

# **Tandem Group plc**

Half Yearly Report  
for the six months ended  
30 June 2013

## **CHAIRMAN'S STATEMENT**

### **Results**

Group revenue reduced from £14,372,000 in the six months to 30 June 2012 to £11,251,000 in the six months to 30 June 2013. The gross profit percentage remained broadly consistent with previous periods.

Overheads were reduced by 9.2% to help counter the reduction in turnover and there was great focus to ensure operating costs were minimised throughout the period.

There was an operating loss before exceptional costs of £291,000 (six months to 30 June 2012 – profit £267,000). Exceptional costs of £58,000 (2012 - £nil) in respect of redundancies were incurred following a rationalisation of operations in the Claud Butler business subsequent to the transfer of corporate bicycle business to MV Sports & Leisure at the beginning of the period.

Finance costs increased from £74,000 to £149,000 principally as a result of required changes in calculation methodology under the pension accounting standard IAS19 and additional loan interest following the purchase of the Castle Bromwich property in February 2013.

The net loss for the period was £475,000 which compared to a profit of £184,000 in the first six months of 2012.

As we announced earlier in the year, the purchase of the Castle Bromwich premises was completed in February 2013 for consideration (before expenses) of £2,600,000. The transaction utilised over £1,100,000 of cash.

As previously reported, the poor weather during the period has contributed to a challenging trading environment with revenue and profitability in both bicycle and accessories and sports, leisure and toy businesses behind the same period last year.

### ***Bicycles and accessories***

Bicycles and accessories businesses revenue decreased by 19.4% to £7,187,000 (2012 - £8,917,000). This was as a result of both inclement weather conditions during the period coupled with reduced sales in our corporate bicycles business.

Operating profit was £157,000 (2012 - £377,000).

Notwithstanding the adverse conditions, revenue from our 'drop handlebar' road cycle ranges were ahead of the prior year and sales of parts and accessories showed further growth. Performance from our BMX ranges however was disappointing reflecting the current market trend away from BMX cycles.

### ***Sports, leisure and toys***

There was a reduction in revenue of 25.5% in our sports, leisure and toys businesses to £4,064,000 against £5,455,000 last year. This was against the backdrop of a poorly performing toy sector in line with market data.

There was an operating loss in the sports, leisure and toys businesses for the period of £318,000 compared to a profit of £117,000 in the same period last year.

Although many ranges were behind the prior year including own brands Ben Sayers and Hedstrom, the performance from new licenses including Skylanders was encouraging. Other ranges such as Peppa Pig and our own brand Stunted continued to show growth in a very challenging economic environment.

### **Trading update**

Group revenue for the 37 week period to 13 September was approximately £19.6 million compared to £22.0 million in the comparative period last year.

In the bicycles and accessories businesses revenue to 13 September was approximately £11.2 million against £13.0 million in the prior year.

The hot summer has helped our independent cycle dealer businesses, although we are only just starting to see a recovery in our corporate business. We remain optimistic that this should gather momentum in the remaining months of this year and into 2014.

Sports, leisure and toys revenue for the 37 week period to 13 September was approximately £8.3 million compared to £8.9 million last year.

We are encouraged by the strong initial sales from the Batman and One Direction licenses. Our generic ranges of battery operated sit and ride vehicles have also been well received and our own brands of Hedstrom and Ben Sayers in particular have responded positively to the better weather.

### **Outlook**

Group performance in July, August and September has been promising, particularly in the sports, leisure and toys businesses, with Group revenue 10% ahead of the corresponding 11 week period to 13 September last year. Although we do not expect to fully recover the revenue position we expect the Group to be profitable for the full year.

Selections with national retailers have increased for Spring/Summer 2014. We have also developed new customer relationships for corporate bicycles and accessories.

The Group sales order book is significantly ahead of the same point last year and we expect the second half of the year to be cash generative.

We are investing further in our IT systems to enable a more streamlined online B2b experience for our bicycle customers.

