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Tandem Group plc

Annual report and accounts
Year ended 31 December 2015

Tandem Group plc

Welcome to Tandem Group plc

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

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Directors and advisers

Directors

M P J Keene
Non-Executive Chairman

S J Grant
Chief Executive Officer

J C Shears
Group Finance Director

P Ratcliffe
Group Commercial Director

J S T Morris
Non-Executive Director

A Q Bestwick
Non-Executive Director

Company Secretary
J C Shears

Registered office
35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG

Registration
Registered in England No. 616818

Website
www.tandemgroup.co.uk

Nominated Adviser And Broker
Cairn Financial Advisers LLP
61 Cheapside, London, EC2V 6AX

Chartered Accountants and Statutory Auditor
Grant Thornton UK LLP
Colmore Plaza, 20 Colmore Circus, Birmingham, B4 6AT

Solicitors
Shoosmiths LLP
2 Colmore Square, 38 Colmore Circus, Birmingham, B4 6BJ

Registrars
Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Telephone 0871 664 0300

Brands

Bicycles and accessories
Boss
British Eagle
CBR
Claud Butler
Elswick
Exile
Explorer
Falcon
Scorpion
Townsend
Zombie

Football training
Kickmaster

Golf
Ben Sayers
Bioflow*

Outdoor play
Hedstrom

Snooker & pool
Pot Black

Table Sports
Pot Black

Wheeled toys
Batman*
Batman v Superman*
Ben & Holly's Little Kingdom*
Bob the Builder*
Bored
Bratz*
Clangers*
Disney Pixar Cars*
Disney Pixar Finding Dory*
Disney Princess*
Electrick
E-moto
Fireman Sam*
Grow & Go
In the Night Garden*
Marvel's Avengers*
My Little Pony*
Noddy Toyland Detective*
Paw Patrol*
Peppa Pig*
Power Rangers*
Ready Steady Ride
Shopkins*
Star Wars*
Stunted
Teletubbies*
The Angry Birds Movie*
Thomas & Friends*
Thunderbirds Are Go!*
Transformers*
Trolls*
Twista
Wired

*under licence/distribution

Chairman's statement

Introduction
I am pleased to present the results for the year ended 31 December 2015.

Results
Revenue for the year ended 31 December 2015 was £34,385,000 compared to £31,320,000 in the year ended 31 December 2014. This was an increase of 9.8%. Excluding the ESC acquisition referred to below, Group revenue increased by 4.7%.

Profit before tax and non-underlying items was £1,214,000 for the year ended 31 December 2015. This compared to £1,283,000 for the year ended 31 December 2014, a decrease of 5.4%.

Non-underlying items, which do not represent the trading performance of the Group, were a charge of £85,000 (year ended 31 December 2014 – £309,000 credit).

Following the acquisition, cash and cash equivalents reduced from £1,805,000 to £878,000 at 31 December 2015.

There was an increase of £1,233,000 in net assets from £6,586,000 at 31 December 2014 to £7,819,000 at 31 December 2015.

Further details of operational activities and a segment review of performance can be found in the Strategic report on page 4.

Dividend
We are proposing to pay a final dividend of 2.50 pence per share (year ended 31 December 2014 – 2.40 pence per share) which, when combined with the interim dividend of 1.25 pence per share (year ended 31 December 2014 – 1.20 pence per share), gives a total dividend of 3.75 pence for the year (year ended 31 December 2014 – 3.60 pence per share).

Subject to shareholder approval at the Annual General Meeting to be held on 28 June 2016, the final dividend will be paid on or around 4 July 2016 to shareholders on the share register as at 27 May 2016. The ex–dividend date will be 26 May 2016.

Pensions
The Group operates two defined benefit pension schemes with both schemes closed to new members. There are no active members in either scheme. Although gilt yields continued to be low, a change in assumptions, particularly the discount rate, enabled a reduction in the deficit in both schemes to £3,608,000 compared to £4,147,000 at the prior year end.

During the year to 31 December 2015 total payments in respect of these schemes were £403,000 (year ended 31 December 2014 – £327,000) comprising deficit contributions of £256,000 (year ended 31 December 2014 – £243,000) and government levies and administration costs of £147,000 (year ended 31 December 2014 – £84,000).

Acquisition
On 1 September 2015 the Group acquired a leading online retailer of gazebos, party tents, fishing products, household and kitchen appliances, E.S.C. (Europe) Limited ("ESC"), for initial consideration of £2,386,000 in cash. Additional consideration will be paid, subject to ESC fulfilling certain profitability criteria.

The acquisition provides critical mass for our direct to consumer business which we intend to develop further in 2016 and beyond with a more automated order picking system and despatching process.

In addition to this we are in the process of redeveloping all websites including the introduction of a new headline website under the 'Expressco' brand. We believe this investment will provide us with a springboard for future profitable growth.

Employees
We are fortunate to employ a number of skilled and dedicated employees. The Board thanks them all for their effort, hard work and focus during the year and contribution to the profitability of the Group.

Strategy
Our strategic objectives continue to broaden and whilst we seek to maintain our position as a leading supplier to the UK bicycle and wheeled toy markets, we are also developing our direct to consumer product range across a number of indoor and outdoor leisure and mobility categories.

Import duty
As we recently reported, the Company is investigating several import duty classification codes used for certain Pro Rider and ESC products and discussing them with HMRC. There have been no material developments since our announcement on 9 March 2016. The Company continues to receive specialist advice. Until there is clarification on the applicability of certain codes, it is not currently possible to accurately quantify the extent of any underpaid duty, if any. However where duty is underpaid, the Company will make an appropriate provision and seek recovery of any underpayments and other losses from the sellers of Pro Rider and ESC in accordance with the agreements entered into at the time of purchase.

Outlook
In our bicycles businesses we have produced a strong range of cycles for the 2016 year, particularly the new range of hybrid and junior models. The mid–tier independent cycle market continues to be challenging. However, over recent weeks our order books have improved which is encouraging. We continue to work exceptionally hard to maintain our position in a competitive market.

In our MV Sports business, feedback to our 2016 toy range at the recently held Toy Fair in London was very positive. New licences for 2016, including Finding Dory, Paw Patrol, Teletubbies and Shopkins, are showing good potential. When combined with our evergreen licences including Disney Princess, Peppa Pig and Thomas & Friends and our own brands including Stunted, Hedstrom, Kickmaster and Ben Sayers, we have a strong platform for growth in 2016.

Following the relocation to substantially larger premises in Northampton and the integration of ESC into this operation, we expect 2016 to be a further year of investment in our direct to consumer Expressco business. We believe that the improvements that we are making to our order processing and fulfilment systems and the redevelopment of all websites coupled with the investment in additional customer services, product development, marketing, design and warehousing personnel will help to facilitate growth in our direct to consumer operation.

M P J Keene
Chairman

19 April 2016

Strategic report

Operating and Financial Review

Revenue and operating profit

Group revenue for the year ended 31 December 2015 was £34,385,000 compared to £31,320,000 in the prior year. The completion on 1 September 2015 of the acquisition of ESC, a leading online retailer of outdoor leisure products, contributed £1,587,000 of revenue.

Operating expenses increased from £8,107,000 for the year ended 31 December 2014 to £8,840,000 for the year ended 31 December 2015 due to costs incurred in respect of the ESC acquisition and overheads subsequently incurred.

Operating profit before non-underlying items for the year ended 31 December 2015 was £1,420,000 which compared to £1,458,000 in the prior year.

Non-underlying items

Non-underlying items are material items which have arisen from unusual non-recurring or non-trading events. For the year ended 31 December 2015 non-underlying items comprised:

- acquisition and moving expenses of £140,000 (year ended 31 December 2014 – £nil);
- exceptional restructuring costs of £47,000 (year ended 31 December 2014 – £73,000);
- the release of deferred consideration £54,000 in respect of the Pro Rider acquisition (year ended 31 December 2014 – £nil);
- a fair value income adjustment for foreign currency derivative contracts under IAS39 of £104,000 (year ended 31 December 2014 – £657,000);
- pension finance costs under IAS19 of £140,000 (year ended 31 December 2014 – £151,000), and
- deferred tax income of £84,000 (year ended 31 December 2014 – £124,000 charge) in respect of IAS39, IAS19 and share options.

Finance costs

For the year ended 31 December 2015, total net finance costs were £242,000 compared to total net finance income of £331,000 for the year ended 31 December 2014.

Interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities increased from £175,000 last year to £206,000. Finance costs in respect of the pension schemes provided in accordance with IAS19 were £140,000 compared to £151,000 for the year ended 31 December 2014. The fair value adjustment in respect of derivative foreign exchange contracts was a credit of £104,000 compared to £657,000 in the prior year. This was calculated in accordance with IAS39. The net cost of pension schemes' finance costs and derivatives of £36,000 is included in non-underlying items.

Taxation

The tax expense for the year ended 31 December 2015 was £44,000 compared to £90,000 last year.

Current tax was £73,000 which compared to £81,000 in the prior year and comprised corporation tax from the overseas Hong Kong operation partly offset by a prior year UK adjustment.

Deferred tax income of £29,000 comprised tax in respect of movements in trading losses, pension schemes' liabilities, derivatives and share options.

Net profit

Net profit for the year ended 31 December 2015 after non-underlying items, finance costs and taxation was £1,001,000 compared to £1,626,000 for the year ended 31 December 2014.

Capital expenditure

Capital expenditure for the year was £132,000 which included racking of the Northampton warehouse and other leasehold improvements (year ended 31 December 2014 – £369,000).

Cash flows, working capital and net debt

Net cash inflow from operating activities before movements in working capital for the year ended 31 December 2015 was £1,510,000 compared to £1,594,000 in the prior year.

Total cash generated from operations was £1,711,000 compared to £1,445,000 last year.

Following the acquisition of ESC, net cash outflows from investing activities were £2,512,000 in the year ended 31 December 2015 compared to £2,516,000 in the previous year.

Net cash inflows from financing activities were £51,000 in the year ended 31 December 2015 (year ended 31 December 2014 £96,000 outflow).

At 31 December 2015 net debt, comprising cash and cash equivalents, invoice financing liabilities and borrowings, was £5,650,000 compared to £4,564,000 at 31 December 2014.

Dividends

Total dividends paid and proposed for the year ended 31 December 2015 were 3.75 pence per share compared to 3.60 pence per share for the year ended 31 December 2014, an increase of 4.2%. The dividend cover ratio was 5.7 (year ended 31 December 2014 – 9.7). 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 21.31 pence per share for the year ended 31 December 2015 compared to 34.82 pence per share in the year ended 31 December 2014. Diluted earnings per share was 20.27 pence per share compared to 34.09 pence per share in the prior year.

Strategic report continued

Acquisition

On 1 September 2015 the Group completed the acquisition of ESC. The initial consideration for the acquisition was £2,386,000 in cash with potential additional consideration of £601,000, subject to ESC fulfilling certain profitability criteria.

ESC is a leading online retailer of gazebos, party tents, household, kitchen and fishing products under the Airwave, Windbar, Jack Stonehouse and Carpzone brands.

We continue to implement our online strategy to become a leading internet retailer of outdoor and indoor leisure, household and mobility products.

The acquisition of ESC has further broadened the Group's distribution channels and its customer base by introducing a further online trading platform. During 2016, it is our intention to invest further to modify and improve our IT systems which will ultimately enable a more automated order picking and despatching process. Further, we plan to redevelop all websites to facilitate our plans. We believe this investment will provide us with a springboard for future profitable growth.

For the period from 1 September 2015 to 31 December 2015 ESC delivered £1,587,000 of revenue and an operating profit of £38,000.

