges of small domestic appliances including kitchen products and household furniture ranges performed well.

It was a more challenging year for mobility scooters as the COVID-19 lockdown impacted on this demographic. However, sales of rise and recline chairs were well ahead of the previous year.

As soon as golf courses reopened our electric golf trolley sales recovered and finished ahead of 2019.

Property and IT
A valuation of the Castle Bromwich property was carried out by CBRE Ltd in October 2020 in accordance with the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book"). The valuation showed a movement in gross carrying amount of £1,050,000 (£1,141,000 after depreciation adjustment) which increased the total valuation of the property to £4,200,000. The uplift in the valuation is reflected through other comprehensive income in the year.

In addition, a further £10,000 of costs have been capitalised with respect to the acquisition of the freehold land adjacent to our existing site in Birmingham, as announced on 11 March 2021.

We expect to complete on this transaction in April 2021 and whilst we continue with our preparations and obtain formal planning consent, we are finalising a short-term lease with the vendor, Flogas Britain Ltd, who will remain as a tenant on the site until 30 June 2021, generating a rental income of £48,500. From 1 July 2021 we are planning to enter into a 10-year lease at a rent of £44,500 per annum with Flogas Britain Ltd to occupy approximately 0.5 acres of the site, surplus to our development requirements.

Following completion of the land acquisition, as we recently announced, we anticipate the construction of a new warehousing and distribution facility will be completed by June 2022. The new building will more than double existing warehouse capacity in Birmingham to approximately 160,000 square feet. Aside from the financial returns of undertaking the project, there are significant commercial and strategic benefits which we believe will enhance the Group and help to maximise long term shareholder value.

We are also in the process of implementing a new Enterprise Resource Planning and finance system across the Group which is expected to considerably improve operational and distribution efficiency. It is our objective to go live on or before 1 January 2022.

Pension schemes
The Group operates two defined benefit pension schemes with both schemes closed to new members. There are no active members in either scheme.

The deficit of the schemes at 31 December 2020 increased to £4,157,000 compared to £2,480,000 at 31 December 2019. Low bond yields impacted on the assumptions used to calculate the deficit with a discount rate of 1.60% (31 December 2019 – 2.30%) used in the IAS19 calculation.

The pension schemes continue to utilise the Group's cash resources with payments in respect of the schemes totalling £477,000 (year ended 31 December 2019 - £506,000). The total comprised deficit contributions of £336,000 and £101,000 in respect of Tandem and Casket schemes respectively (year ended 31 December 2019 - £437,000) and government levies and administration costs of £40,000 (year ended 31 December 2019 - £69,000).

The 2019 triennial valuations for both schemes have been concluded and recovery plan agreed between Company and trustees for deficit repair contributions to increase by 5% per annum for the Tandem scheme and level contributions for the Casket scheme which is better funded.

The Board remain mindful that the recovery plans for both schemes exceed the Pension Regulator's reported median length of 7 years. However, this continues to be justifiable on the basis that the employer covenant is stronger and with respect to the Tandem scheme there is an agreed provision that in any calendar year should dividend payments exceed deficit contributions paid to the scheme, an additional contribution equal to the excess will be made. As a consequence of the total dividend for 2020 this will lead to an additional contribution of approximately £100,000.

Employees

Whilst we have continued to operate our warehouse and sales administration functions in a COVID secure environment, from March 2020 onwards most of our employees have been working remotely. Although challenging, they have adapted to this with great fortitude which has enabled the Group to function as normally as possible.

We currently employ 73 people and they remain our most important asset. We express our gratitude to them for their ongoing hard work and dedication during a difficult period.

J C Shears
Chief Executive Officer

25 March 2021

Consolidated income statement

		31 December 2020			31 December 2019		
		Before non-underlying items	**Non-underlying items**	**After non-underlying items**	Before non-underlying items	Non-underlying items	After non-underlying items
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue		**37,056**	**-**	**37,056**	38,837	-	38,837
Cost of sales		**(24,864)**	**-**	**(24,864)**	(27,049)	-	(27,049)
Gross profit		**12,192**	**-**	**12,192**	11,788	-	11,788
Operating expenses		**(8,097)**	**-**	**(8,097)**	(8,755)	-	(8,755)
Operating profit before exceptional costs		**4,095**	**-**	**4,095**	3,033	-	3,033
Exceptional costs		**-**	**-**	**-**	-	(29)	(29)
Operating profit after exceptional costs		**4,095**	**-**	**4,095**	3,033	(29)	3,004
Finance costs		**(65)**	**(26)**	**(91)**	(182)	(315)	(497)
Profit before taxation		**4,030**	**(26)**	**4,004**	2,851	(344)	2,507
Tax expense		**(403)**	**(143)**	**(546)**	(425)	(48)	(473)
Net profit for the year		**3,627**	**(169)**	**3,458**	2,426	(392)	2,034
Earnings per share	3			**Pence**			Pence
Basic				**68.5**			40.5
Diluted				**64.7**			39.6