With the lease due to expire this year, we have also agreed a new six year lease for our existing Claud Butler warehouse premises in Scunthorpe. This will enable us to further invest in the operational efficiency of this site.

In accordance with our strong environmental principles we are currently close to implementing a substantial renewable energy project at our Castle Bromwich site and we will update shareholders further as we progress.

### **Dividend**

Despite the trading challenges experienced in 2013 your Board is confident of future prospects and in accordance with our progressive dividend policy, declare an interim dividend of 1.15p per share (2012 – 1.10p per share) to shareholders on or about 1 November 2013. The ex-dividend date will be 2 October 2013 and the record date 4 October 2013.

**MPJ Keene**  
**Chairman**  
**20 September 2013**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**For the 6 months ended 30 June 2013**

	6 months ended 30 June 2013 <i>Unaudited</i> £'000	6 months ended 30 June 2012 <i>Unaudited</i> £'000	Year ended 31 December 2012 <i>Audited</i> £'000
<b>Revenue</b>	<b>11,251</b>	14,372	28,952
Cost of sales	<b>(7,881)</b>	(10,072)	(20,364)
<b>Gross profit</b>	<b>3,370</b>	4,300	8,588
Operating expenses	<b>(3,661)</b>	(4,033)	(7,617)
<b>Operating (loss)/profit before exceptional costs</b>	<b>(291)</b>	267	971
Exceptional costs	<b>(58)</b>	—	—
<b>Operating (loss)/profit after exceptional costs</b>	<b>(349)</b>	267	971
Finance costs	<b>(149)</b>	(74)	(141)
<b>(Loss)/profit before taxation</b>	<b>(498)</b>	193	830
Tax income/(expense)	<b>23</b>	(9)	(157)
<b>Net (loss)/profit for the period</b>	<b>(475)</b>	184	673
	<b>Pence</b>	Pence	Pence
<b>(Loss)/earnings per share</b>			
Basic	3 <b>(10.21)</b>	3.95	14.57
Diluted	3 <b>(10.07)</b>	3.92	14.38

All figures relate to continuing operations.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the 6 months ended 30 June 2013**

	<b>6 months ended 30 June 2013 Unaudited £'000</b>	6 months ended 30 June 2012 Unaudited £'000	Year ended 31 December 2012 Audited £'000
<b>(Loss)/profit for the period</b>	<b>(475)</b>	184	673
<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>140</b>	(30)	(93)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial loss on pension schemes	—	—	(1,004)
Movement in pension schemes' deferred tax provision	—	—	63
<b>Other comprehensive income for the period</b>	<b>140</b>	(30)	(1,034)
<b>Total comprehensive income attributable to equity shareholders of Tandem Group plc</b>	<b>(335)</b>	154	(361)

All figures relate to continuing operations.

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**As at 30 June 2013**

	<b>At 30 June 2013 Unaudited £'000</b>	At 30 June 2012 Unaudited £'000	At 31 December 2012 Audited £'000
<b>Non current assets</b>			
Intangible fixed assets	2,236	2,236	2,236
Property, plant and equipment	3,151	295	348
Deferred taxation	1,749	1,792	1,749
	<u>7,136</u>	<u>4,323</u>	<u>4,333</u>
<b>Current assets</b>			
Inventories	7,302	7,407	4,783
Trade and other receivables	6,218	6,699	4,829
Cash and cash equivalents	—	2,018	1,498
	<u>13,520</u>	<u>16,124</u>	<u>11,110</u>
<b>Total assets</b>	<u>20,656</u>	<u>20,447</u>	<u>15,443</u>
<b>Current liabilities</b>			
Bank overdraft	(5)	—	—
Trade and other payables	(5,992)	(7,849)	(3,188)
Financial liabilities	(4,111)	(3,656)	(2,994)
Current tax liabilities	(369)	(174)	(160)
	<u>(10,477)</u>	<u>(11,679)</u>	<u>(6,342)</u>
<b>Non current liabilities</b>			
Bank loans	(1,565)	—	—
Pension schemes' deficits	(3,418)	(2,616)	(3,539)
	<u>(4,983)</u>	<u>(2,616)</u>	<u>(3,539)</u>
<b>Total liabilities</b>	<u>(15,460)</u>	<u>(14,295)</u>	<u>(9,881)</u>
<b>Net assets</b>	<u>5,196</u>	<u>6,152</u>	<u>5,562</u>
<b>Equity</b>			
Share capital	1,503	1,503	1,503
Shares held in treasury	(336)	(353)	(361)
Share premium	84	13	13
Other reserves	2,923	2,846	2,783
Profit and loss account	1,022	2,143	1,624
<b>Total equity</b>	<u>5,196</u>	<u>6,152</u>	<u>5,562</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**As at 30 June 2013**