Bicycles, bicycle accessories and mobility

Revenue in our bicycles, bicycle accessories and mobility businesses was £15,478,000 for the year ended 31 December 2015 compared to £16,074,000 in the prior year.

Operating profit for the year before the allocation of corporate charges and exceptional income was £895,000 compared to £874,000 for the year ended 31 December 2014.

The corporate bicycles business performed ahead of the prior year although the Claud Butler and Dawes businesses were behind. Strong cost control and margin management enabled an increase in operating profit.

The mid-tier independent bicycle market continued to be highly competitive. Notwithstanding these challenges, the range of new bicycles for 2016 has been well received in the market. We are also pleased with the progress that continues to be made with our national retailer customers.

Sports, leisure and toys

Revenue in our sports, leisure and toys business for the year ended 31 December 2015 was £18,907,000 compared to £15,246,000 in the prior year.

Operating profit before the allocation of corporate charges was £1,300,000 for the year ended 31 December 2015 compared to £1,452,000 in the year ended 31 December 2014.

It was a further year of turnover growth in our MV Sports business. In licensed properties, Disney Princess, Star Wars and Batman performed strongly. In own brands, Kickmaster, Bored and Pot Black showed growth over the prior year. Despite turnover growth, operating profits reduced with pressure on national retailer margins and royalty rates.

For 2016 we have a number of new licenses including Finding Dory, Paw Patrol and Shopkins which we believe have the potential to make a strong contribution to the year.

Key performance indicators

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

	Year ended 31 December 2015 Actual	**Year ended 31 December 2015 Target**	Year ended 31 December 2014 Actual
Gross profit margin The ratio of gross profit to sales expressed as a percentage	**29.4%**	**29.2%**	30.5%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	**£366,000**	**£403,000**	£330,000
Net operating expenses % of sales The ratio of net operating expenses, before goodwill amortisation and exceptional items, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage	**25.7%**	**24.0%**	25.9%
Interest cover The ratio of operating profit before goodwill amortisation and exceptional items, to net interest payable on bank loans, overdrafts and invoice finance facilities	**6.7**	**14.5**	9.1
Shareholders' return The ratio of net profit before goodwill amortisation and exceptional items to shareholders' funds at the start of the year expressed as a percentage	**15.3%**	**19.0%**	30.2%
Adjusted earnings per share – pence The net profit before goodwill impairment and exceptional items divided by the weighted average number of ordinary shares in issue during the year	**21.5**	**26.7**	36.4

Principal risks and uncertainties

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

Suppliers

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

Fluctuations in currency exchange rates

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

Licences

A number of the Group's brands are used under licence from global licensors. The licences are generally for between two and three years. If the licences are not renewed the Group would have to seek alternative licences in order to avoid a reduction in revenue.

Competition

The companies in the Group operate in highly competitive markets. As a result there is constant pressure on margins and the additional risk of being unable to meet customers' expectations. Policies of supply chain management and product development are in place to mitigate such risks.

Volatility in financial markets may require further cash contributions to our pension fund

The Group has commitments under defined benefit pension schemes. The Group is obliged to make contributions to the schemes based on actuarial valuations, which in turn are based on long-term assumptions to calculate scheme liabilities. Volatility of the financial markets can also affect the value of the assets in the schemes. This may lead to a requirement to increase the cash contributed by the Group to the schemes. If the Group is required to make significant additional contributions, the financial position of the Group may be materially affected with a significant reduction in operating cash flows. In turn, this may adversely impact future developments of the business.

Financial risks

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks. A summary of these risks is disclosed in note 16.

S J Grant
Chief Executive Officer
19 April 2016

J C Shears
Group Finance Director

Directors´ report

The Directors submit their annual report with the audited financial statements for the year ended 31 December 2015.

Principal activity

The Group is principally engaged in the design, development, sourcing and distribution of sports, leisure and mobility equipment. The Chairman's statement and Strategic report on pages 2 and 3 should be read in conjunction with this report.

Results and dividend

The results for the year ended 31 December 2015 are set out in the Consolidated income statement on page 11. An interim dividend of 1.25 pence per ordinary share was paid on 6 November 2015 in respect of the six month period to 30 June 2015 (period ended 30 June 2014 – 1.20 pence). The Directors are proposing a final dividend of 2.50 pence per ordinary share (year ended 31 December 2014 – 2.40 pence) payable to shareholders on the register on 27 May 2016 and will be paid on or around 4 July 2016.

Significant shareholders

As at 19 April 2016 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 1,264,035 shares held in treasury.

	Ordinary Shares of 25p	%
Jupiter Asset Management	540,941	11.4
S Bragg	366,559	7.7
D Waldron	312,560	6.6
M P J Keene	221,560	4.7
S J Grant	180,000	3.8

Directors

The present Directors are as follows:

M P J Keene

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

S J Grant

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

J C Shears

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

P Ratcliffe

Phil joined MV in 1999 and has many years' experience in commercial and strategic roles within the consumer goods sector, incorporating well known companies such as Car Plan, Waddingtons Games and Mattel. His experience encompasses marketing, licensing, product development, Far East sourcing and account management. Phil is a Fellow of The Chartered Institute of Marketing and is the current Chairman of The British Toy & Hobby Association (BTHA).

J S T Morris

Simon has worked in corporate finance for over 30 years, initially at Lazard Brothers and Dillon Read and later with MSB Corporate Finance and Smith & Williamson. He was appointed to the Board in March 2010 and is an experienced Non-Executive Director.

A Q Bestwick

Andy was formerly Managing Director of Gardman Holdings Limited. He has considerable experience in product development, sourcing and supply chain management, particularly from Asia, and selling to national and independent retailers. He was appointed to the Board as a Non-Executive Director in April 2010.

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

Held beneficially and fully paid

	19 April 2016 25p ordinary shares	31 December 2015 25p ordinary shares	1 January 2015 25p ordinary shares
M P J Keene	221,560	221,560	221,560
S J Grant	180,000	180,000	150,000
J C Shears	72,091	72,091	60,000
P Ratcliffe	71,435	71,435	33,835
J S T Morris	15,000	15,000	15,000

In accordance with the Articles of Association, P Ratcliffe and JST Morris, whose service contracts may be terminated by either party giving 12 months' and six months' written notice respectively, retire at the Annual General Meeting and offer themselves for re-election.

Directors´ and officers´ liability insurance

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

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

A review of the Group's trading operations, KPIs and principal risks and uncertainties is contained in the Strategic Report on page 4.

Environmental policies

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

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

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

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

Corporate social responsibility

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

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

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

The Group continues to be engaged in a number of projects, in conjunction with stakeholders, to reduce carbon dioxide emissions, safely and efficiently dispose of waste and, where possible, re-use and recycle products and packaging.

Employment policies

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. All employees are given equal opportunities for career development and promotion. Health and safety committee meetings are held within the operating businesses.

The necessity and importance of good communications and relations with all employees is well recognised and accepted throughout the Group. Employees are kept fully aware of management policies applicable to their respective duties. The Directors are committed to the principle of employee and executive share participation as evidenced by the existence of share option schemes. Options are granted under these schemes in order that employees can participate in the Group's performance.

Statement of Directors´ responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 101 Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

Directors´ report continued

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting includes resolution 6 proposed as special business.

Resolution 6 is also a special resolution which seeks the authority from shareholders for the Company to make market purchases.

The Directors would only exercise these authorities if the effect of doing so would, in their opinion, be in the best interests of shareholders generally. In addition, in exercising such authorities, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

By Order of the Board

J C Shears
Company Secretary
19 April 2016

Registered number: 00616818

Corporate governance statement

As the Company's shares are traded on AIM the Company has not complied with the UK Corporate Governance Code nor is it required to. However, the Company is committed to high standards of corporate governance and draws upon best practice available, including those aspects of the code considered appropriate.

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

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

The Board has established three committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the Group Finance Director and the external auditor in attendance. The Nominations Committee meets when applicable to consider and recommend to the Board changes in the Board's composition. The Remuneration Committee reviews the terms and conditions of employment of the Directors and senior managers. M P J Keene and J S T Morris are members of the Audit Committee. M P J Keene and A Q Bestwick are members of the Nominations Committee. Independent external advice is taken when appropriate.

The Group encourages two-way communication with both its institutional and private investors and endeavors to respond quickly to all queries received verbally or in writing. The executive Directors attended meetings with shareholders in the year ended 31 December 2015.

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

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

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

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

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

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

The Group meets its day to day working capital requirements through certain overdraft and invoice financing facilities. The bank facilities were renewed in October 2015 and the Group expects to operate within the facilities currently agreed.

Based on the Group's plans, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Report of the Independent Auditor

to the members of Tandem Group plc

We have audited the financial statements of Tandem Group plc for the year ended 31 December 2015 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
19 April 2016

Consolidated income statement

	Note	Year ended 31 December 2015 Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000	Year ended 31 December 2014 Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000
Revenue	3	**34,385**	**–**	**34,385**	31,320	–	31,320
Cost of sales		**(24,265)**	**–**	**(24,265)**	(21,755)	–	(21,755)
Gross profit		**10,120**	**–**	**10,120**	9,565	–	9,565
Operating expenses	4	**(8,700)**	**(140)**	**(8,840)**	(8,107)	–	(8,107)
Operating profit before exceptional income/(costs)		**1,420**	**(140)**	**1,280**	1,458	–	1,458
Exceptional income/(costs)		**–**	**7**	**7**	–	(73)	(73)
Operating profit after exceptional income/(costs)		**1,420**	**(133)**	**1,287**	1,458	(73)	1,385
Finance (costs)/income	5	**(206)**	**(36)**	**(242)**	(175)	506	331
Profit before taxation		**1,214**	**(169)**	**1,045**	1,283	433	1,716
Tax (expense)/credit	7	**(128)**	**84**	**(44)**	34	(124)	(90)
Net profit for the year		**1,086**	**(85)**	**1,001**	1,317	309	1,626
Earnings per share	8			**Pence**			Pence
Basic				**21.31**			34.82
Diluted				**20.27**			34.09

Consolidated statement of comprehensive income

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net profit for the year	**1,001**	1,626
Other comprehensive income:		
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations	**51**	163
Items that will not be reclassified subsequently to profit or loss:		
Deferred tax credit on share based payments	**75**	–
Actuarial gain/(loss) on pension schemes	**423**	(778)
Movement in pension schemes' deferred tax provision	**(223)**	89
Other comprehensive income for the year	**326**	(526)
Total comprehensive income for the year attributable to equity shareholders	**1,327**	1,100

All figures relate to continuing operations.

