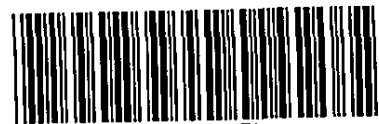


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Tandem Group plc

Annual report and accounts
Year ended 31 December 2014

THURSDAY



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COMPANIES HOUSE

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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Financial Calendar

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| Annual General Meeting | 23 June 2015 |
| Interim Results for six months to 30 June 2015 | September 2015 |
| Annual Results for year ended 31 December 2015 | April 2016 |

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

Bion*
Boss
British Eagle
CBR
Clarkes*
Claud Butler
Cyclo*
Dawes
Dirty
DP Brakes*
Elswick
Exile
Explorer
Falcon
KED Helmsysteme*
OGNS*
Pro Rider
Pure*
RST*

Scorpion
Spanningha*
Sunrace*
Townsend
Urban Mover*
VEE Rubber*
Weldtite*
Zombie

Football training

Kickmaster

Golf

Ben Sayers
Bioflow*
Pro Rider

Gym equipment

Pro Rider

Mobility

Pro Rider

Outdoor play

Hedstrom

Snooker and pool

Pot Black

Table sports

Pot Black

Wheeled toys

Batman*
Ben 10*
Ben and Holly's Little Kingdom*
Bored
The Clangers*
Disney Cars*
Disney Planes*
Disney Princess*
E-moto
Fireman Sam*
Grow & Go
Marvel's Avengers*
Mike the Knight*

My Little Pony*
One Direction*
Peppa Pig*
Power Rangers*
Ready Steady Ride
Skylanders*
Star Wars*
Stunted
The Simpsons*
Teletubbies*
Thomas & Friends*
Thunderbirds*
Transformers*
Wired
World of Warriors*
Woolly and Tig*
Zoomies

* Under licence/distribution

Tandem Group plc

Chairman's Statement

Introduction

I am pleased to present the results for the year ended 31 December 2014

The Group recorded growth in both revenue and profitability on an overall and like-for-like basis excluding Pro Rider Limited which was acquired in August 2014. In particular, a strong first half performance provided a solid platform for the remainder of the year

Results

Revenue for the year ended 31 December 2014 was £31,320,000 compared to £28,347,000 in the year ended 31 December 2013. This was an increase of 10.5%

Profit before tax and non-underlying items increased by 55.9% from £823,000 for the year ended 31 December 2013 to £1,283,000 for the year ended 31 December 2014

The Board's view is that the non-underlying items do not represent the trading performance of the Group and accordingly this is reflected in the presentation of the Consolidated income statement. Non-underlying items included exceptional restructuring costs of £73,000 (year ended 31 December 2013 - £142,000), a fair value income adjustment for foreign currency derivative contracts of £657,000 (year ended 31 December 2013 - £516,000 cost) and pension finance costs of £151,000 (year ended 31 December 2013 - £149,000)

Net assets increased by 16.8% from £5,640,000 at 31 December 2013 to £6,586,000 at 31 December 2014. Cash and cash equivalents were £1,805,000 compared to £2,925,000 at 31 December 2013

Further details of operational activities and a segment review of performance can be found in the Strategic report on page 3

Dividend

In accordance with our progressive dividend payment policy, we are proposing to pay a final dividend of 2.40 pence per share (year ended 31 December 2013 - 2.30 pence per share) which, when combined with the interim dividend of 1.20 pence per share (year ended 31 December 2013 - 1.15 pence per share), gives a total dividend of 3.60 pence per share (year ended 31 December 2013 - 3.45 pence per share)

Subject to shareholder approval at the Annual General Meeting to be held on 23 June 2015, the final dividend will be paid on or around 30 June 2015 to shareholders on the share register as at 29 May 2015. The ex-dividend date will be 28 May 2015

Pensions

The Group operates two defined benefit pension schemes with both schemes closed to new members. There are no active members in either scheme. In the year to 31 December 2014 total payments in respect of these schemes were £327,000 (year ended 31 December 2013 - £312,000) comprising deficit contributions of £243,000 (year ended 31 December 2013 - £243,000) and government levies and administration costs of £84,000 (year ended 31 December 2013 - £69,000)

Acquisition

On 1 August 2014 the Group completed the acquisition of Pro Rider Limited for an initial consideration of £2,576,000 with potential additional consideration subject to Pro Rider fulfilling certain profitability criteria

Based in Northampton, Pro Rider is a leading UK online retailer of mobility scooters, associated mobility products, electric bicycles and electric golf trolleys from its own websites and via third party platforms

Since acquisition, the business has made a positive contribution to profitability and we continue to invest in product development and working capital to grow the business. The Company has recently

moved to larger, modern premises and we are also in the process of implementing new financial and stock control systems to help achieve this objective

Environmental matters

As reported last year the installation of a solar photovoltaic renewable energy system at our Castle Bromwich site was completed in February 2014. The installation cost £247,000 and has the capacity to generate up to 250 kWp from 999 panels fitted to the roof. The amount of electricity generated so far has exceeded our expectations. Since inception, a total of 247 megawatt hours have been generated representing a carbon offset of approximately 370 metric tonnes and 80 acres of forest

We continue to explore further opportunities to minimise the environmental impact of our businesses

Employees

We welcome our employees at Pro Rider to the Group. We have teams of highly dedicated and hardworking employees who are committed to the ongoing success of the Group. The Board thanks them all for their efforts and continuing contribution to the profitability of the businesses

Strategy

We continue to be clearly focussed on our Group strategic objective to maintain our position as a leading supplier to the UK bicycle and the outdoor and wheeled toy markets. The addition of an online mobility and leisure business provides the opportunity to expand both our product ranges and distribution channels

Outlook

We remain cautiously optimistic in our bicycles and mobility businesses

Once again we have put together strong ranges for 2015 in both Claud Butler and Dawes flagship brands and our Pro Rider electric bicycles continue to sell well. Bicycle sales to the independent bike dealers have started slowly due to a cautious approach to stock holdings at the beginning of the year. Notwithstanding this, our corporate bicycles business continues to make progress and we expect further growth in this area in 2015

We are encouraged by the potential of the Pro Rider business and we expect to make progress in developing and expanding the product range in the forthcoming year

In our sports, leisure and toys businesses we have secured a number of new licences for 2015 and beyond including Disney Princess, Cars, Avengers, Star Wars, The Clangers, Teletubbies, Thunderbirds and World of Warriors which have the potential to deliver strong revenues