Consolidated statement of comprehensive income

	31 December 2020 **£'000**	31 December 2019 £'000
Net profit for the year	**3,458**	2,034
Other comprehensive income:		
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations	**(28)**	(24)
Forward foreign exchange contracts	**(410)**	-
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of property, plant and equipment	**1,141**	-
Actuarial (loss)/gain on pension schemes	**(1,982)**	65
Movement in pension schemes' deferred tax provision	**474**	24
Other comprehensive (loss)/profit for the year, net of tax	**(805)**	65
Total comprehensive income for the year attributable to equity shareholders	**2,653**	2,099

Consolidated balance sheet

	31 December 2020	31 December 2019
	£'000	£'000
Non current assets		
Intangible fixed assets	**5,481**	5,542
Property, plant and equipment	**4,624**	3,590
Deferred taxation	**1,761**	1,931
	11,866	11,063
Current assets		
Inventories	**4,512**	4,709
Trade and other receivables	**9,971**	5,443
Cash and cash equivalents	**6,076**	5,037
	20,559	15,189
Total assets	**32,425**	26,252
Current liabilities		
Trade and other payables	**(8,952)**	(5,507)
Borrowings	**(1,562)**	(2,394)
Derivative financial liability held at fair value	**(410)**	(106)
Current tax liabilities	**(1)**	(657)
	(10,925)	(8,664)
Non current liabilities		
Borrowings	**(735)**	(797)
Pension schemes' deficit	**(4,157)**	(2,480)
	(4,892)	(3,277)
Total liabilities	**(15,817)**	(11,941)
Net assets	**16,608**	14,311
Equity		
Share capital	**1,503**	1,503
Shares held in treasury	**(240)**	(247)
Share premium	**315**	286
Other reserves	**4,323**	3,620
Profit and loss account	**10,707**	9,149
Total equity	**16,608**	14,311

Consolidated statement of changes in equity

	Share capital	Shares held in treasury	Share premium	Cash flow hedge reserve	Merger reserve	Capital redemption reserve	Revaluation reserve	Translation reserve	Profit and loss account	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2019	1,503	(247)	286	-	1,036	1,427	530	651	7,222	**12,408**
Net profit for the year	-	-	-	-	-	-	-	-	2,034	**2,034**
Re-translation of overseas subsidiaries	-	-	-	-	-	-	-	(24)	-	**(24)**
Net actuarial gain on pension schemes	-	-	-	-	-	-	-	-	89	**89**
Total comprehensive income for the year attributable to equity shareholders	-	-	-	-	-	-	-	(24)	2,123	**2,099**
Share based payments	-	-	-	-	-	-	-	-	28	**28**
Dividends paid	-	-	-	-	-	-	-	-	(224)	**(224)**
Total transactions with owners	-	-	-	-	-	-	-	-	(196)	**(196)**
At 1 January 2020	1,503	(247)	286	-	1,036	1,427	530	627	9,149	**14,311**
Net profit for the year	-	-	-	-	-	-	-	-	3,458	**3,458**
Re-translation of overseas subsidiaries	-	-	-	-	-	-	-	(28)	-	**(28)**
Revaluation of property	-	-	-	-	-	-	1,141	-	-	**1,141**
Forward contracts	-	-	-	(410)	-	-	-	-	-	**(410)**
Net actuarial loss on pension schemes	-	-	-	-	-	-	-	-	(1,508)	**(1,508)**
Total comprehensive income for the year attributable to equity shareholders	-	-	-	(410)	-	-	1,141	(28)	1,950	**2,653**
Share based payments	-	-	-	-	-	-	-	-	19	**19**
Exercise of share options	-	7	29	-	-	-	-	-	-	**36**
Dividends paid	-	-	-	-	-	-	-	-	(411)	**(411)**
Total transactions with owners	-	7	29	-	-	-	-	-	(392)	**(356)**
At 31 December 2020	**1,503**	**(240)**	**315**	**(410)**	**1,036**	**1,427**	**1,671**	**599**	**10,707**	**16,608**

Consolidated cash flow statement

	31 December 2020	31 December 2019
	£'000	£'000
Cash flows from operating activities		
Net profit for the year	**3,458**	2,034
Adjustments:		
Depreciation of property, plant and equipment	**245**	203
Amortisation of intangible fixed assets	**65**	45
Profit on sale of property, plant and equipment	**(1)**	-
Contribution to defined benefit pension plans	**(437)**	(437)
Finance costs	**91**	497
Tax expense	**546**	473
Share based payments	**19**	28
Net cash flow from operating activities before movements in working capital	**3,986**	2,843
Change in inventories	**197**	(459)
Change in trade and other receivables	**(4,528)**	(1,046)
Change in trade and other payables	**3,445**	991
Cash generated from operations	**3,100**	2,329
Interest paid	**(65)**	(182)
Tax paid	**(558)**	(90)
Net cash flows from operating activities	**2,477**	2,057
Cash flows from investing activities		
Purchases of intangible fixed assets	**(4)**	(7)
Purchases of property, plant and equipment	**(72)**	(63)
Sale of property, plant and equipment	**27**	-
Net cash flows from investing activities	**(49)**	(70)
Cash flows from financing activities		
Loan repayments	**(314)**	(407)
Finance lease repayments	**(80)**	115
Movement in invoice financing	**(592)**	(1,257)
Exercise of share options	**36**	-
Dividends paid	**(411)**	(224)
Net cash flows from financing activities	**(1,361)**	(1,773)
Net change in cash and cash equivalents	**1,067**	214
Cash and cash equivalents at beginning of year	**5,037**	4,847
Effect of foreign exchange rate changes	**(28)**	(24)
Cash and cash equivalents at end of year	**6,076**	5,037