	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 2012	1,503	(337)	13	1,036	1,427	413	2,093	6,148
Net profit for the period	—	—	—	—	—	—	184	184
Retranslation of overseas subsidiaries	—	—	—	—	—	(30)	—	(30)
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	(30)	184	154
Share based payments	—	—	—	—	—	—	3	3
Share buyback	—	(16)	—	—	—	—	(39)	(55)
Dividends paid	—	—	—	—	—	—	(98)	(98)
<i>Total transactions with owners</i>	—	(16)	—	—	—	(30)	50	4
At 30 June 2012	1,503	(353)	13	1,036	1,427	383	2,143	6,152
Net profit for the period	—	—	—	—	—	—	489	489
Retranslation of overseas subsidiaries	—	—	—	—	—	(63)	—	(63)
Net actuarial loss on pension schemes	—	—	—	—	—	—	(941)	(941)
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	(63)	(452)	(515)
Share based payments	—	—	—	—	—	—	2	2
Share buybacks	—	(8)	—	—	—	—	(19)	(27)
Dividends paid	—	—	—	—	—	—	(50)	(50)
<i>Total transactions with owners</i>	—	(8)	—	—	—	(63)	(519)	(590)
At 1 January 2013	1,503	(361)	13	1,036	1,427	320	1,624	5,562
Net loss for the period	—	—	—	—	—	—	(475)	(475)
Retranslation of overseas subsidiaries	—	—	—	—	—	140	—	140
<i>Total comprehensive income for period attributable to equity shareholders</i>	—	—	—	—	—	140	(475)	(335)
Share based payments	—	—	—	—	—	—	3	3
Exercise of share options	—	25	71	—	—	—	(26)	70
Dividends paid	—	—	—	—	—	—	(104)	(104)
<i>Total transactions with owners</i>	—	25	71	—	—	140	(602)	(366)
<b>At 30 June 2013</b>	<b>1,503</b>	<b>(336)</b>	<b>84</b>	<b>1,036</b>	<b>1,427</b>	<b>460</b>	<b>1,022</b>	<b>5,196</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the 6 months ended 30 June 2013**

	<b>6 months ended 30 June 2013 Unaudited £'000</b>	6 months ended 30 June 2012 Unaudited £'000	Year ended 31 December 2012 Audited £'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation for the period	<b>(498)</b>	193	830
<i>Adjustments:</i>			
Depreciation of property, plant and equipment	<b>57</b>	42	85
Loss on sale of property, plant and equipment	<b>—</b>	6	—
Finance costs	<b>149</b>	74	141
Share based payments	<b>3</b>	3	5
<b>Net cash flow from operating activities before movements in working capital</b>	<b>(289)</b>	318	1,061
Change in inventories	<b>(2,519)</b>	(2,217)	407
Change in trade and other receivables	<b>(1,389)</b>	(1,708)	275
Change in trade and other payables	<b>2,863</b>	3,548	(1,331)
<b>Cash flows from operations</b>	<b>(1,334)</b>	(59)	412
Interest paid	<b>(66)</b>	(33)	(79)
Taxation paid	<b>(31)</b>	(238)	(290)
<b>Net cash flow from operating activities</b>	<b>(1,431)</b>	(330)	43
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>(2,860)</b>	(59)	(154)
Sale of property, plant and equipment	<b>—</b>	—	4
<b>Net cash flow from investing activities</b>	<b>(2,860)</b>	(59)	(150)
<b>Cash flows from financing activities</b>			
Change in invoice financing	<b>1,117</b>	144	(518)
Change in borrowings	<b>1,565</b>	—	—
Exercise of share options	<b>70</b>	—	—
Dividends paid	<b>(104)</b>	(98)	(148)
Payment to acquire own shares	<b>—</b>	(55)	(82)
<b>Net cash flow from financing activities</b>	<b>2,648</b>	(9)	(748)
<b>Net change in cash and cash equivalents</b>	<b>(1,643)</b>	(398)	(855)
Cash and cash equivalents at beginning of period	<b>1,498</b>	2,446	2,446
Effect of foreign exchange rate changes	<b>140</b>	(30)	(93)
<b>Cash and cash equivalents at end of period</b>	<b>(5)</b>	2,018	1,498