We have also introduced a number of new products to our own brands Hedstrom, Pot Black and Ben Sayers portfolios including a range of mini snooker and pool tables and a new electric golf trolley. We are also actively promoting our own brands with a sponsorship campaign for Stunted and Kickmaster currently being aired on terrestrial television

The positive reaction from the Toy Fair exhibition in January 2015 gives us confidence going into the second half of the year and the build up to Christmas

Group revenue for the 14 week period to 12 April 2015 was approximately 6% ahead of the corresponding period last year

As we have previously reported the strength of the US dollar will have a detrimental impact on margin so we continue to carefully monitor and manage this where possible

M P J Keene

Chairman

14 April 2015

Strategic Report

Revenue and operating profit

Group revenue for the year ended 31 December 2014 increased by 10.5% from £28,347,000 in the prior year to £31,320,000. The acquisition of Pro Rider Limited, a leading online retailer of mobility and leisure products, which was completed on 1 August 2014, contributed £1,400,000 of revenue.

The gross profit margin was 30.5% compared to 29.2% in the prior year as a result of the mix of sales, enhanced by Pro Rider.

Although there was an increase in operating expenses from £7,314,000 for the year ended 31 December 2013 to £8,107,000 for the year ended 31 December 2014, costs continued to be carefully monitored and controlled.

Operating profit before exceptional costs for the year ended 31 December 2014 was £1,458,000 which compared to £972,000 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 2014 non-underlying items comprised exceptional costs of Group restructuring, the finance cost related to the Group's pension schemes calculated in accordance with IAS19 and the impact of the fair value adjustment in respect of derivative foreign exchange contracts under IAS39.

Exceptional costs of £73,000 (year ended 31 December 2013 - £142,000) were incurred in respect of restructuring at the Claud Butler business in Scunthorpe.

Finance costs

Total net finance income for the year ended 31 December 2014 was £331,000 compared to total finance costs of £814,000 for the year ended 31 December 2013.

This comprised interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities which increased from £149,000 last year to £175,000. Pension finance costs provided in accordance with IAS19 were £151,000 (year ended 31 December 2013 - £149,000). The fair value adjustment in respect of derivative foreign exchange contracts under IAS39 was a credit of £657,000 compared to a charge of £516,000 in the prior year. Both pension finance costs and derivative fair value adjustments are included as non-underlying items.

Taxation

The tax expense for the year was £90,000 which comprised of £80,000 in respect of current tax, the majority borne from the overseas Hong Kong operation (year ended 31 December 2013 - £11,000 credit) and £10,000 being the recognition of trading losses, movements in the pension schemes' liabilities and deferred tax in relation to fair value movements on derivatives (year ended 31 December 2013 - £327,000 credit).

Net profit

Net profit for the year ended 31 December 2014 after non-underlying items, finance income and taxation was £1,626,000 (year ended 31 December 2013 - £354,000).

Capital expenditure

In February 2014 the Group completed the purchase of a solar PV system at its Castle Bromwich site for consideration of £247,000. The consideration was satisfied by means of a new nine year finance lease.

Cash flows, working capital and net debt

Net cash inflow from operating activities for the year ended 31 December 2014 was £1,594,000 compared to £954,000 in the prior year.

Total cash generated from operations was £1,445,000 compared to £1,629,000 last year.

Net cash outflows from investing activities were £2,516,000 in the year ended 31 December 2014 due to the acquisition of Pro Rider. This compared to £2,892,000 in the previous year.

Net cash outflows from financing activities were £96,000 in the year ended 31 December 2014 compared to a cash inflow from financing activities of £2,960,000 in the previous year.

Net debt at 31 December 2014 comprising cash and cash equivalents, invoice financing liabilities and borrowings was £4,564,000 compared to £3,116,000 at 31 December 2013 which reflected the acquisition of Pro Rider in August 2014.

Dividends

Total dividends paid and proposed increased from 3.45 pence per share for the year ended 31 December 2013 to 3.60 pence per share for the year ended 31 December 2014, an increase of 4.3%. The dividend cover ratio was 9.7 (year ended 31 December 2013 - 2.2). 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 34.82 pence per share for the year ended 31 December 2014 compared to 7.63 pence per share in the year ended 31 December 2013. Diluted earnings per share increased from 7.54 pence per share in the year ended 31 December 2013 to 34.09 pence per share in the year ended 31 December 2014.

Acquisition

On 1 August 2014 the Group completed the acquisition of Pro Rider Limited. Pro Rider is a leading UK online retailer of mobility scooters, associated mobility products, electric bicycles and electric golf trolleys.

The initial consideration for the acquisition was £2,576,000 in cash with potential additional consideration, subject to Pro Rider fulfilling certain profitability criteria.

We are implementing our strategy to develop the Pro Rider business, extending both mobility and leisure product ranges and developing additional new products. In March 2015 we signed a lease on new premises in Northampton and are in the process of relocating the business to facilitate this growth.

The anticipated synergies between the two businesses that were previously identified have started to benefit the Group and we remain confident that Pro Rider will be earnings enhancing as we approach our first full year of ownership. The acquisition has already broadened the Group's distribution channels and its customer base by utilising the existing Pro Rider online trading platform and through continued development and growth of the business.

Tandem Group plc

Strategic Report continued

For the period from 1 August 2014 to 31 December 2014 Pro Rider delivered £1,400,000 of revenue and an operating profit of £136,000

Bicycles, bicycle accessories and mobility

Revenue in our bicycles, bicycle accessories and mobility businesses was £16,074,000 for the year ended 31 December 2014 compared to £15,149,000 in the prior year

Operating profit for the year before the allocation of corporate charges and exceptional costs was £874,000 compared to £476,000 for the year ended 31 December 2013

Increased revenues were achieved in both the Dawes and corporate bicycles businesses although Claud Butler was behind the previous year. Operating profit increased in all of the bicycle businesses and was ahead of the prior year by 83.6% including the contribution from the acquisition of Pro Rider.

Although growth was achieved during the year, the independent bicycle market remained tough and challenging. Despite the challenges, we continue to provide quality products supported by dedicated aftersales care to our customers. Progress was made in establishing our brands Falcon, Elswick, Townsend, British Eagle, Boss and Zombie with our national retailer customers.