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

Governance

Financials

Consolidated balance sheet

	Note	At 31 December 2015 £'000	At 31 December 2014 £'000
Non current assets			
Intangible fixed assets	9	**5,612**	4,112
Property, plant and equipment	10	**3,267**	3,330
Deferred taxation	17	**1,825**	1,990
		10,704	9,432
Current assets			
Inventories	11	**6,227**	5,072
Trade and other receivables	12	**5,468**	6,501
Derivative financial asset held at fair value	16	**246**	142
Cash and cash equivalents	13	**878**	1,805
		12,819	13,520
Total assets		**23,523**	22,952
Current liabilities			
Trade and other payables	14	**(5,001)**	(5,457)
Other liabilities	15	**(4,034)**	(4,869)
Current tax liabilities		**(559)**	(232)
		(9,594)	(10,558)
Non current liabilities			
Other payables	14	**(8)**	(161)
Other liabilities	15	**(2,494)**	(1,500)
Pension schemes' deficits	18	**(3,608)**	(4,147)
		(6,110)	(5,808)
Total liabilities		**(15,704)**	(16,366)
Net assets		**7,819**	6,586
Equity			
Share capital	19	**1,503**	1,503
Shares held in treasury	19	**(316)**	(336)
Share premium		**127**	84
Other reserves		**2,944**	2,893
Profit and loss account		**3,561**	2,442
Total equity		**7,819**	6,586

The financial statements were approved by the Board on 19 April 2016 and signed on its behalf by:

M P J Keene
Director

J C Shears
Director

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

Consolidated statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2014	1,503	(336)	84	1,036	1,427	267	1,659	5,640
Net profit for the year	–	–	–	–	–	–	1,626	1,626
Re-translation of overseas subsidiaries	–	–	–	–	–	163	–	163
Net actuarial loss on pension schemes	–	–	–	–	–	–	(689)	(689)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	163	937	1,100
Share based payments	–	–	–	–	–	–	9	9
Exercise of share options	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(163)	(163)
Total transactions with owners	–	–	–	–	–	163	783	946
Balance at 1 January 2015	1,503	(336)	84	1,036	1,427	430	2,442	6,586
Net profit for the year	–	–	–	–	–	–	1,001	1,001
Re-translation of overseas subsidiaries	–	–	–	–	–	51	–	51
Net actuarial gain on pension schemes	–	–	–	–	–	–	200	200
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	51	1,201	1,252
Share based payments	–	–	–	–	–	–	14	14
Deferred tax on share options	–	–	–	–	–	–	75	75
Exercise of share options		20	43	–	–	–	–	63
Dividends paid	–	–	–	–	–	–	(171)	(171)
Total transactions with owners	–	20	43	–	–	51	1,119	1,233
Balance at 31 December 2015	**1,503**	**(316)**	**127**	**1,036**	**1,427**	**481**	**3,561**	**7,819**

The share premium was created following the exercise of share options.

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

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

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

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

Consolidated cash flow statement

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Cash flows from operating activities		
Profit before taxation for the year	**1,045**	1,716
Adjustments:		
Depreciation of property, plant and equipment	**193**	196
Amortisation of intangible fixed assets	**16**	4
Finance costs	**242**	(331)
Share based payments	**14**	9
Net cash flow from operating activities before movements in working capital	**1,510**	1,594
Change in inventories	**(137)**	(803)
Change in trade and other receivables	**1,814**	(489)
Change in trade and other payables	**(1,476)**	1,143
Cash generated from operations	**1,711**	1,445
Interest paid	**(108)**	(98)
Tax paid	**(120)**	(14)
Net cash flows from operating activities	**1,483**	1,333
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired	**(2,057)**	(2,147)
Acquisition of subsidiaries deferred consideration paid	**(290)**	–
Purchases of intangible fixed assets	**(39)**	–
Purchases of property, plant and equipment	**(132)**	(369)
Sale of property, plant and equipment	**6**	–
Net cash flows from investing activities	**(2,512)**	(2,516)
Cash flows from financing activities		
New loans	**1,500**	–
Loan repayments	**(182)**	(107)
Finance lease repayments	**(23)**	(36)
Movement in invoice financing	**(1,136)**	210
Exercise of share options	**63**	–
Dividends paid	**(171)**	(163)
Net cash flows from financing activities	**51**	(96)
Net change in cash and cash equivalents	**(978)**	(1,279)
Cash and cash equivalents at beginning of year	**1,805**	2,925
Effect of foreign exchange rate changes	**51**	159
Cash and cash equivalents at end of year	**878**	1,805

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

Notes to the financial statements

1. General information

Tandem Group plc, a public limited company traded on the Alternative Investment Market, is incorporated and domiciled in the United Kingdom. The Company acts as a holding company of the Group. The registered office and principal place of business of the Group is disclosed on the Directors and advisers page to these financial statements. The Group's principal activity is disclosed on page 6.

The financial statements for the year ended 31 December 2015 (including the comparatives for the year ended 31 December 2014) were approved by the Board of Directors on 19 April 2016.

The Group does not have an ultimate controlling related party.

2. Accounting policies

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 one off acquisition costs, non-recurring relocation costs, exceptional costs of Group restructuring, the finance cost related to the Group's pension schemes calculated in accordance with IAS19, the impact of the movement in respect of derivative foreign exchange contracts held at fair value through the profit and loss in accordance with IAS39 and the release of the over provision in respect of contingent consideration.

Basis of preparation

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

Overall considerations

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

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

Basis of consolidation

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

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

Foreign currency

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

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

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

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be £nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS but includes later translation differences.

Income recognition

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

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

Notes to the financial statements continued

2. Accounting policies continued

Business combinations and goodwill

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

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

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

Contingent consideration

Where an acquisition is subject to deferred or contingent consideration it is recorded as part of the cost of the investment at the net present value of future expected cash flows. Future expected cashflows are estimated using forecasts prepared by management based on the likely future performance of the acquired business. The consideration is classified as a financial liability and is measured at fair value with any changes in the estimated value being recognised in the income statement.

Intangible assets

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group based on its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. The intangible is then amortised over the economic life of the asset as detailed below.

Brands

The fair value of acquired brands is calculated using the royalty relief method. It is capitalised and then amortised over its useful economic life of 20 years. The amortisation is calculated so as to write off the fair value less the estimated residual value over their estimated lives. An impairment review is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

Other intangible assets

Intangible assets separately purchased, such as software, are capitalised at cost and amortised on a straight-line basis over their useful economic life of 10 years.

Impairment

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

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

Cash-generating units that include goodwill are tested for impairment at least annually. All other individual assets or cash-generating units that do not include goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Property, plant and equipment

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

Land	not depreciated
Freehold building	50 years
Short leasehold land and buildings	Length of lease
Vehicles	3 – 4 years
Plant and machinery	3 – 20 years

Inventories

All inventories and work in progress are stated at the lower of cost and net realisable value. Cost is based on the first in first out method.

2. Accounting policies continued

Segment reporting

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

Leases

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

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

Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised on the initial recognition of goodwill, nor on the initial recognition of assets or liabilities unless acquired in a business combination or in a transaction that affects tax or accounting profit. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the consolidated income statement. Changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to other comprehensive income or equity are charged or credited directly to other comprehensive income or equity respectively.

Employee benefits

Defined contribution pension schemes

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if an underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Defined benefit pension schemes

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for unrecognised actuarial gains or losses and past service costs.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income. The net surplus or deficit is presented in non current assets or liabilities on the consolidated balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The service cost and costs from settlements and curtailments are charged to operating expenses. Net interest costs or income are included in finance costs or income in the consolidated income statement. Post-employment benefits other than pensions are accounted for in the same way.

Notes to the financial statements continued

2. Accounting policies continued

Financial assets

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

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

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

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

Cash and cash equivalents

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

Equity

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

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

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

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

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

Share based employee remuneration

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

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

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

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

Financial liabilities

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

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

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

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

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

Forward exchange contracts are financial liabilities held at fair value through profit and loss in accordance with the policy below.

2. Accounting policies continued

Foreign exchange forward and option contracts

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

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

Significant accounting estimates and judgements

Certain estimates and judgements need to be made by the Directors of the Group which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required if, for example, as at the reporting date not all liabilities have been settled and certain assets and liabilities are recorded at fair value which requires a number of estimates and assumptions to be made.

Key areas of estimation uncertainty

Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 9 to the consolidated financial statements.

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. Changes in the fair value of the instruments are recognised in profit or loss in the income statement.

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. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Inventory provisioning

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

Bad debt provision

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels. The recovery of certain debts is dependent on the individual circumstances of customers. As disclosed in note 12 there are a number of debts which remain outstanding past their due date, which the Directors believe to be recoverable.

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.

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.

Notes to the financial statements continued

2. Accounting policies continued

Standards and interpretations not yet applied

The following new standards and interpretations, which are yet to become mandatory, have not been applied in the Group's consolidated financial statements for the year ended 31 December 2015:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)^^
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)^^ &&
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)^^
- IFRS 16 Leases effective 1 January 2019)^^
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014) $$ (Endorsed)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016) (Endorsed)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016) (Endorsed)
- Annual Improvements to IFRSs 2010–2012 Cycle (IASB effective date generally 1 July 2014) $$ (Endorsed)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016) (Endorsed)
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016) (Endorsed)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016) (Endorsed)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)^^
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016) (Endorsed)
- Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)^^
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)**
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (effective 1 January 2017)^^

$$ EU mandatory effective date is financial years starting on or after 1 February 2015.
^^ Not adopted by the EU (as at 16 Feb 2016).
** Endorsement postponed indefinitely
&& It has been decided not to launch the endorsement process – The EC will wait for a completely new standard

The Directors consider that there would be no material impact on the financial statements as a result of the introduction of the above standards and interpretations.

3. Segmental reporting

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

Year ended 31 December 2015	Bicycles, bicycle accessories and mobility £'000	Sports, leisure and toys £'000	Total £'000
Revenue	15,478	18,907	34,385
Segment result before corporate charges	895	1,300	2,195
Allocation of corporate charges	(331)	(512)	(843)
Segment result after corporate charges	564	788	1,352
Unallocated corporate charges			(72)
Operating profit			1,280
Exceptional income			7
Finance costs			(242)
Profit before taxation			1,045
Tax expense			(44)
Net profit for the year			1,001
Segment assets	9,057	9,834	18,891
Unallocated assets			4,632
Total assets			23,523
Segment liabilities	(3,679)	(4,554)	(8,233)
Unallocated liabilities			(7,471)
Total liabilities			(15,704)
Consolidated net assets			7,819
Capital additions			
Group			1
Segments	80	90	170
			171
Depreciation			
Group			38
Segments	75	80	155
			193

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3. Segmental reporting continued

Year ended 31 December 2014	Bicycles, bicycle accessories and mobility £'000	Sports, leisure and toys £'000	Total £'000
Revenue	16,074	15,246	31,320
Segment result before corporate charges	874	1,452	2,326
Allocation of corporate charges	(331)	(507)	(838)
Segment result after corporate charges	543	945	1,488
Unallocated corporate charges			(30)
Operating profit			1,458
Exceptional costs			(73)
Finance costs			331
Profit before taxation			1,716
Tax income			(90)
Net profit for the year			1,626
Segment assets	9,961	7,931	17,892
Unallocated assets			5,060
Total assets			22,952
Segment liabilities	(4,921)	(4,698)	(9,619)
Unallocated liabilities			(6,747)
Total liabilities			(16,366)
Consolidated net assets			6,586
Capital additions			
Group			248
Segments	52	78	130
			378
Depreciation			
Group			61
Segments	68	67	135
			196

Depreciation is included within operating expenses in the Consolidated income statement.

3. Segmental reporting continued

The Group's revenues and non current assets are divided into the following geographical areas:

Year ended 31 December 2015	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Revenue	32,247	1,064	1,074	34,385
Non current assets	8,873	–	6	8,879

Year ended 31 December 2014	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Revenue	28,948	1,470	902	31,320
Non current assets	7,436	–	6	7,442

There was one customer (year ended 31 December 2014 – one) whose revenue from transactions amounted to 10% or more of the Group's revenue.

4. Operating expenses

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Distribution costs	4,566	4,291
Administrative expenses (before exceptional costs)	4,274	3,816
Total operating expenses (before exceptional costs) as shown in the Consolidated income statement	8,840	8,107
The operating expenses disclosed above include the following charges:		
Employee benefits expense (note 6)	4,035	4,078
Depreciation – owned assets	181	185
Depreciation – assets under hire purchase agreements	12	11
Intangible amortisation	16	4
Operating lease costs	469	332
Other expenses	4,127	3,497
	8,840	8,107

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (year ended 31 December 2014 – £3,000) and in the capacity as auditor of the subsidiary companies was £67,000 (year ended 31 December 2014 – £58,000). Non audit remuneration totalled £20,958 relating to due diligence services(year ended 31 December 2014 – £4,000) and in respect of tax services totalled £14,000 (year ended 31 December 2014 – £14,000).