## **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 and leisure 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 2013 (including the comparatives for the period ended 30 June 2012 and the year ended 31 December 2012) were approved by the Board of Directors on 20 September 2013 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 2012, 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 2012 statutory accounts. Copies of the annual statutory accounts and the interim report may be obtained by writing to 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 2013 is based on the actuarial valuation under IAS19 at 31 December 2012 updated for movements in net defined benefit pension income and contributions paid during the half year period. IAS19 Revised is effective for periods commencing on or after 1 January 2013, and 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 2013.

## 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 and accessories £'000	Sports, leisure and toys £'000	Total £'000
<b>6 months to 30 June 2013</b>			
Revenue	<u>7,187</u>	<u>4,064</u>	<u>11,251</u>
Segment result	<u>157</u>	<u>(318)</u>	<u>(161)</u>
Unallocated corporate expenses			<u>(130)</u>
Operating loss before exceptional costs			<u>(291)</u>
Exceptional costs			<u>(58)</u>
Operating loss after exceptional costs			<u>(349)</u>
Finance costs			<u>(149)</u>
Loss for the period before taxation			<u>(498)</u>
Tax income			<u>23</u>
Net loss for the period			<u><u>(475)</u></u>
<b>6 months to 30 June 2012</b>			
Revenue	<u>8,917</u>	<u>5,455</u>	<u>14,372</u>
Segment result	<u>377</u>	<u>117</u>	<u>494</u>
Unallocated corporate expenses			<u>(227)</u>
Operating profit			<u>267</u>
Finance costs			<u>(74)</u>
Profit for the period before taxation			<u>193</u>
Tax expense			<u>(9)</u>
Net profit for the period			<u><u>184</u></u>
<b>Year to 31 December 2012</b>			
Revenue	<u>16,979</u>	<u>11,973</u>	<u>28,952</u>
Segment result before management charges	797	892	1,689
Management charges	<u>(409)</u>	<u>(307)</u>	<u>(716)</u>
Segment result after management charges	<u>388</u>	<u>585</u>	<u>973</u>
Unallocated corporate expenses			<u>(2)</u>
Operating profit			<u>971</u>
Finance costs			<u>(141)</u>
Profit before taxation			<u>830</u>
Tax expense			<u>(157)</u>
Net profit for the year			<u><u>673</u></u>

### 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:

	<b>6 months ended 30 June 2013 £'000</b>	6 months ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Net (loss)/profit for the period	<u><b>(475)</b></u>	<u>184</u>	<u>673</u>
Weighted average shares in issue used for basic earnings per share	<b>4,653,156</b>	4,653,258	4,620,109
Weighted average dilutive shares under option	<b>63,727</b>	41,345	60,312
Average number of shares used for diluted earnings per share	<u><b>4,716,883</b></u>	<u>4,694,603</u>	<u>4,680,421</u>
	<b>Pence</b>	Pence	Pence
Basic (loss)/earnings per share	<u><b>(10.21)</b></u>	<u>3.95</u>	<u>14.57</u>
Diluted (loss)/earnings per share	<u><b>(10.07)</b></u>	<u>3.92</u>	<u>14.38</u>