Sports, leisure and toys

Revenue in our sports, leisure and toys business for the year ended 31 December 2014 was £15,246,000 compared to £13,198,000 in the prior year.

Operating profit before the allocation of corporate charges was £1,452,000 for the year ended 31 December 2014 compared to £1,038,000 in the year ended 31 December 2013.

It was a further year of growth in our MV Sports business with operating profit 39.9% ahead of the prior year. Increased sales were achieved in licensed properties, One Direction and Peppa Pig, and our own brands Hedstrom, Stunted and Kickmaster.

As previously announced we have signed a number of promising new licences for 2015 and beyond including Disney Princess, Cars, Avengers, Star Wars, The Clangers, Teletubbies, Thunderbirds and World of Warriors. We believe that there is strong potential within this portfolio to grow turnover and profitability further.

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 2014 Actual	Year ended 31 December 2014 Target	Year ended 31 December 2013 Actual
Gross profit margin	30.5%	29.5%	29.2%
The ratio of gross profit to sales expressed as a percentage			
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	£360,000	£327,000	£346,000
Net operating expenses % of sales The ratio of net operating expenses, before goodwill impairment and exceptional costs, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage	25.9%	25.0%	25.8%
Interest cover The ratio of operating profit before goodwill impairment and exceptional items, to net interest payable on bank loans, overdrafts and invoice finance facilities	10.1	10.1	6.5
Shareholders' return The ratio of net profit before goodwill impairment and exceptional items to shareholders' funds at the start of the year expressed as a percentage	30.2%	15.1%	8.9%
Adjusted earnings per share – pence The net profit before goodwill impairment and exceptional costs divided by the weighted average number of ordinary shares in issue during the year	36.4	18.4	10.7

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
14 April 2015



J C Shears
Group Finance Director

Tandem Group plc

Directors' Report

The Directors submit their annual report with the audited financial statements for the year ended 31 December 2014

Principal activity

The Group is principally engaged in the design, development, sourcing and distribution of sports, leisure and mobility products. 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 2014 are set out in the Consolidated income statement on page 11. An interim dividend of 1.20 pence per ordinary share was paid on 31 October 2014 in respect of the six month period to 30 June 2014 (period ended 30 June 2013 – 1.15 pence). The Directors are proposing a final dividend of 2.40 pence per ordinary share (year ended 31 December 2013 – 2.30 pence) payable to shareholders on the register on 29 May 2015 and will be paid on or around 30 June 2015.

Significant shareholders

As at 14 April 2015 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 1,343,726 shares held in treasury.

	Ordinary Shares of 25p	%
Jupiter Asset Management	540,941	11.6
D Waldron	312,560	6.7
S Bragg	267,192	5.7
M P J Keene	221,560	4.7
S J Grant	150,000	3.2

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:

	14 April 2015 25p ordinary shares	31 December 2014 25p ordinary shares	1 January 2014 25p ordinary shares
M P J Keene	221,560	221,560	221,560
S J Grant	150,000	150,000	150,000
J C Shears	60,000	60,000	60,000
P Ratcliffe	33,835	33,835	33,835
J S T Morris	15,000	15,000	15,000

In accordance with the Articles of Association, S J Grant and J C Shears, whose service contracts may be terminated by either party giving 12 months' written notice, 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 3

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 Directors' report, Strategic report and 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 (IFRS) as adopted by the European Union, and the Directors have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 Group and the Company 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 accounting standards 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.

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.

Tandem Group plc

Directors' Report continued

The Directors confirm that

- so far as each Director is aware, there is no relevant audit information of which the Group'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 auditors are aware of that information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group'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 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
14 April 2015

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 2014.

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 2014 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 2014 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 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 2014 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.

Grant Thornton UK LLP

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
14 April 2015

Consolidated Income Statement

	Note	Year ended 31 December 2014			Year ended 31 December 2013		
		Before non- underlying items	Non- underlying items	After non- underlying items	Before non- underlying items	Non- underlying items	After non- underlying items
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3	31,320	—	31,320	28,347	—	28,347
Cost of sales		(21,755)		(21,755)	(20,061)	—	(20,061)
Gross profit		9,565	—	9,565	8,286	—	8,286
Operating expenses	4	(8,107)	—	(8,107)	(7,314)	—	(7,314)
Operating profit before exceptional costs		1,458	—	1,458	972	—	972
Exceptional costs		—	(73)	(73)	—	(142)	(142)
Operating profit after exceptional costs		1,458	(73)	1,385	972	(142)	830
Finance (costs)/income	5	(175)	506	331	(149)	(665)	(814)
Profit before taxation		1,283	433	1,716	823	(807)	16
Tax credit/(expense)	7	34	(124)	(90)	230	108	338
Net profit for the year		1,317	309	1,626	1,053	(699)	354
Earnings per share	8			Pence			Pence
Basic				34.82			7.63
Diluted				34.09			7.54

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Net profit for the year	1,626	354
Other comprehensive income		
<i>Items that will be reclassified subsequently to profit and loss</i>		
Foreign exchange differences on translation of foreign operations	163	(53)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial loss on pension schemes	(778)	(16)
Movement in pension schemes' deferred tax provision	89	(128)
Other comprehensive income for the year	(526)	(197)
Total comprehensive income for the year attributable to equity shareholders	1,100	157

All figures relate to continuing operations

The accompanying notes form an integral part of these financial statements

Tandem Group plc

Consolidated Balance Sheet

	Note	At 31 December 2014 £'000	At 31 December 2013 £'000
Non current assets			
Intangible fixed assets	9	4,112	2,236
Property, plant and equipment	10	3,330	3,128
Deferred taxation	17	1,990	1,947
		9,432	7,311
Current assets			
Inventories	11	5,072	3,827
Trade and other receivables	12	6,501	5,374
Derivative financial asset held at fair value	16	142	—
Cash and cash equivalents	13	1,805	2,925
		13,520	12,126
Total assets		22,952	19,437
Current liabilities			
Trade and other payables	14	(5,457)	(3,557)
Other liabilities	15	(4,869)	(4,636)
Derivative financial liability held at fair value	16	—	(516)
Current tax liabilities		(232)	(222)
		(10,558)	(8,931)
Non current liabilities			
Other payables	14	(161)	—
Other liabilities	15	(1,500)	(1,405)
Pension schemes' deficits	18	(4,147)	(3,461)
		(5,808)	(4,866)
Total liabilities		(16,366)	(13,797)
Net assets		6,586	5,640
Equity			
Share capital	19	1,503	1,503
Shares held in treasury	19	(336)	(336)
Share premium		84	84
Other reserves		2,893	2,730
Profit and loss account		2,442	1,659
Total equity		6,586	5,640