Exceptional income during the year of £7,000 (year ended 31 December 2014 – £73,000 cost) related to restructuring costs incurred by the Group of £47,000 offset by the release of an over provision in respect of the earn out arising on the Pro Rider acquisition of £54,000.

Notes to the financial statements continued

5. Finance costs/(income)

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Interest payable on bank loans, overdrafts and invoice finance facilities	192	161
Interest payable on hire purchase agreements	14	14
Expected return on pension scheme assets less interest on liabilities	140	151
Fair value adjustment in respect of derivative financial liabilities held at fair value through profit and loss	(104)	(657)
	242	(331)

6. Directors´ and employees´ remuneration

Employee benefits expense

Expense recognised for employee benefits is analysed below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Wages and salaries	3,560	3,568
Social security costs	316	350
Share-based employee remuneration	14	9
Pension scheme contributions – defined contribution schemes	145	16651
	4,035	4,078

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

	Number	Number
Selling and distribution	56	62
Management and administration	38	33
	94	95

Directors´ remuneration

	Year ended 31 December 2015 Short term employment benefits					
	Salary/Fee £'000	Performance bonus £'000	Benefits in kind £'000	Pension contribution £'000	Total £'000	Year ended 31 December 2014 £'000
M P J Keene	50	—	—	—	50	50
S J Grant	167	15	5	33	220	286
J C Shears	116	15	5	31	167	212
P Ratcliffe	140	15	7	26	188	232
J S T Morris	20	—	—	—	20	20
A Q Bestwick	20	—	—	—	20	20
	513	45	17	90	665	820

In addition to the above the total charge for Employer's National Insurance for the period was £66,000 (year ended 31 December 2014 – £98,000). During the year and in the previous year the Group contributed to defined contribution pension schemes for S J Grant, J C Shears and P Ratcliffe. The related share based remuneration charge was £10,000 (year ended 31 December 2014 – £8,000) of which £4,000 (year ended 31 December 2014 – £3,000) related to S J Grant, £3,000 (year ended 31 December 2014 – £3,000) related to J C Shears and £3,000 (year ended 31 December 2014 – £2,000) related to P Ratcliffe.

6. Directors´ and employees´ remuneration continued

Key management personnel

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

Share based employee remuneration

The following options were held at 31 December 2015 under the Group's share option schemes:

Number of shares	At 1 January 2015	Granted during year	Exercised/ lapsed during year	**At 31 December 2015**	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme						
Directors						
M P J Keene	86,400	–	–	**86,400**	78.91p	31/01/10 – 14/06/17
S J Grant	75,000	–	(30,000)	**45,000**	78.91p	31/01/10 – 14/06/17
	27,475	–	–	**27,475**	107.00p	31/01/14 – 14/06/21
	47,525	–	–	**47,525**	79.00p	31/12/15 – 29/10/23
J C Shears	8,000	–	(8,000)	**–**	78.91p	31/01/10 – 14/06/17
	67,000	–	(4,091)	**62,909**	107.00p	31/01/14 – 14/06/21
	35,000	–	–	**35,000**	79.00p	31/12/15 – 29/10/23
P Ratcliffe	32,000	–	(32,000)	**–**	78.91p	31/01/10 – 14/06/17
	14,000	–	–	**14,000**	107.00p	31/01/14 – 14/06/21
	37,400	–	–	**37,400**	79.00p	31/12/15 – 29/10/23
Other employees	64,800	–	–	**64,800**	78.91p	31/01/10 – 14/06/17
	23,400	–	–	**23,400**	107.00p	31/01/14 – 14/06/21
1996 Approved Share Option Scheme						
Director						
P Ratcliffe	5,600	–	(5,600)	**–**	62.50p	26/06/09 – 26/06/16
Other employees	11,200	–	–	**11,200**	62.50p	26/06/09 – 26/06/16
	534,800	–	(79,691)	**455,109**		

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

	At 31 December 2015			At 31 December 2014		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2009 (up to 2016)	**11,200**	**62.50**	**0.5**	16,800	62.50	1.5
2010 (up to 2017)	**196,200**	**78.91**	**1.5**	266,200	78.91	2.5
2014 (up to 2021)	**127,784**	**107.00**	**5.5**	131,875	107.00	6.5
2015 (up to 2023)	**119,925**	**190.00**	**7.8**	119,925	79.00	8.8
	455,109			534,800		

Notes to the financial statements continued

6. Directors´ and employees´ remuneration continued

The ordinary share mid-market price on 31 December 2015 was 182.5p (31 December 2014 – 106.0p). During the period, the highest mid-market price was 197.5p (31 December 2014 – 130.0p) and the lowest was 103.5p (31 December 2014 – 68.5p). The weighted average exercise price of the options in issue was 86.4p (31 December 2014 – 85.3p).

The fair value of options granted was determined for IFRS 2 using the Black–Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 62.50p (31 December 2014 – 62.50p) to 107.00 (31 December 2014 – 107.0p);
- 36.3% (31 December 2014 – 36.3%) to 48.0% (31 December 2014 – 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2014 – 0.86%);
- all options are assumed to vest after three and a half years from the date of grant of the options; and
- dividend yield of 4.03%

In total £14,000 (31 December 2014 – £9,000) of share-based employee remuneration expense has been included in the Consolidated income statement.

7. Tax expense

The relationship between the expected tax expense at 20.25% (year ended 31 December 2014 – 21.5%) and the actual tax income recognised in the Consolidated income statement can be reconciled as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	£'000	**%**	£'000	%
Profit before taxation	**1,045**		1,716	
Tax rate	**20.25%**		21.5%	
Expected tax expense	**212**	**20.25**	369	21.5
Expenses not deductible for tax purposes	**14**	**1.3**	(51)	(3.0)
Movement in unrecognised deferred tax asset	**(311)**	**(29.8)**	(410)	(23.9)
Deferred tax charged to the Consolidated statement of comprehensive income	**(146)**	**(14.0)**	89	5.2
Effect of differing rates on overseas taxation	**4**	**0.4**	(17)	(1.0)
Effect of change in tax rate	**309**	**29.6**	131	7.6
Adjustments in respect of prior periods	**(38)**	**(3.6)**	(21)	(1.2)
Actual tax expense	**44**		90	
Actual tax expense comprises:				
Current tax expense	**73**		81	
Deferred tax expense	**(29)**		9	
	44		90	

At 31 December 2015 there are trading losses and loan relationship deficits of approximately £10,133,000 (31 December 2014 – £14,186,000) available for carry forward against future profits of the same trade.

8. Earnings per share

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net profit for the year	**1,001**	1,626
Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share	**4,696,752**	4,669,754
Weighted average dilutive shares under option	**241,974**	100,453
Average number of shares used for diluted earnings per share	**4,938,726**	4,770,207

	Pence	Pence
Basic earnings per share	**21.31**	34.82
Diluted earnings per share	**20.27**	34.09

9. Intangible fixed assets

	Goodwill £'000	Software £'000	Brand names £'000	Total £'000
Gross carrying amount at 1 January 2014	7,193	–	–	7,193
Acquisition	1,695	–	185	1,880
At 1 January 2015	8,888	–	185	9,073
Additions	–	39	–	39
Acquisition (note 24)	1,221	–	256	1,477
At 31 December 2015	**10,109**	**39**	**441**	**10,589**
Amortisation				
At 1 January 2014	4,957	–	–	4,957
Provided in the year	–	–	4	4
At 1 January 2015	4,957	–	4	4,961
Provided in the year	–	4	12	16
At 31 December 2015	**4,957**	**4**	**16**	**4,977**
Net book value				
At 31 December 2015	**5,152**	**35**	**425**	**5,612**
At 31 December 2014	3,931	—	181	4,112

Notes to the financial statements continued

9. Intangible fixed assets continued

Goodwill above relates to the following cash generating units:

	Date of acquisition	Goodwill on acquisition £'000	Carrying value of goodwill £'000
Pot Black	28 September 2000	1,906	965
Dawes Cycles	26 June 2001	895	695
Ben Sayers	25 February 2002	715	576
Pro Rider	1 August 2014	1,695	1,695
ESC	1 September 2015	1,221	1,221
Others (fully impaired)		3,677	–
		10,109	5,152

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

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

The recoverable amounts were determined based on a value-in-use calculation, covering a detailed one year conservative forecast, followed by an extrapolation of expected cash flow over the next four years at growth rates of 3% for each cash generating unit, which represents a conservative long term average growth rate, followed by year five cash flows in perpetuity. The growth rates used do not exceed the long term average growth for the market in which the Group operates.

A forecast period of five years has been used representing the expected minimum period that the business model is sustainable assuming no significant changes in the business.

The discount rate used is 3.74%, being the Group's weighted average cost of capital, which is considered to be suitable for each cash generating unit as they operate in similar markets.

If the growth rate was assumed to be nil in the Directors' opinion there would still be no provision for impairment required. The Directors believe that there are no reasonably possible changes in assumptions which would cause recoverable amounts to equal carrying amounts. No further sensitivities have been applied to the calculation.

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

10. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Gross carrying amount					
At 1 January 2014	2,745	622	8	2,234	5,609
Additions	–	24	–	345	369
Acquisition of subsidiary undertaking	–	–	31	43	74
Disposals	–	–	(6)	(48)	(54)
Foreign exchange adjustments	–	3	–	8	11
At 1 January 2015	2,745	649	33	2,582	6,009
Additions	–	17	1	114	132
Acquisition of subsidiary undertaking	–	–	7	20	27
Disposals	–	–	(26)	(836)	(862)
Foreign exchange adjustments	–	3	–	4	7
At 31 December 2015	**2,745**	**669**	**15**	**1,884**	**5,313**
Depreciation					
At 1 January 2014	–	445	3	2,033	2,481
Provided in the year	50	37	8	101	196
Acquisition of subsidiary undertaking	–	–	17	30	47
Eliminated on disposals	–	–	(5)	(48)	(53)
Foreign exchange adjustments	–	3	–	5	8
At 1 January 2015	50	485	23	2,121	2,679
Provided in the year	25	39	4	125	193
Acquisition of subsidiary undertaking	–	–	7	16	23
Eliminated on disposals	–	–	(21)	(836)	(857)
Foreign exchange adjustments	–	3	–	5	8
At 31 December 2015	**75**	**527**	**13**	**1,431**	**2,046**
Net book value					
At 31 December 2015	**2,670**	**142**	**2**	**453**	**3,267**
At 31 December 2014	2,695	164	10	461	3,330

The net book value of assets held under hire purchase agreements was £224,000 (31 December 2014 – £236,000).

The borrowings of the Group are secured by a fixed and floating charge over the assets of the Group.

Notes to the financial statements continued

11. Inventories

	At 31 December 2015 £'000	At 31 December 2014 £'000
Finished goods for resale	**6,227**	5,072

Cost of sales includes material costs of £22,100,000 (year ended 31 December 2014 – £20,679,000) and other costs of £2,165,000 (year ended 31 December 2014 – £1,077,000).