Notes to the preliminary results

1. General information

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet at 31 December 2020, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the associated notes for the period then ended have been extracted from the Group's financial statements upon which the auditor's opinion is unqualified and does not include any statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the UK. The principal accounting policies adopted by the Group, which remain unchanged except for the adoption of formal hedge accounting for the first time this year, are set out in the statutory financial statements for the year ended 31 December 2020.

Non-underlying items

Non-underlying items are material items which arise from unusual non-recurring or non-trading events. They are disclosed in aggregate on the Consolidated income statement where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. Non-underlying items comprise exceptional costs of Group restructuring, the finance cost and deferred tax related to the Group's pension schemes calculated in accordance with IAS19 and the impact of the movement in respect of the ineffective proportion of the hedged derivative foreign exchange contracts.

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.

Financial instruments valuation

Forward contracts and options are used to minimise the impact of foreign exchange fluctuations on the Group. An asset or liability is recognised representing the fair value of the instruments in place at the year end. The fair value is calculated using certain estimates and valuation models by reference to significant inputs including implied volatilities in foreign currency and historical movements in foreign currency exchange rates.

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 discount rate, life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Inventory provisioning

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

Bad debt provision

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

Intangible asset valuation

In attributing value to intangible assets arising on acquisition, management has made certain assumptions in terms of cash flows attributable to intellectual property and customer relationships. The key assumptions relate to the trading performance of the acquired business, royalty rates applied in the royalty relief calculation and discount rates applied to calculate the present value of future cash flows. The Directors consider the resulting valuation to be a reasonable approximation as to the value of the intangibles acquired.

Going Concern

The accounts are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business. At the date of signing these accounts, the worldwide COVID-19 pandemic is ongoing. The Group has continued to trade throughout and is expected to continue trading throughout any subsequent restrictions which are imposed.

The Group has significant cash reserves and the Board continually monitor a rolling cashflow forecast for the business as a whole. Given the Group's low fixed cost base and the facilities available to it, the Board therefore considers the Group will continue to be able to meet its liabilities as they fall due.

On that basis, the Directors are confident that they will be able to manage the business in such a way that it will continue to operate and trade for at least 12 months from the date of the signing of the accounts and have therefore prepared these financial statements on a going concern basis.

Freehold property revaluation

In ascertaining an accurate estimate of the value of freehold property, the Directors utilise the latest professional valuation conducted along with available information on local property value movements since the valuation date.

Key judgements

Deferred tax assets

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

Pension deficit

In accordance with the winding up provisions of the Trust deeds the Directors have concluded that the Group may not have a discretionary right to receive returns of contributions if the schemes were to be in surplus. Accordingly, and where material, any excess funding has not been recognised on the balance sheet.

Cash flow hedging

In determining the proportion of forward foreign exchange contracts that are effective hedges against currency fluctuations, the Directors produce detailed forward forecasts to carefully determine the requirements of a particular foreign currency to match future planned supplier payments.

3. 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:

	31 December 2020	31 December 2019
	£'000	£'000
Net profit for the year	**3,458**	2,034
Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share	**5,048,453**	5,026,091
Weighted average dilutive shares under option	**296,085**	112,889
Average number of shares used for diluted earnings per share	**5,344,538**	5,138,980

	Pence	Pence
Basic earnings per share	**68.5**	40.5
Diluted earnings per share	**64.7**	39.6

4. Dividend

The Directors are proposing a final dividend of 5.50 pence per ordinary share (year ended 31 December 2019 – 5.04 pence per share which included a special dividend of 2.00 pence per share) payable to shareholders on the register on 14 May 2021 and will be paid on or around 1 July 2021.

5. Annual report and accounts and final results presentation

The annual report and accounts will be posted to shareholders shortly and, along with the final results presentation, will be available on the Company's website, **www.tandemgroup.co.uk**.

6. Annual General Meeting

The Annual General Meeting will be held on 24 June 2021. At this juncture we are hopeful that we will be able to hold a physical meeting at 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG. However, we will keep shareholders informed as the position becomes clearer.

For further information contact:

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This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

<u>Forward-Looking Statements</u>

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.