The financial statements were approved by the Board on 14 April 2015 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 2013	1,503	(361)	13	1,036	1,427	320	1,624	5,562
Net profit for the year	—	—	—	—	—	—	354	354
Re-translation of overseas subsidiaries	—	—	—	—	—	(53)	—	(53)
Net actuarial loss on pension schemes	—	—	—	—	—	—	(144)	(144)
Total comprehensive income for the year attributable to equity shareholders	—	—	—	—	—	(53)	210	157
Share based payments	—	—	—	—	—	—	8	8
Exercise of share options	—	25	71	—	—	—	(26)	70
Dividends paid	—	—	—	—	—	—	(157)	(157)
Total transactions with owners	—	25	71	—	—	—	35	78
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
Dividends paid	—	—	—	—	—	—	(163)	(163)
Total transactions with owners	—	—	—	—	—	163	783	946
Balance at 31 December 2014	1,503	(336)	84	1,036	1,427	430	2,442	6,586

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

Tandem Group plc

Consolidated Cash Flow Statement

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities		
Profit before taxation for the year	1,716	16
<i>Adjustments</i>		
Depreciation of property, plant and equipment	196	116
Amortisation of intangible fixed assets	4	—
Finance costs	(331)	814
Share based payments	9	8
Net cash flow from operating activities before movements in working capital	1,594	954
Change in inventories	(803)	956
Change in trade and other receivables	(489)	(870)
Change in trade and other payables	1,143	589
Cash generated from operations	1,445	1,629
Interest paid	(98)	(151)
Tax paid	(14)	(62)
Net cash flows from operating activities	1,333	1,416
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired	(2,147)	—
Purchases of property, plant and equipment	(369)	(2,896)
Sale of property, plant and equipment	—	4
Net cash flows from investing activities	(2,516)	(2,892)
Cash flows from financing activities		
New loans	—	1,610
Loan repayments	(107)	(98)
Finance lease repayments	(36)	—
Movement in invoice financing	210	1,535
Exercise of share options	—	70
Dividends paid	(163)	(157)
Net cash flows from financing activities	(96)	2,960
Net change in cash and cash equivalents	(1,279)	1,484
Cash and cash equivalents at beginning of year	2,925	1,498
Effect of foreign exchange rate changes	159	(57)
Cash and cash equivalents at end of year	1,805	2,925

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 2014 (including the comparatives for the year ended 31 December 2013) were approved by the Board of Directors on 14 April 2015.

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 exceptional costs of Group restructuring, the finance cost related to the Group's pension schemes calculated in accordance with IAS19 and 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.

Changes of accounting policies

The application of new and revised IFRS and interpretations thereof issued by the International Financial Reporting Interpretations Committee ("IFRIC") is as follows:

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', and IFRS 12 'Disclosure of Interests in Other Entities', are new standards which have been implemented during the current financial period. These standards replace IAS 27 'Consolidated and Separate Financial Statements', SIC 12 'Consolidation-Special Purpose Entities', IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities- Non-Monetary Contributions by Venturers'.

IFRS 10 revises the definition of control and provides extensive new guidance on its application. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

The Directors have reviewed the control assessments of investments in accordance with these new standards and have concluded that there is no effect on the classification or recognition of any of the Group's investments in subsidiary undertakings held during the period or comparative periods covered by these financial statements.

The Group has adopted the new provisions of the amended standard, Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32), and consider that there is no material impact on the amounts reported or the disclosures in the financial statements.

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 pages 19 and 20.

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.

Notes to the Financial Statements continued

2 Accounting policies continued

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.

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 statement of comprehensive income.

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.

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.

2 Accounting policies continued

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.

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.

Notes to the Financial Statements continued

2 Accounting policies continued

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.

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.

2 Accounting policies continued

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

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

Notes to the Financial Statements continued

2 Accounting policies continued

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.

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 2014.

- 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 2017)*
- IFRIC Interpretation 21 Levies (IASB effective 17 June 2014)
- Defined Benefit Plans Employee Contributions (Amendments to IAS 19) (effective date 1 February 2015)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)*
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)*
- Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 February 2015)
- Annual Improvements to IFRSs 2011-2013 Cycle (IASB effective date 1 July 2014)*
- Annual Improvements to IFRSs 2012-2014 Cycle (IASB effective 1 January 2016)*
- Amendments to IAS 16 and IAS 41 Bearer Plants (effective 1 January 2016)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (IASB effective 1 January 2016)*
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (IASB effective 1 January 2016)*

* not yet adopted by EU

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 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 expense			(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

Tandem Group plc

Notes to the Financial Statements continued

3 Segmental reporting continued

Year ended 31 December 2013	Bicycle, bicycle accessories and mobility £'000	Sports, leisure and toys £'000	Total £'000
Revenue	15,149	13,198	28,347
Segment result before corporate charges	476	1,038	1,514
Allocation of corporate charges	(188)	(346)	(534)
Segment result after corporate charges	288	692	980
Unallocated corporate charges			(8)
Operating profit			972
Exceptional costs			(142)
Finance costs			814
Profit before taxation			16
Tax income			338
Net profit for the year			354
Segment assets	8,064	5,843	13,907
Unallocated assets			5,530
Total assets			19,437
Segment liabilities	(3,443)	(5,117)	(8,560)
Unallocated liabilities			(5,237)
Total liabilities			(13,797)
Consolidated net assets			5,640
Capital additions			
Group			2,745
Segments	14	137	151
			2,896
Depreciation	46	70	116

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

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
Year ended 31 December 2013	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Revenue	25,941	1,440	966	28,347
Non current assets	5,361	—	3	5,364

There was one customer (year ended 31 December 2013 – one) whose revenue from transactions amounted to 10% or more of the Group's revenue

4. Operating expenses

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Distribution costs	4,291	4,324
Administrative expenses (before exceptional costs)	3,816	2,990
Total operating expenses (before exceptional costs) as shown in the Consolidated income statement	8,107	7,314
The operating expenses disclosed above include the following charges		
Employee benefits expense (note 6)	4,078	3,566
Depreciation – owned assets	185	116
Depreciation – assets under hire purchase agreements	11	—
Intangible amortisation	4	—
Operating lease costs	332	483
Other expenses	3,497	3,149
	8,107	7,314