12. Trade and other receivables

	At 31 December 2015 £'000	At 31 December 2014 £'000
Trade receivables	**4,852**	5,433
Prepayments and accrued income	**252**	230
Other receivables	**364**	838
	5,468	6,501

Trade and other receivables are usually due within 30 and 90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables as the amounts recognised resemble a large number of receivables from various customers.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and accordingly a provision of £83,000 (year ended 31 December 2014 – £74,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Amounts brought forward	**74**	91
Amounts written off	**(28)**	(61)
Impairment loss	**37**	44
At year end	**83**	74

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

	At 31 December 2015 £'000	At 31 December 2014 £'000
Not past due	**3,748**	2,589
Past due 0 – 90 days	**1,085**	2,804
Past due 91 – 180 days	**18**	28
Past due more than 180 days	**1**	12
	4,852	5,433

13. Cash and cash equivalents

	At 31 December 2015 £'000	At 31 December 2014 £'000
Cash and cash equivalents per consolidated cash flow statement	**878**	1,805

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

14. Trade and other payables

	At 31 December 2015 £'000	At 31 December 2014 £'000
Amounts falling due within one year:		
Trade payables	**2,375**	2,474
Contingent consideration	**685**	276
Other payables	**1,941**	2,707
	5,001	5,457
Amounts falling due between one and two years:		
Contingent consideration	**–**	150
Other payables	**8**	11
	8	161

The Directors consider, due to their short duration, that the carrying amounts recognised in the Consolidated balance sheet to be a reasonable approximation of the fair value of trade and other payables.

Notes to the financial statements continued

15. Other liabilities

	At 31 December 2015 £'000	At 31 December 2014 £'000
Invoice finance liability	**3,603**	4,739
Current borrowings with contractual maturities in less than one year		
– other borrowings	**407**	107
– assets held under hire purchase agreements	**24**	23
Total current borrowings	**4,034**	4,869
Non current borrowing with contractual maturities one to two years		
– other borrowings	**407**	107
– assets held under hire purchase agreements	**25**	24
Non current borrowings with contractual maturities between two to five years		
– other borrowings	**1,908**	1,190
– assets held under hire purchase agreements	**87**	82
Non current borrowings with contractual maturities over five years		
– other borrowings	**–**	–
– assets held under hire purchase agreements	**67**	97
Total non current borrowings	**2,494**	1,500
Total borrowings	**6,528**	6,369

The invoice finance liability is secured over the trade receivables of the Group and borrowings are secured by a fixed and floating charge over the assets of the Group.

Hire purchase liabilities are secured on the assets to which the liabilities relate.

16. Financial assets and liabilities

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

	At 31 December 2015				At 31 December 2014			
	Loans and receivables £'000	**Financial assets held at fair value through profit and loss £'000**	**Assets not within the scope of IAS 39 £'000**	**Total £'000**	Loans and receivables £'000	Financial assets held at fair value through profit and loss £'000	Assets not within the scope of IAS 39 £'000	Total £'000
Cash and cash equivalents:								
Sterling	**334**	**–**	**–**	**334**	627	–	–	627
US dollars	**266**	**–**	**–**	**266**	976	–	–	976
Euro	**90**	**–**	**–**	**90**	14	–	–	14
Others	**188**	**–**	**–**	**188**	188	–	–	188
	878	**–**	**–**	**878**	1,805	–	–	1,805
Foreign exchange and option derivatives	**–**	**246**	**–**	**246**	–	142	–	142
Trade and other receivables	**5,216**	**–**	**252**	**5,468**	5,594		907	6,501
Inventories	**–**	**–**	**6,227**	**6,227**	–	–	5,072	5,072
Current assets	**6,094**	**246**	**6,479**	**12,819**	7,399	142	5,979	13,520

The financial liabilities of the Group comprised:

	At 31 December 2015				At 31 December 2014			
	Other financial liabilities at amortised cost £'000	**Financial liabilities held at fair value through profit and loss £'000**	**Liabilities not within the scope of IAS 39 £'000**	**Total £'000**	Other financial liabilities at amortised cost £'000	Financial liabilities held at fair value through profit and loss £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade and other payables	**4,318**	**683**	**–**	**5,001**	5,031	426	–	5,457
Invoice finance liability	**3,603**	**–**	**–**	**3,603**	4,739	–	–	4,739
Current borrowings	**407**	**–**	**–**	**407**	107	–	–	107
Hire purchase	**24**	**–**	**–**	**24**	23	–	–	23
Current tax liabilities	**–**	**–**	**559**	**559**	–	–	232	232
Current liabilities	**8,352**	**683**	**559**	**9,594**	9,900	426	232	10,558
Non current borrowings and other liabilities	**2,494**	**–**	**8**	**2,502**	1,500	–	161	1,661

Notes to the financial statements continued

16. Financial assets and liabilities continued

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

Foreign currency risk

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast purchases in US dollars and other currencies. All forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The decision to hedge is influenced by the size of the exposure, the certainty of it arising and the exchange rate prevailing at the time.

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

The Group's US dollar contracts relate to cash flows that have been forecast for 2016. At 31 December 2015, a gain of £104,000 (year ended 31 December 2014 – gain £657,000) has been recorded in the consolidated balance sheet in respect of outstanding contracts at the balance sheet date in accordance with IAS 39.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Sterling at the closing rate.

	At 31 December 2015				At 31 December 2014			
	USD £'000	**GBP £'000**	**Other £'000**	**Total £'000**	USD £'000	GBP £'000	Other £'000	Total £'000
Current assets	**1,346**	**11,162**	**311**	**12,819**	1,479	11,787	254	13,520
Current liabilities	**(1,165)**	**(8,096)**	**(333)**	**(9,594)**	(1,817)	(8,741)	–	(10,558)
Total exposure	**181**	**3,066**	**(22)**	**3,225**	(338)	3,046	254	2,962

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

- Level one : quoted prices in active markets for identical assets or liabilities
- Level two: inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly or indirectly
- Level three: unobservable inputs for the asset or liability

Forward exchange contracts which have a value of £246,000 at 31 December 2015 (year ended 31 December 2014 – £142,000) are financial instruments held at fair value and are disclosed as an asset at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2015. All other financial assets and liabilities are Level one.

Other liabilities include £683,000 (year ended 31 December 2014 – £426,000) of contingent consideration which has been measured using management's estimate of the likely amounts payable in respect of acquisitions made in both the current and prior year. Of the balance brought forward at 1 January 2015, £290,000 was paid, £53k released to the consolidated income statement and the balance was increased by £601k following the acquisition of E.S.C (Europe) Limited (see note 24). Contingent consideration is in the level 3 classification.

There were no transfers between Level one and Level two in 2015 or 2014.

16. Financial assets and liabilities continued

Measurement of financial instruments

The Group has relied upon valuations performed by third party valuations specialist for complex valuations of the forward exchange contracts. Valuation techniques have utilised observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for forward exchange contracts.

The intangible assets held by the group, as disclosed in note 9, are classified as Level 3 within the hierarchy (see note 16) of non-financial assets measured at fair value on a recurring basis at 31 December 2015. The fair value of the intangible as at 31 December 2015 are included in the statement of financial position as £425,000 (year ended 31 December 2014 - £181,000).

The fair value of the intangibles are estimated using an income approach which capitalises the estimated royalty income which would be charged to a third party to use the brand using the group's discount rate of 3.74%.

The most significant inputs, all of which are unobservable, are the estimated royalty rate and the discount rate. The estimated fair value increases if the estimated royalty rate increases or the discount rate declines. The overall valuations are sensitive to both assumptions.

17. Deferred taxation

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

	At 31 December 2013 £'000	*Movement in the year £'000*	At 31 December 2014 £'000	*Movement in the year £'000*	**At 31 December 2015 £'000**
Provided					
Pension obligations	(727)	*(102)*	(829)	*181*	**(648)**
Property, plant and equipment	(193)	*45*	(148)	*(67)*	**(215)**
Current liabilities – provisions	(4)	*(6)*	(10)	*10*	**–**
Financial instruments	(103)	*131*	28	*(28)*	**–**
Unused tax losses	(920)	*(148)*	(1,068)	*111*	**(957)**
Share based payments	–	*–*	–	*(88)*	**(88)**
Intangible fixed assets	–	*37*	37	*46*	**83**
Total	(1,947)	*(43)*	(1,990)	*165*	**(1,825)**
Presented as:					
Deferred tax asset	(1,947)	*(43)*	(1,990)	*165*	**(1,825)**
Unprovided					
Property, plant and equipment	(1)	*55*	54	*(71)*	**(17)**
Current liabilities – provisions	(5)	*5*	–	*–*	**–**
Unused tax losses	(1,240)	*(529)*	(1,769)	*1,050*	**(869)**
Capital losses	(1,526)	*193*	(1,333)	*134*	**(1,199)**
ACT	(642)	*553*	(89)	*–*	**(89)**
Total	(3,414)	*277*	(3,137)	*1,113*	**(2,174)**

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

Of the deferred tax movement in the year of £165,000, a credit of £29,000 has been recognised in the consolidated income statement, a charge of £148,000 in the consolidated statement of comprehensive income and a charge of £46,000 has been recognised on acquisition.

Notes to the financial statements continued

18. Pension scheme arrangements

The Group operates two funded pension schemes, The Tandem Group Pension Plan and The Casket Group Retirement and Death Benefit Scheme. In addition, subsidiary companies of the Group contribute to other defined contribution schemes and individual pension plans.

For both schemes, the trustees have responsibility for setting the overall investment strategy, and delegate the day to day management of the schemes to the scheme advisors, including investment managers.

The Tandem Group Pension Plan

A contributory pension scheme, the Tandem Group Pension Plan, has two sections. One provides benefits based on final pensionable salary, the other provides benefits based on defined contributions. The scheme is closed to new members.

The assets of the scheme are held separately from those of the Group, being invested with managed funds.

Contributions to the final salary section are determined by an independent qualified actuary on the basis of the triennial valuation using the Defined Accrued Benefit Method. The date of the last triennial valuation was 1 October 2013.

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

	31 December 2015 £'000	31 December 2014 £'000
Defined benefit obligation at the beginning of the year	**10,924**	10,411
Interest cost	**371**	455
Actuarial gains due to scheme experience	**(12)**	(431)
Actuarial gains due to changes in demographic assumptions	**(156)**	–
Actuarial (gains)/losses due to changes in financial assumptions	**(418)**	1,099
Benefits paid	**(637)**	(610)
Defined benefit obligation at the end of the year	**10,072**	10,924

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

	31 December 2015	31 December 2014
Discount rate	**3.70%**	3.50%
Increase in pensionable salaries*	**–%**	–%
Increase in pensions in payment	**Up to 5.00%**	Up to 5.00%
Increase in deferred pensions	**3.00 to 5.00%**	3.00 to 5.00%
Inflation assumption	**3.00%**	2.80%
Mortality assumption table	**S1 PxA (YOB)**	S1 PxA (YOB)

* There are no members whose benefits are linked to salaries

The mortality assumptions in the table above imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2015	20.3
Female retiring in 2015	22.6
Male retiring in 2035	21.6
Female retiring in 2035	24.1

18. Pension scheme arrangements continued

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

	31 December 2015 £'000	31 December 2014 £'000
Fair value of scheme assets at the beginning of the year	**7,342**	7,279
Interest income	**249**	317
Return on plan assets	**(221)**	214
Contributions	**155**	142
Benefits paid	**(637)**	(610)
Fair value of scheme assets at the end of the year	**6,888**	7,342

The actual return on scheme assets over the period ended 31 December 2015 was £28,000.

	At 31 December 2015 £'000	At 31 December 2014 £'000
Equities – UK	**387**	401
Equities – overseas	**2,215**	2,894
Property	**744**	760
Diversified growth assets	**1,055**	1,114
Gilts	**947**	321
Corporate Bonds	**1,337**	1,809
Cash and other	**203**	43
Total fair value of assets	**6,888**	7,342

None of the fair value of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the company. All debt and equity instruments have quoted prices in active markets (Level one). Fair values of real estate properties do not have quoted prices and have been determined based on professional appraisals that would be classed as Level three of the fair value hierarchy as defined in IFRS13 'Fair value measurements'.

Sensitivities to the principal assumptions of the present value of the defined benefit obligation may be analysed as follows:

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% per annum	Increase by 2.6%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.4%

The Directors believe that changes in the other assumptions noted above do not have a material impact on the defined benefit obligation.

The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual changes in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The average duration of the defined benefit obligation at 31 December 2015 is 13 years.

Governance

Financials

Notes to the financial statements continued

18. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2015 £'000	31 December 2014 £'000
Deficit at the beginning of the year	**(3,582)**	(3,132)
Movement in year:		
Contributions	**155**	142
Finance cost	**(122)**	(138)
Actuarial gain/(loss)	**365**	(454)
Deficit at the end of the year	**(3,184)**	(3,582)
Related deferred tax asset	**571**	716
Net deficit at the end of the year	**(2,613)**	(2,866)

The expected contributions in the year ending 31 December 2016 are £159,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to March 2029.

Defined benefit costs recognised in profit or loss are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Net interest cost	**122**	138
Defined benefit costs recognised in profit or loss	**122**	138

Defined benefit costs recognised in other comprehensive income are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Return on plan assets (excluding amounts included in net interest cost) – (loss)/gain	**(221)**	214
Experience gain arising on the defined benefit obligation	**12**	431
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	**156**	—
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	**418**	(1,099)
Total actuarial gains and losses and total amount recognised in other comprehensive income – gain/(loss)	**365**	(454)

18. Pension scheme arrangements continued

The Casket Group Retirement and Death Benefit Scheme

Prior to 1995, Casket Limited operated a defined benefits pension scheme. On 31 May 1995 proceedings commenced to wind up this scheme. On 1 June 1995 a new defined contribution scheme commenced. Current employees at that time had an amount transferred to individual accounts in the new scheme. Former employees had their deferred benefits transferred to be payable out of a contingency fund.

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

	31 December 2015 £'000	31 December 2014 £'000
Defined benefit obligation at the beginning of the year	**3,121**	2,753
Interest cost	**104**	119
Actuarial (gains)/losses due to scheme experience	**(15)**	192
Actuarial gains due to changes in demographic assumptions	**(36)**	—
Actuarial losses due to changes in financial assumptions	**1**	217
Benefits paid	**(231)**	(160)
Defined benefit obligation at the end of the year	**2,944**	3,121

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

	31 December 2015 £'000	31 December 2014 £'000
Discount rate	**3.70%**	3.50%
Increase in pensions in payment	**3.00%**	2.80%
Increase in pensionable salaries *	**–**	—%
Increase in deferred pensions	**3.00%**	2.80%
Inflation assumption	**3.00%**	2.80%
Mortality assumption table	**S1 PxA (YOB)**	S1 PxA (YOB)

* There are no members whose benefits are linked to salaries

The mortality assumptions in the table above imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2015	20.3
Female retiring in 2015	22.6
Male retiring in 2035	21.6
Female retiring in 2035	24.1

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

	31 December 2015 £'000	31 December 2014 £'000
Fair value of scheme assets at the beginning of the year	**2,556**	2,424
Interest income	**86**	106
Return on plan assets (excluding amounts included in interest income)	**8**	85
Contributions	**101**	101
Benefits paid	**(231)**	(160)
Fair value of scheme assets at the end of the year	**2,520**	2,556

The actual return on scheme assets over the period ended 31 December 2015 was £94,000.

Notes to the financial statements continued

18. Pension scheme arrangements continued

The value of assets in the scheme were:

	At 31 December 2015 £'000	At 31 December 2014 £'000
Equities	**1,692**	1,707
Property	**42**	38
Gilts	**554**	571
Corporate bonds	**122**	126
Cash and other	**110**	114
Total fair value of assets	**2,520**	2,556

None of the fair value of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the company. All debt and equity instruments have quoted prices in active markets (Level one). Fair values of real estate properties do not have quoted prices and have been determined based on professional appraisals that would be classed as Level three of the fair value hierarchy as defined in IFRS13 'Fair value measurements'.

Sensitivities to the principal assumptions of the present value of the defined benefit obligation may be analysed as follows:

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% per annum	Increase by 3.7%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.4%
Rate of inflation	Increase 0.25% per annum	Increase by 3.7%

The Directors believe that changes in the other assumptions noted above do not have a material impact on the defined benefit obligation.

The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual changes in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The average duration of the defined benefit obligation at 31 December 2015 is 13 years.

The reconciliation of movements in the year were as follows:

	31 December 2015 £'000	31 December 2014 £'000
Deficit at the beginning of the year	**(565)**	(329)
Movement in year:	**101**	101
Contributions	**(18)**	(13)
Finance cost		
Actuarial gain/(loss)	**58**	(324)
Deficit at the end of the year	**(424)**	(565)
Related deferred tax asset	**77**	113
Net deficit at the end of the year	**(347)**	(452)

The expected contributions in the year ending 31 December 2016 are £101,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to July 2019.

18. Pension scheme arrangements continued

Defined benefit costs recognised in profit or loss are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Net interest cost	18	13
Defined benefit costs recognised in profit or loss	**18**	**13**

Defined benefit costs recognised in other comprehensive income are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain	8	85
Experience gain/(loss) arising on the defined benefit obligation	15	(192)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	36	—
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss	(1)	(217)
Total actuarial gains and losses and total amount recognised in other comprehensive income – gain/(loss)	58	(324)

Group pension scheme deficit

	31 December 2015 £'000	31 December 2014 £'000
Deficit		
The Tandem Group Pension Plan	(3,184)	(3,582)
The Casket Group Retirement and Death Benefit Scheme	(424)	(565)
	(3,608)	(4,147)
Related deferred tax asset		
The Tandem Group Pension Plan	571	716
The Casket Group Retirement and Death Benefit Scheme	77	113
Net deficit at the end of the year	**(2,960)**	**(3,318)**

The amounts recognised in the Consolidated statement of comprehensive income in the year ended 31 December 2015 are a gain of £365,000 in respect of the Tandem Group Pension Plan and a gain of £58,000 in respect of the Casket Group Retirement and Death Benefit Scheme. The net cumulative actuarial loss taken directly to the Consolidated statement of comprehensive income since the date of transition to IFRS on 1 February 2006 is £1,392,000 in total in respect of both schemes.

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

Notes to the financial statements continued

19. Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 January 2014 and 1 January 2015 – ordinary shares 25p each	4,669,754	1,167
Exercise of share options	79,691	20
At 31 December 2015 – ordinary shares 25p each	**4,749,445**	**1,187**

20. Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £355,000 (year ended 31 December 2014 – £214,000) and for other operating leases was £114,000 (year ended 31 December 2014 – £118,000).

	At 31 December 2015		At 31 December 2014	
Operating lease commitments	**Land and buildings £'000**	**Other £'000**	Land and buildings £'000	Other £'000
Total future minimum payments under operating leases:				
Within one year	**378**	**194**	250	185
Within two to five years	**514**	**255**	194	322
After five years	**152**	**–**	–	2
	1,044	**449**	444	509

21. Related parties

Transactions with the Directors are disclosed in note 6.

During the period dividends were paid to the Directors as follows:

	31 December 2015 £'000	31 December 2014 £'000
M P J Keene	**8**	8
S J Grant	**5**	5
J C Shears	**2**	2
P Ratcliffe	**1**	1
J S T Morris	**1**	1
	17	17

There were no other related party transactions during the current or prior year.

22. Contingent liabilities

The Company is investigating several import duty classification codes used for certain Pro Rider and ESC products and discussing them with HMRC. Until there is clarification on the applicability of certain codes, it is not possible to accurately quantify the extent of any underpaid duty, if any. Accordingly, no provision has been made in these financial statements.

23. Capital management policies and procedures

The Group's capital management objectives are:

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

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

The Strategic report on pages 3 to 5 details the working capital and net debt measures used by the Group.

24. Acquisition

On 1 September 2015, the Group acquired 100% of the issued share capital and voting rights of E.S.C (Europe) Limited for an initial consideration of £2,386,000. The business is engaged in the supply of mobility and leisure products. The acquisition has been accounted for using acquisition accounting principles. The net assets acquired have been adjusted to their provisional fair values. Details of the acquisition are as follows:

	Book value on acquisition £'000	Fair value adjustments £'000	Recognised value on acquisition £'000
Intangible fixed assets	–	256	256
Property, plant and equipment	4	–	4
Inventories	1,072	(55)	1,017
Trade and other receivables	868	–	868
Cash and cash equivalents	329	–	329
Trade and other payables	(474)	(188)	(662)
Deferred tax	–	(46)	(46)
Net assets acquired	1,799	(33)	1,766
Goodwill arising on acquisition			1,221
Provisional fair value of assets acquired			2,987
Satisfied by:			
Cash			2,386
Contingent consideration			601
Total consideration			2,987

Intangible assets have been calculated using a royalty relief calculation and applicable discount to calculate the present value of future cash flows.

Fair value adjustments reflect the value of intangible assets acquired and associated deferred tax and variances in inventory and trade payables. Changes to provisional fair values occurring within 12 months of the acquisition date will be reflected in goodwill at the acquisition date.

Goodwill, which is not separately identifiable as other intangible assets, is the consideration in excess of net assets acquired. No goodwill is deductible for corporation tax.

The contingent consideration has been estimated at the net present value of future expected cash flows using forecasts prepared by the Directors based on the likely future performance of the business.

For the period from 1 September 2015 to 31 December 2015 revenues were £1,587,000 and profit after tax £38,000. If the acquisition had occurred on 1 January 2015, Group revenue would have increased by £7,028,000 and operating profit by approximately £985,000. These figures are based on the assumption that the fair value adjustments arising on acquisition would have been the same had the acquisition completed on 1 January 2015.

Five year history

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	11 month period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Revenue	**34,385**	31,320	28,347	29,042	34,610
Cost of sales	**(24,265)**	(21,755)	(20,061)	(20,784)	(24,777)
Gross profit	**10,120**	9,565	8,286	8,258	9,833
Operating expenses	**(8,840)**	(8,107)	(7,314)	(7,391)	(8,628)
Operating profit before exceptionals	**1,280**	1,458	972	867	1,205
Exceptional items	**7**	(73)	(142)	–	–
Operating profit after exceptionals	**1,287**	1,385	830	867	1,205
Finance costs	**(346)**	(329)	(814)	(96)	(120)
Finance income	**104**	660	–	49	–
Profit before taxation	**1,045**	1,716	16	820	1,085
Tax (expense)/credit	**(44)**	(90)	338	(179)	–
Net profit for the year/period	**1,001**	1,626	354	641	1,085

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

Company balance sheet

	Note	At 31 December 2015 £'000	At 31 December 2014 Restated £'000
Non current assets			
Goodwill	4	**213**	213
Investments	5	**8,924**	5,937
Property, plant and equipment	6	**2,895**	2,932
Deferred taxation	10	**659**	687
		12,691	9,769
Current assets			
Trade and other receivables	7	**4,054**	4,101
Derivative financial asset held at fair value	7	**246**	142
		4,300	4,243
Total assets		**16,991**	14,013
Current liabilities			
Trade and other payables	8	**(4,448)**	(2,296)
Other liabilities	9	**(432)**	(130)
Current tax liabilities		**(27)**	(21)
		(4,907)	(2,447)
Non current liabilities			
Other payables	8	**–**	(151)
Other liabilities	9	**(2,494)**	(1,500)
Pension scheme deficit	13	**(3,184)**	(3,582)
		(5,678)	(5,233)
Total liabilities		**(10,585)**	(7,680)
Net assets		**6,406**	6,333
Equity			
Share capital	11	**1,503**	1,503
Shares held in treasury	11	**(316)**	(336)
Share premium		**127**	84
Other reserves		**2,463**	2,463
Profit and loss account		**2,629**	2,619
Total equity		**6,406**	6,333

The financial statements were approved by the Board of Directors on 19 April 2016.