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (year ended 31 December 2013 - £3,000) and in the capacity as auditor of the subsidiary companies was £58,000 (year ended 31 December 2013 - £56,000) Non audit remuneration totalled £4,000 (year ended 31 December 2013 - £nil) and in respect of tax services totalled £14,000 (year ended 31 December 2013 - £nil)

Exceptional costs during the year of £73,000 (year ended 31 December 2013 - £142,000) related to restructuring costs incurred by the Group

5 Finance (income)/costs

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Finance (income)/costs		
Interest payable on bank loans, overdrafts and invoice finance facilities	161	149
Interest payable on hire purchase agreements	14	—
Expected return on pension scheme assets less interest on liabilities	151	149
Fair value adjustment in respect of derivative financial liabilities held at fair value through profit and loss	(657)	516
	(331)	814

Tandem Group plc

Notes to the Financial Statements continued

6 Directors' and employees' remuneration

Employee benefits expense

Expense recognised for employee benefits is analysed below

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	3,568	3,119
Social security costs	350	334
Share-based employee remuneration	9	8
Pension scheme contributions - defined contribution schemes	151	105
	4,078	3,566

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

	Number	Number
Selling and distribution	62	59
Management and administration	33	23
	95	82

Directors' remuneration

Year ended 31 December 2014 Short term employment benefits

	Salary/Fee £'000	Performance bonus £'000	Benefits in kind £'000	Pension contribution £'000	Total £'000	Year ended 31 December 2013 £'000
M P J Keene	50	—	—	—	50	50
S J Grant	146	95	5	40	286	186
J C Shears	113	70	3	26	212	139
P Ratcliffe	136	76	7	13	232	151
J S T Morris	20	—	—	—	20	20
A Q Bestwick	20	—	—	—	20	20
	485	241	15	79	820	566

In addition to the above the total charge for Employer's National Insurance for the period was £98,000 (year ended 31 December 2013 - £60,000). 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 £8,000 (year ended 31 December 2013 - £7,000) of which £3,000 (year ended 31 December 2013 - £3,000) related to J C Shears, £3,000 (year ended 31 December 2013 - £3,000) related to S J Grant and £2,000 (year ended 31 December 2013 - £1,000) related to P Ratcliffe.

Key management personnel

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

6 Directors' and employees' remuneration continued

Share based employee remuneration

The following options were held at 31 December 2014 under the Group's share option schemes

Number of shares	At 1 January 2014	Granted during period	Exercised/ lapsed during period	At 31 December 2014	Option price per 25p ordinary share	Exercise period
<i>2007 Employee Share Option Scheme</i>						
Directors						
M P J Keene	86,400	—	—	86,400	78 91p	31/01/10 — 14/06/17
S J Grant	75,000	—	—	75,000	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	—	—	67,000	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	116,000	—	(51,200)	64,800	78 91p	31/01/10 — 14/06/17
	23,400	—	—	23,400	107 00p	31/01/14 — 14/06/21
<i>1996 Approved Share Option Scheme</i>						
Directors						
P Ratcliffe	5,600	—	—	5,600	62 50p	26/06/09 — 26/06/16
Other employees	26,400	—	(15,200)	11,200	62 50p	26/06/09 — 26/06/16
	601,200	—	(66,400)	534,800		

The Group has the following outstanding share options and exercise prices

Date exercisable (option life)	At 31 December 2014			At 31 December 2013		
	Number	Exercise price (pence)	Remaining contractual life (years)	Number	Exercise price (pence)	Remaining contractual life (years)
2009 (up to 2016)	16,800	62 50	1.5	32,000	62 50	2.5
2010 (up to 2017)	266,200	78 91	2.5	317,400	78 91	3.5
2014 (up to 2021)	131,875	107 00	6.5	131,875	107 00	7.5
2015 (up to 2023)	119,925	79 00	8.8	119,925	79 00	9.8
	534,800			601,200		

Tandem Group plc

Notes to the Financial Statements continued

6 Directors' and employees' remuneration continued

The ordinary share mid-market price on 31 December 2014 was 106 0p (31 December 2013 – 75 08p) During the period, the highest mid-market price was 130 0p (31 December 2013 – 100 0p) and the lowest was 68 5p (31 December 2013 – 73 5p) The weighted average exercise price of the options in issue was 85 3p (31 December 2013 – 84.7p)

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 2013 – 62 50p) to 107 00 (31 December 2013 – 107 0p),
- 36 3% (31 December 2013 - 36 3%) to 48 0% (31 December 2013 – 48 0%) volatility based on expected and historical share price,
- a risk-free interest rate of 0 86% (31 December 2013 – 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 £9,000 (31 December 2013 – £8,000) of share-based employee remuneration expense has been included in the Consolidated income statement No liabilities were recognised due to share-based transactions

7 Tax expense

The relationship between the expected tax expense at 21 5% (year ended 31 December 2013 – 23 3%) and the actual tax income recognised in the consolidated income statement can be reconciled as follows

	Year ended 31 December 2014		Year ended 31 December 2013	
	£'000	%	£'000	%
Profit before taxation	1,716		16	
Tax rate	21 5%		23 25%	
Expected tax expense	369	21.5	4	23 3
Expenses not deductible for tax purposes	38	2.2	27	168 8
Movement in unrecognised deferred tax asset	(410)	(23 9)	(802)	(5,012 5)
Effect of differing rates on overseas taxation	(17)	(1 0)	13	(81 3)
Effect of change in tax rate	131	7 6	503	3,143 8
Adjustments in respect of prior periods	(21)	(1 2)	(83)	(518 8)
Actual tax expense/(credit)	90	5 2	(338)	(2,112 5)
Actual tax expense comprises:				
Current tax expense/(credit)	81		(11)	
Deferred tax expense/(credit)	9		(327)	
	90		(338)	

There is no tax expense or credit in relation to share-based payments credited to equity At 31 December 2014 there are trading losses and loan relationship deficits of approximately £14,186,000 (31 December 2013 – £13,778,000) 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 2014 £'000	Year ended 31 December 2013 £'000
Net profit for the year	1,626	354
Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share	4,669,754	4,637,337
Weighted average dilutive shares under option	100,453	60,245
Average number of shares used for diluted earnings per share	4,770,207	4,697,582
	Pence	Pence
Basic earnings per share	34 82	7 63
Diluted earnings per share	34 09	7 54

9 Intangible fixed assets

	Goodwill £'000	Intangible assets £'000	Total £'000
Gross carrying amount at 1 January 2013 and 1 January 2014	7,193	—	7,193
Acquisition (note 24)	1,695	185	1,880
At 31 December 2014	8,888	185	9,073
Impairment/Amortisation at 1 January 2013 and 1 January 2014	4,957	—	4,957
Impairment/Amortisation	—	4	4
Impairment/Amortisation at 31 December 2014	4,957	4	4,961
Net book value			
At 31 December 2014	3,931	181	4,112
At 31 December 2013	2,236	—	2,236

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
Others (fully impaired)		3,677	—
		8,888	3,931

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.