M P J Keene
Director

J C Shears
Director

The accompanying notes on pages 47 to 61 form part of these financial statements.

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Statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000 restated	Total £'000
Balance at 1 January 2014	1,503	(336)	84	1,036	1,427	1,291	5,005
Net profit for the year	–	–	–	–	–	1,902	1,902
Net actuarial loss on pension schemes	–	–	–	–	–	(420)	(420)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	1,482	1,482
Share based payments	–	–	–	–	–	9	9
Dividends paid	–	–	–	–	–	(163)	(163)
Total transactions with owners	–	–	–	–	–	1,328	1,328
Balance at 1 January 2015	1,503	(336)	84	1,036	1,427	2,619	6,333
Net loss for the year	–	–	–	–	–	(87)	(87)
Net actuarial gain on pension schemes	–	–	–	–	–	179	179
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	92	92
Share based payments	–	–	–	–	–	14	14
Deferred tax on share options	–	–	–	–	–	75	75
Exercise of share options	–	20	43	–	–	–	63
Dividends paid	–	–	–	–	–	(171)	(171)
Total transactions with owners	–	20	43	–	–	10	73
Balance at 31 December 2015	**1,503**	**(316)**	**127**	**1,036**	**1,427**	**2,629**	**6,406**

The share premium was created following the exercise of share options.

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

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

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

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

Notes to the financial statements

1. Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis except for the revaluation of certain properties and financial instruments.

Changes in accounting policies

This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 January 2014. An explanation of the transition is included in note 16 to the financial statements. In applying FRS 101 for the first time the Company has applied early the amendment to FRS 101 which permits a first time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

Parent company

The Company is a parent company which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Tandem Group plc for the year ended 31 December 2015. These accounts are available from Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham B35 7AG.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- the requirement to produce a balance sheet at the beginning of the earliest comparative period
- the requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliations for property, plant and equipment, intangible assets and investment properties.
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Business combination disclosures
- Disclosures in relation to impairment of assets
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)

Investments

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

Notes to the financial statements continued

1. Accounting policies continued

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure from the requirements of the Companies Act 2006, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Contingent consideration

Where an acquisition is subject to deferred or contingent consideration it is recorded as part of the cost of the investment at the net present value of future expected cash flows. Future expected cashflows are estimated using forecasts prepared by management based on the likely future performance of the acquired business. The consideration is classified as a financial liability and is measured at fair value with any changes in the estimated value being recognised in the income statement.

Tangible fixed assets

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

Plant and machinery	3 – 20 years

Impairment of assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Investment property

The Company has applied the cost accounting model to investment property. Investment property comprises property held by the Company for the purpose of earning rental income and/or capital appreciation. Investment property is initially stated at cost and is subsequently stated at fair value at the reporting date with changes in fair value being recognised in profit or loss.

The Company does not classify any property held on an operating lease as investment property.

Depreciation is provided on a straight line basis to write off the assets over their economic lives as follows:

Land	not depreciated
Freehold building	50 years

Foreign exchange

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Where a gain or loss on a non-monetary item is recognised in other comprehensive income the foreign exchange component of that gain or loss is also recognised in other comprehensive income.

1. Accounting policies continued

Financial assets

The company's financial assets comprise cash, other receivables and forward exchange contracts.

Forward exchange contracts are financial assets held at fair value through profit and loss in accordance with the policy below.

Financial Liabilities

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

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

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

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

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

Foreign exchange forward and option contracts

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

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

Deferred taxation

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period that are expected to apply when the asset is realised or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation. Certain of the Company's investment property portfolio is to be recovered through sale whereas investment property occupied by group companies is expected to be recovered through use.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full with the exception on the initial recognition of goodwill on investments in subsidiaries and joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future on the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Pension costs

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

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

For further pension information see note 13.

Equity

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

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

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

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

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

Notes to the financial statements continued

1. Accounting policies continued

Share based employee remuneration

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

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

Where equity settled share options are awarded by the parent company to employees of this Company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in retained earnings.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Significant accounting estimates and judgements

Certain estimates and judgements need to be made by the Directors of the Company which affect the results and position of the Company as reported in the financial statements. Estimates and judgements are required if, for example, as at the reporting date not all liabilities have been settled and certain assets and liabilities are recorded at fair value which requires a number of estimates and assumptions to be made.

Key areas of estimation uncertainty

Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 9 to the consolidated financial statements.

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. Changes in the fair value of the instruments are recognised in profit or loss in the income statement.

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Company, 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. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

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.

2. Profit for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £87,000 (year ended 31 December 2014 – profit £1,902,000 restated).

Auditor's remuneration incurred by the Company during the period for audit services totalled £3,000 (year ended 31 December 2014 – £3,000), and for tax compliance services totalled £1,000 (year ended 31 December 2014 – £1,000).

3. Directors´ and employees´ remuneration

Expense recognised for employee benefits is analysed below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Salaries	**662**	740
Benefits in kind	**21**	16
Social security costs	**79**	95
Share-based employee remuneration	**14**	8
Pension scheme contributions – defined contribution schemes	**97**	79
	873	938

	Number	Number
The average number of persons employed by the Company during the year	**8**	7

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

Notes to the financial statements continued

3. Directors´ and employees´ remuneration continued

Share based employee remuneration

The following options were held at 31 December 2015 under the Company's share option schemes:

Number of shares	At 1 January 2015	Granted during year	Exercised/ lapsed during year	At 31 December 2015	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme						
Director						
M P J Keene	86,400	–	–	**86,400**	78.91p	31/01/10 – 14/06/17
S J Grant	75,000	–	(30,000)	**45,000**	78.91p	31/01/10 – 14/06/17
	27,475	–	–	**27,475**	107.00p	31/01/14 – 14/06/21
	47,525	–	–	**47,525**	79.00p	31/12/15 – 29/10/23
J C Shears	8,000	–	(8,000)	–	78.91p	31/01/10 – 14/06/17
	67,000	–	(4,091)	**62,909**	107.00p	31/01/14 – 14/06/21
	35,000	–	–	**35,000**	79.00p	31/12/15 – 29/10/23
P Ratcliffe	32,000	–	(32,000)	–	78.91p	31/01/10 – 14/06/17
	14,000	–	–	**14,000**	107.00p	31/01/14 – 14/06/21
	37,400	–	–	**37,400**	79.00p	31/12/15 – 29/10/23
Other employees	64,800	–	–	**64,800**	78.91p	31/01/10 – 14/06/17
	23,400	–	–	**23,400**	107.00p	31/01/14 – 14/06/21
1996 Approved Share Option Scheme						
Director						
P Ratcliffe	5,600	–	(5,600)	–	62.50p	26/06/09 – 26/06/16
Other employees	11,200	–	–	**11,200**	62.50p	26/06/09 – 26/06/16
	534,800	–	(79,691)	**455,109**		

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

	At 31 December 2015			At 31 December 2014		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2009 (up to 2016)	**11,200**	**62.50**	**0.5**	16,800	62.50	1.5
2010 (up to 2017)	**196,200**	**78.91**	**1.5**	266,200	78.91	2.5
2014 (up to 2021)	**127,784**	**107.00**	**5.5**	131,875	107.00	6.5
2015 (up to 2023)	**119,925**	**79.00**	**7.8**	119,925	79.00	8.8
	455,109			534,800		

The ordinary share mid-market price on 31 December 2015 was 182.5p (31 December 2014 – 106.0p). During the period, the highest mid-market price was 197.5p (31 December 2014 – 130.0p) and the lowest was 103.5p (31 December 2014 – 68.5p). The weighted average exercise price of the options in issue was 86.4p (31 December 2014 – 85.3p).

3. Directors´ and employees´ remuneration continued

The fair value of options granted was determined for IFRS 2 using the Black–Scholes valuation model. Significant inputs into the calculations were:

- exercise prices of 62.50p (31 December 2014 – 62.50p) to 107.00 (31 December 2014 – 107.0p);
- 36.3% (31 December 2014 – 36.3%) to 48.0% (31 December 2014 – 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2014 – 0.86%);
- all options are assumed to vest after three and a half years from the date of grant of the options; and
- dividend yield of 4.03%.

4. Goodwill

	Goodwill £'000 Restated
Cost	
At 1 January 2015	2,506
Additions	–
At 31 December 2015	**2,506**
Impairment and amortisation provisions	
At 1 January 2015 and 31 December 2015	2,293
	2,293
Net book value	
At 31 December 2015	**213**
At 31 December 2014	213

5. Investments

	Unlisted investments in subsidiary undertakings £'000
Cost	
At 1 January 2015	15,171
Additions	2,987
At 31 December 2015	**18,158**
Impairment and amortisation provisions	
At 1 January 2015 and 31 December 2015	9,234
	9,234
Net book value	
At 31 December 2015	**8,924**
At 31 December 2014	5,937

Notes to the financial statements continued

5. Investments continued

The principal wholly owned subsidiary undertakings of the Company at the year end are listed below. M.V. Sports (Hong Kong) Limited was incorporated in and operates in Hong Kong. The other companies were incorporated in and operate in the United Kingdom.

Tandem Group Cycles Limited*	*Design, development, sourcing and distribution of:*
MV Sports & Leisure Limited*	Sports, leisure and toy products
M.V. Sports (Hong Kong) Limited#	Bicycles and accessories
Pro Rider Limited*	Sports, leisure and toy products
E.S.C. (Europe Limited)*	Mobility and leisure products
	Leisure products

*denotes 100% of issued ordinary shares
#denotes 100% indirect ownership of issued ordinary shares

On 1 September 2015 the Company acquired 100% of the issued share capital of E.S.C. (Europe) Limited for provisional total consideration of £2,987,000 consisting of cash of £2,386,000 and contingent consideration of £601,000.

6. Tangible fixed assets

	Investment property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2015	2,745	255	3,000
Additions	–	1	1
At 31 December 2015	**2,745**	**256**	**3,001**
Depreciation			
At 1 January 2015	50	18	68
Charge for the year	25	13	38
At 31 December 2015	**75**	**31**	**106**
Net book value			
At 31 December 2015	**2,670**	**225**	**2,895**
At 31 December 2014	2,695	237	2,932

A valuation of the Investment property was carried out in respect of the year ended 31 December 2015 by CBRE Ltd in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors. The value placed on the property was £2,680,000 at 31 December 2015.

During the year rental income of £336,000 was received from subsidiary companies within the Group.

The borrowings of the Group are secured by a fixed and floating charge over the assets of the Group.

7. Trade and other receivables

	At 31 December 2015 £'000	At 31 December 2014 £'000
Amounts due within one year		
Prepayments and accrued income	**20**	7
Other receivables	**4,034**	4,094
	4,054	4,101

Forward exchange contracts

Forward exchange contracts are held at fair value and have a value of £246,000 (year ended 31 December 2014 – £142,000) and are disclosed as an asset at the year end. These contracts are Level two financial liabilities and all expire with 12 months from 31 December 2015.

8. Trade and other payables

	At 31 December 2015 £'000	At 31 December 2014 £'000
Amounts falling due within one year:		
Bank overdraft	**3,494**	1,549
Trade payables	**99**	42
Contingent consideration	**685**	276
Other payables	**170**	429
	4,448	2,296
Amounts falling due between one and two years:		
Contingent consideration	–	151

The Directors consider, due to their short duration, that the carrying amounts recognised in the Company balance sheet to be a reasonable approximation of the fair value of trade and other payables.