Tandem Group plc

Notes to the Financial Statements continued

9 Intangible fixed assets continued

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 4.11%, 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 2013	—	512	8	2,200	2,720
Additions	2,745	111	—	40	2,896
Disposals	—	—	—	(4)	(4)
Foreign exchange adjustments	—	(1)	—	(2)	(3)
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 31 December 2014	2,745	649	33	2,582	6,009
Depreciation					
At 1 January 2013	—	408	1	1,963	2,372
Provided in the year	—	38	2	76	116
Eliminated on disposals	—	—	—	(4)	(4)
Foreign exchange adjustments	—	(1)	—	(2)	(3)
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 31 December 2014	50	485	23	2,121	2,679
Net book value at 31 December 2014	2,695	164	10	461	3,330
Net book value at 31 December 2013	2,745	177	5	201	3,128

The net book value of assets held under hire purchase agreements was £236,000 (31 December 2013 - £nil).

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

11 Inventories

	At 31 December 2014 £'000	At 31 December 2013 £'000
Finished goods for resale	5,072	3,827

Cost of sales includes material costs of £20,679,000 (year ended 31 December 2013 - £18,903,000) and other costs of £1,077,000 (year ended 31 December 2013 - £1,158,000)

12 Trade and other receivables

	At 31 December 2014 £'000	At 31 December 2013 £'000
Trade receivables	5,433	5,045
Prepayments and accrued income	230	253
Other receivables	838	76
	6,501	5,374

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 £74,000 (year ended 31 December 2013 - £91,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Amounts brought forward	91	99
Amounts written off	(61)	(34)
Impairment loss	44	63
Impairment loss reversed	—	(37)
At year end	74	91

Tandem Group plc

Notes to the Financial Statements continued

12 Trade and other receivables continued

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 2014 £'000	At 31 December 2013 £'000
Not past due	2,589	3,488
Past due 0 – 90 days	2,804	1,506
Past due 91 – 180 days	28	45
Past due more than 180 days	12	6
	5,433	5,045

13 Cash and cash equivalents

	At 31 December 2014 £'000	At 31 December 2013 £'000
Cash and cash equivalents per consolidated cash flow statement	1,805	2,925

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 2014 £'000	At 31 December 2013 £'000
Amounts falling due within one year*		
Trade payables	2,474	1,845
Contingent consideration (note 24)	276	—
Other payables	2,707	1,712
	5,457	3,557
Amounts falling due between one and two years.		
Contingent consideration (note 24)	150	—
Other payables	11	—
	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.

15. Other liabilities

	At 31 December 2014 £'000	At 31 December 2013 £'000
Invoice finance liability	4,739	4,529
Current borrowings with contractual maturities in less than one year		
– other borrowings	107	107
– assets held under hire purchase agreements	23	—
	4,869	4,636
Non current borrowing with contractual maturities one to two years		
– other borrowings	107	107
– assets held under hire purchase agreements	24	—
Non-current borrowings with contractual maturities between two to five years		
– other borrowings	1,190	1,298
– assets held under hire purchase agreements	82	—
Non-current borrowings with contractual maturities over five years		
– other borrowings	—	—
– assets held under hire purchase agreements	97	—
	1,500	1,405
	6,369	6,041

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

Tandem Group plc

Notes to the Financial Statements continued

16 Financial assets and liabilities

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

	At 31 December 2014				At 31 December 2013			
	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	Assets not within the scope of IAS 39 £'000	Total £'000	
Cash and cash equivalents								
Sterling	627	—	—	627	1,740	—	1,740	
US dollars	976	—	—	976	1,009	—	1,009	
Euro	14	—	—	14	(6)	—	(6)	
Others	188	—	—	188	182	—	182	
	1,805	—	—	1,805	2,925	—	2,925	
Foreign exchange and option derivatives	—	142	—	142	—	—	—	
Trade and other receivables	5,594	—	907	6,501	5,108	266	5,374	
Inventories	—	—	5,072	5,072	—	3,827	3,827	
Current assets	5,594	142	5,979	13,520	5,108	4,093	12,126	

The financial liabilities of the Group comprised

	At 31 December 2014				At 31 December 2013			
	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Financial liabilities held at fair value through profit and loss £'000	Total £'000	
Foreign exchange derivatives	—	—	—	—	—	516	516	
Trade and other payables	2,504	2,953	5,457	1,975	1,582	—	3,557	
Invoice finance liability	4,739	—	4,739	4,529	—	—	4,529	
Current borrowings	107	—	107	107	—	—	107	
Hire purchase	23	—	23	—	—	—	—	
Current tax liability	—	232	232	—	222	—	222	
Current liabilities	7,373	3,185	10,558	6,611	1,804	516	8,931	
Non current borrowings and other liabilities	1,500	161	1,661	1,405	—	—	1,405	

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 2015. At 31 December 2014, a gain of £658,000 (year ended 31 December 2013 – loss £516,000) 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 2014				At 31 December 2013			
	USD £'000	GBP £'000	Other £'000	Total £'000	USD £'000	GBP £'000	Other £'000	Total £'000
Current assets	1,479	11,787	254	13,520	2,126	9,804	196	12,126
Current liabilities	(1,817)	(8,741)	—	(10,558)	(1,183)	(7,748)	—	(8,931)
Total exposure	(338)	3,046	254	2,962	943	2,056	196	3,195

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

The only financial instruments held at fair value at 31 December 2014 are forward exchange contracts which have a value of £142,000 (year ended 31 December 2013 – £516,000 liability) 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 2014. All other financial liabilities are Level one.