Contingent consideration is a financial instrument held at fair value and has been measured using management's estimate of the likely amounts payable in respect of acquisitions made in both the current and prior year. Of the balance brought forward at 1 January 2015, £290,000 was paid, £53k released to the Income statement and the balance was increased by £601k following the acquisition of E.S.C (Europe) Limited (see note 24 to the consolidated financial statements). Contingent consideration is in the level 3 classification of the fair value hierarchy.

Notes to the financial statements continued

9. Other liabilities

	At 31 December 2015 £'000	At 31 December 2014 £'000
Current borrowings with contractual maturities in less than one year		
– other borrowings	**407**	107
– assets held under hire purchase agreements	**25**	23
Current borrowings	**432**	130
Non current borrowing with contractual maturities one to two years		
– other borrowings	**407**	107
– assets held under hire purchase agreements	**25**	24
Non current borrowings with contractual maturities between two to five years		
– other borrowings	**1,908**	1,190
– assets held under hire purchase agreements	**87**	82
Non current borrowings with contractual maturities over five years		
– other borrowings	**–**	–
– assets held under hire purchase agreements	**67**	97
Non current borrowings	**2,494**	1,500
Total borrowings	**2,926**	1,630

10. Deferred taxation

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

	At 31 December 2013 £'000	*Movement in the period £'000*	At 31 December 2014 £'000	*Movement in the year £'000*	**At 31 December 2015 £'000**
Provided					
Pension obligations	658	*57*	715	*(144)*	**571**
Financial instruments	–	*(28)*	(28)	*28*	**–**
Share based payments	–	*–*	–	*88*	**88**
Total	658	*29*	687	*(28)*	**659**
Presented as:					
Deferred tax asset	658		687		**659**
Unprovided					
Property, plant and equipment	6	*(47)*	(41)	*51*	**10**
Unused tax losses	33	*83*	116	*(57)*	**59**
Capital losses	553	*–*	553	*(56)*	**497**
ACT	45	*6*	51	*–*	**51**
Total	637	*42*	679	*(62)*	**617**

11. Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 January 2014 – ordinary shares 25p each	4,669,754	1,167
Exercise of share options	79,691	20
At 31 December 2015 – ordinary shares 25p each	**4,749,445**	**1,187**

12. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to HSBC Bank Plc. The maximum potential liability to the Company at the year end in respect of bank overdrafts was £1,223,000 (31 December 2014 – £974,000).

Governance

Financials

Notes to the financial statements continued

13. Pension arrangements

The Tandem Group Pension Plan

A contributory pension scheme, the Tandem Group Pension Plan, has two sections. One provides benefits based on final pensionable salary, the other provides benefits based on defined contributions. The scheme is closed to new members.

The assets of the scheme are held separately from those of the Group, being invested with managed funds.

Contributions to the final salary section are determined by an independent qualified actuary on the basis of the triennial valuation using the Defined Accrued Benefit Method. The date of the last triennial valuation was 1 October 2013.

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

	31 December 2015 £'000	31 December 2014 £'000
Defined benefit obligation at the beginning of the year	**10,924**	10,411
Interest cost	**371**	455
Actuarial gains due to scheme experience	**(12)**	(431)
Actuarial gains due to changes in demographic assumptions	**(156)**	–
Actuarial (gains)losses due to changes in financial assumptions	**(418)**	1,099
Benefits paid	**(637)**	(610)
Defined benefit obligation at the end of the year	**10,072**	10,924

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

	31 December 2015 £'000	31 December 2014 £'000
Discount rate	**3.70%**	3.50%
Increase in pensionable salaries*	**–%**	–%
Increase in pensions in payment	**Up to 5.00%**	Up to 5.00%
Increase in deferred pensions	**3.00 to 5.00%**	3.00 to 5.00%
Inflation assumption	**3.00%**	2.80%
Mortality assumption table	**S1 PxA (YOB)**	S1 PxA (YOB)

* There are no members whose benefits are linked to salaries

The mortality assumptions in the table above imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2015	20.3
Female retiring in 2015	22.6
Male retiring in 2035	21.6
Female retiring in 2035	24.1

13. Pension arrangements continued

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

	31 December 2015 £'000	31 December 2014 £'000
Fair value of scheme assets at the beginning of the year	**7,342**	7,279
Interest income	**249**	317
Return on plan assets	**(221)**	214
Contributions	**155**	142
Benefits paid	**(637)**	(610)
Fair value of scheme assets at the end of the year	**6,888**	7,342

The actual return on scheme assets over the period ended 31 December 2015 was £28,000.

	At 31 December 2015 £'000	At 31 December 2014 £'000
Equities – UK	**387**	401
Equities – overseas	**2,215**	2,894
Property	**744**	760
Diversified growth assets	**1,055**	1,114
Gilts	**947**	321
Corporate Bonds	**1,337**	1,809
Cash and other	**203**	43
Total fair value of assets	**6,888**	7,342

None of the fair value of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the company. All debt and equity instruments have quoted prices in active markets (Level one). Fair values of real estate properties do not have quoted prices and have been determined based on professional appraisals that would be classed as Level three of the fair value hierarchy as defined in IFRS13 'Fair value measurements'.

Sensitivities to the principal assumptions of the present value of the defined benefit obligation may be analysed as follows:

	Change in assumptions	**Change in liabilities**
Discount rate	Decrease of 0.25% per annum	Increase by 2.6%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.4%

The Directors believe that changes in the other assumptions noted above do not have a material impact on the defined benefit obligation.

The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual changes in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The average duration of the defined benefit obligation at 31 December 2015 is 13 years.

Notes to the financial statements continued

13. Pension arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2015 £'000	31 December 2014 £'000
Deficit at the beginning of the year	**(3,582)**	(3,132)
Movement in year:		
Contributions	**155**	142
Finance cost	**(122)**	(138)
Actuarial gain/(loss)	**365**	(454)
Deficit at the end of the year	**(3,184)**	(3,582)
Related deferred tax asset	**571**	716
Net deficit at the end of the year	**(2,613)**	(2,866)

The expected contributions in the year ending 31 December 2016 are £159,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to March 2029.

Defined benefit costs recognised in profit or loss are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Net interest cost	**122**	138
Defined benefit costs recognised in profit or loss	**122**	138

Defined benefit costs recognised in other comprehensive income are as follows:

	31 December 2015 £'000	31 December 2014 £'000
Return on plan assets (excluding amounts included in net interest cost) – (loss)/gain	**(221)**	214
Experience gain arising on the defined benefit obligation	**12**	431
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	**156**	–
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	**418**	(1,099)
Total actuarial gains and losses and total amount recognised in other comprehensive income – gain/(loss)	**365**	(454)

14. Related party transactions

As permitted by FRS101 related party transactions with wholly owned members of Tandem Group plc have not been disclosed.

15. Ultimate controlling party

The Company has no ultimate controlling party by virtue of being a public company listed on the Alternative Investment Market.

16. Transition to FRS101

The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 1 January 2014. The Company has restated its comparatives for the year ended 31 December 2014.

Restated Company statement of financial position	31 December 2014 £'000	1 January 2014 £'000
Shareholders' funds under previous UK GAAP	6,124	6,124
Effect of changes to:		
Goodwill (a)	95	–
Derivatives (b)	114	–
Restated shareholders' funds	6,333	6,124

Restated profit	31 December 2014 £'000
Original profit for the financial year	1,693
Effect of changes to:	
Goodwill (a)	95
Derivatives (b)	114
Restated profit for the financial year	1,902

(a) Goodwill

Under previous UK GAAP goodwill was amortised to profit or loss over its expected useful life of twenty years.

Under FRS 101 goodwill is not amortised but is instead subject to an annual impairment review. This accounting treatment represents a departure from the Companies Act 2006 (see accounting policy).

(b) Derivatives

Under previous UK GAAP foreign exchange forward contracts were not included on balance sheet at fair value. Instead the Company applied the contracted forward rate to record the related foreign currency expenditure and balance outstanding.

Under FRS 101 foreign exchange forward contracts are derivative financial instruments which are required to be carried at fair value. Changes in fair value are recognised in profit or loss immediately unless hedge accounting is applied (see hedge accounting policy).

(c) Investment property

Under previous UK GAAP land and buildings which are rented to Group companies were carried at cost and explicitly excluded from the classification as an investment property in the Company's accounts.

Under FRS101 there is no exemption for properties let to another Group company.

Land and buildings have therefore been recognised as an investment property and the cost model adopted.

Shareholder Information

Capita Asset Services is our registrar and they offer many services to make managing your shareholding easier and more efficient.

Customer Support Centre

You can contact Capita's Customer Support Centre which is available to answer any queries you have in relation to your shareholding:

By phone – UK – 0371 664 0300 (UK calls cost 10p per minute plus network extras). From overseas – +44 371 664 0300. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By email – shareholderenquiries@capita.co.uk

By post – Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Sign up to electronic communications

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications via our website.

Dividend payment options

Re-invest your dividends

Capita's Dividend Re-investment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. The plan is provided by Capita Asset Services, a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

For more information and an application pack please call 0371 664 0381 (calls to this number cost 12p per minute plus network extras) or if calling from overseas +44 371 664 0300. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays. Alternatively you can email **shares@capita.co.uk**

It is important to remember that the value of shares and income from them can fall as well as rise and you may not recover the amount of money you invest. Past performance should not be seen as indicative of future performance. This arrangement should be considered as part of a diversified portfolio.

Arrange to have your dividends paid direct into your bank account

This means that:

- Your dividend reaches your bank account on the payment date
- It is more secure – cheques can sometimes get lost in the post
- You don't have the inconvenience of depositing a cheque.
- Helps reduce cheque fraud.

If you have a UK bank account you can sign up for this service by contacting the Customer Support Centre.

Choose to receive your next dividend in your local currency

If you live outside the UK, Capita has partnered with Deutsche Bank to provide you with a service that will convert your sterling dividends into your local currency at a competitive rate. You can choose to receive payment directly into your local bank account, or alternatively, you can be sent a currency draft.

You can sign up for this service by contacting the Customer Support Centre.

For further information contact Capita:

By phone – UK – 0371 664 0385 (UK calls cost 10p per minute plus network extras). From overseas – +44 371 664 0300. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By e-mail – ips@capita.co.uk

Buy and sell shares

A simple and competitively priced service to buy and sell shares is provided by Capita Asset Services. There is no need to pre-register and there are no complicated application forms to fill in and by visiting www.capitadeal.com you can also access a wealth of stock market news and information free of charge.

For further information on this service, or to buy and sell shares visit **www.capitadeal.com** or call 0371 664 0445 (calls cost 10p per minute plus network extras, lines are open 8.00am to 4.30pm, Monday to Friday. From outside of the UK dial + 44 371 664 0445).

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply. Capita Asset Services is a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority. This service is only available to private shareholders resident in the European Economic Area, the Channel Islands or the Isle of Man.

Capita Asset Services is a trading name of Capita Registrars Limited and Capita IRG Trustees Limited. Share registration and associated services are provided by Capita Registrars Limited (registered in England and Wales , No. 2605568). Regulated services are provided by Capita IRG Trustees Limited (registered in England and Wales No. 2729260), which is authorised and regulated by the Financial Conduct Authority.

The registered office of each of these companies is The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

www.capitaassetservices.com

Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity 10528686). Find out more at **www.sharegift.org.uk** or by telephoning 020 7930 3737.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at **http://www.fca.org.uk/** to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
- Search our list of unauthorised firms and individuals to avoid doing business with.

REMEMBER: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **http://www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

Shareholder Notes