There were no transfers between Level one and Level two in 2014 or 2013.

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 asset held by the group, as disclosed in note 9, is 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 2014. The fair value of the intangible as at 31 December 2014 is included in the statement of financial position as £181,000 (year ended 31 December 2013 – £nil).

Notes to the Financial Statements continued

16 Financial assets and liabilities continued

Measurement of financial instruments (continued)

The fair value of the intangible is 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 4.11%

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 January 2013 £'000	Movement in the period £'000	At 31 December 2013 £'000	Movement in the year £'000	At 31 December 2014 £'000
Provided					
Pension obligations	(814)	87	(727)	(102)	(829)
Property, plant and equipment	(275)	82	(193)	45	(148)
Current liabilities - provisions	(28)	24	(4)	(6)	(10)
Financial instruments	—	(103)	(103)	131	28
Unused tax losses	(632)	(288)	(920)	(148)	(1,068)
Intangible fixed asset	—	—	—	37	37
Total	(1,749)	(198)	(1,947)	(43)	(1,990)
Presented as					
Deferred tax asset	(1,749)	(198)	(1,947)	(43)	(1,990)
Unprovided					
Property, plant and equipment	(2)	1	(1)	55	54
Current liabilities - provisions	(5)	—	(5)	5	—
Unused tax losses	(2,039)	799	(1,240)	(529)	(1,769)
Capital losses	(1,532)	6	(1,526)	193	(1,333)
ACT	(647)	5	(642)	553	(89)
Total	(4,225)	811	(3,414)	277	(3,137)

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 £43,000, a charge of £9,000 has been recognised in the Consolidated income statement, a credit of £89,000 has been recognised in the Consolidated statement of comprehensive income and a charge of £37,000 has been recognised on acquisition (see note 24).

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.

18. Pension scheme arrangements continued

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

	31 December 2014 £'000	31 December 2013 £'000
Defined benefit obligation at the beginning of the year	10,411	10,582
Interest cost	455	449
Actuarial gains due to scheme experience	(431)	—
Actuarial losses due to changes in demographic assumptions	—	241
Actuarial losses/(gains) due to changes in financial assumptions	1,099	(135)
Benefits paid	(610)	(726)
Defined benefit obligation at the end of the year	10,924	10,411

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

	31 December 2014 £'000	31 December 2013 £'000
Discount rate	3.50%	4.50%
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	2.80%	3.30%
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 2014	20.6
Female retiring in 2014	22.8
Male retiring in 2034	21.9
Female retiring in 2034	24.3

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

	31 December 2014 £'000	31 December 2013 £'000
Fair value of scheme assets at the beginning of the year	7,279	7,355
Interest income	317	311
Return on plan assets	214	197
Contributions	142	142
Benefits paid	(610)	(726)
Fair value of scheme assets at the end of the year	7,342	7,279

The actual return on scheme assets over the period ended 31 December 2014 was £536,000

Tandem Group plc

Notes to the Financial Statements continued

18 Pension scheme arrangements continued

	31 December 2014 £'000	31 December 2013 £'000
Equities - UK	401	426
Equities - overseas	2,894	2,875
Property	760	664
Diversified growth assets	1,114	1,171
Gilts	321	306
Corporate Bonds	1,809	1,782
Cash and other	43	55
Total fair value of assets	7,342	7,279

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 2.9%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.5%

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 2014 is 15 years.

The reconciliation of movements in the year were as follows:

	31 December 2014 £'000	31 December 2013 £'000
Deficit at the beginning of the year	(3,132)	(3,227)
Movement in year:		
Contributions	142	142
Finance cost	(138)	(138)
Actuarial gain/(loss)	(454)	91
Deficit at the end of the year	(3,582)	(3,132)
Related deferred tax asset	716	658
Net deficit at the end of the year	(2,866)	(2,474)

The expected contributions in the year ending 31 December 2015 are £155,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to March 2029.

18 Pension scheme arrangements continued

Defined benefit costs recognised in profit or loss are as follows

	31 December 2014 £'000	31 December 2013 £'000
Net interest cost	138	138
Defined benefit costs recognised in profit or loss	138	138

Defined benefit costs recognised in other comprehensive income are as follows

	31 December 2014 £'000	31 December 2013 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain	214	197
Experience gain arising on the defined benefit obligation	431	–
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	–	(241)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(1,099)	135
Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain	(454)	91

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 2014 £'000	31 December 2013 £'000
Defined benefit obligation at the beginning of the year	2,753	2,481
Interest cost	119	106
Actuarial losses due to scheme experience	192	–
Actuarial losses due to changes in demographic assumptions	–	59
Actuarial losses due to changes in financial assumptions	217	245
Benefits paid	(160)	(138)
Defined benefit obligation at the end of the year	3,121	2,753

Tandem Group plc

Notes to the Financial Statements continued

18 Pension scheme arrangements continued

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

	31 December 2014 £'000	31 December 2013 £'000
Discount rate	3.50%	4.50%
Increase in pensions in payment	2.80%	3.30%
Increase in pensionable salaries *	—%	—%
Increase in deferred pensions	2.80%	3.30%
Inflation assumption	2.80%	3.30%
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 2014	20.6
Female retiring in 2014	22.8
Male retiring in 2034	21.9
Female retiring in 2034	24.3

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

	31 December 2014 £'000	31 December 2013 £'000
Fair value of scheme assets at the beginning of the year	2,424	2,169
Interest income	106	95
Return on plan assets (excluding amounts included in interest income)	85	197
Contributions	101	101
Benefits paid	(160)	(138)
Fair value of scheme assets at the end of the year	2,556	2,424

The actual return on scheme assets over the period ended 31 December 2014 was £191,000

18 Pension scheme arrangements continued

The value of assets in the scheme were

	At 31 December 2014 £'000	At31 December 2013 £'000
Equities	1,707	1,641
Property	38	34
Gilts	571	514
Corporate bonds	126	109
Cash and other	114	126
Total fair value of assets	2,556	2,424

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 3.8%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.8%
Rate of inflation	Increase 0.25% per annum	Increase by 3.2%

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 2014 is 15 years.

The reconciliation of movements in the year were as follows

	31 December 2014 £'000	31 December 2013 £'000
Deficit at the beginning of the year	(329)	(312)
Movement in year		
Contributions	101	101
Finance cost	(13)	(11)
Actuarial loss	(324)	(107)
Deficit at the end of the year	(565)	(329)
Related deferred tax asset	113	69
Net deficit at the end of the year	(452)	(260)

The expected contributions in the year ending 31 December 2015 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.

Tandem Group plc

Notes to the Financial Statements continued

18 Pension scheme arrangements continued

Defined benefit costs recognised in profit or loss are as follows

	31 December 2014 £'000	31 December 2013 £'000
Net interest cost	13	11
Defined benefit costs recognised in profit or loss	13	11

Defined benefit costs recognised in other comprehensive income are as follows

	31 December 2014 £'000	31 December 2013 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain	85	197
Experience loss arising on the defined benefit obligation	(192)	—
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	—	(59)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss	(217)	(245)
Total actuarial gains and losses and total amount recognised in other comprehensive income – loss	(324)	(107)

Group pension scheme deficit

	31 December 2014 £'000	31 December 2013 £'000
<i>Deficit</i>		
The Tandem Group Pension Plan	(3,582)	(3,132)
The Casket Group Retirement and Death Benefit Scheme	(565)	(329)
	(4,147)	(3,461)
<i>Related deferred tax asset</i>		
The Tandem Group Pension Plan	716	658
The Casket Group Retirement and Death Benefit Scheme	113	69
Net deficit at the end of the year	(3,318)	(2,734)

The amounts recognised in the Consolidated statement of comprehensive income in the year ended 31 December 2014 are a loss of £454,000 in respect of the Tandem Group Pension Plan and a loss of £324,000 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 £1,635,000 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.

19 Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 January 2013 – ordinary shares 25p each	4,571,154	1,142
Exercise of share options	98,600	25
At 31 December 2013 and 31 December 2014 – ordinary shares 25p each	4,669,754	1,167

20 Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £214,000 (year ended 31 December 2013 - £360,000) and for other operating leases was £118,000 (year ended 31 December 2013 - £123,000)

	At 31 December 2014		At 31 December 2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating lease commitments				
Total future minimum payments under operating leases				
Within one year	250	185	276	220
Within two to five years	194	322	235	290
After five years	—	2	—	—
	444	509	511	510

Total future minimum lease commitments include £22,000 in respect of premises at Pinchbeck, Spalding, previously occupied by the Group's former Garden Leisure Division, which have been sublet at an equivalent annual rental

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 2014 £'000	31 December 2013 £'000
M P J Keene	8	7
S J Grant	5	4
J C Shears	2	2
P Ratcliffe	1	1
J S T Morris	1	—
	17	14

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

Tandem Group plc

Notes to the Financial Statements continued

22 Contingent liabilities

The Group had no contingent liabilities at 31 December 2014 or 31 December 2013

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 August 2014, the Group acquired 100% of the issued share capital and voting rights of Pro Rider Limited for an initial consideration of £2,576,000. 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	—	185	185
Property, plant and equipment	27	—	27
Inventories	443	—	443
Trade and other receivables	748	(15)	733
Cash and cash equivalents	428	—	428
Trade and other payables	(319)	(101)	(420)
Deferred taxation	—	(37)	(37)
Net assets acquired	1,327	32	1,359
Goodwill arising on acquisition			<u>1,695</u>
Provisional fair value of assets acquired			<u>3,054</u>
Satisfied by			
Cash			2,576
Contingent consideration			<u>478</u>
Total consideration			<u>3,054</u>

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 debtors, warranties and deferred income. 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 of 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.

24 Acquisition continued

For the period from 1 August 2014 to 31 December 2014 revenues were £1,400,000 and profit after tax £114,000. If the acquisition had occurred on 1 January 2014, Group revenue would have increased by £3,610,000 and operating profit by approximately £440,000. 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 2014.

Five Year History

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	11 month period ended 31 December 2011 £'000	Year ended 31 January 2011 £'000
Revenue	31,320	28,347	28,952	29,042	34,610
Cost of sales	(21,755)	(20,061)	(20,364)	(20,784)	(24,777)
Gross profit	9,565	8,286	8,588	8,258	9,833
Operating expenses	(8,107)	(7,314)	(7,617)	(7,391)	(8,628)
Operating profit before exceptional costs	1,458	972	971	867	1,205
Exceptional items	(73)	(142)	—	—	—
Operating profit after exceptional costs	1,385	830	971	867	1,205
Finance costs	(329)	(814)	(203)	(96)	(120)
Finance income	660	—	—	49	—
Profit before taxation	1,716	16	768	820	1,085
Tax (expense)/credit	(90)	338	(157)	(179)	—
Net profit for the year/period	1,626	354	611	641	1,085

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

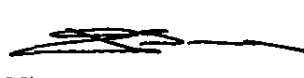
Tandem Group plc

Company Balance Sheet under UK GAAP

	Note	At 31 December 2014 £'000	At 31 December 2013 £'000
Fixed assets			
Intangible assets	4	118	213
Tangible assets	5	2,932	2,745
Investments	4	5,937	3,600
		8,987	6,558
Current assets			
Debtors	6	4,101	3,359
Cash at bank and in hand		—	1,055
		4,101	4,414
Creditors – amounts falling due within one year	7	(2,447)	(2,088)
Net current assets		1,654	2,326
Total assets less current liabilities and net assets before pension scheme deficit		10,641	8,884
Creditors – amounts falling due after one year	8	(1,651)	(1,405)
Net pension scheme deficit	14	(2,866)	(2,474)
Net assets after pension scheme deficit		6,124	5,005
Capital and reserves			
Called up share capital	10	1,503	1,503
Shares held in treasury	11	(336)	(336)
Share premium	11	84	84
Merger reserve	11	1,036	1,036
Capital redemption reserve	11	1,427	1,427
Profit and loss account	11	2,410	1,291
Shareholders' funds		6,124	5,005

The financial statements were approved by the Board of Directors on 14 April 2015


M P J Keene
Director


J C Shears
Director

The accompanying notes on pages 45 to 55 form part of these UK GAAP financial statements

Notes to the UK GAAP Financial Statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK accounting standards

The principal accounting policies of the Company are set out below which have remained unchanged from the previous year

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

Goodwill

Goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired, is capitalised within fixed assets and amortised on a straight line basis over 20 years. It is considered that the businesses to which the goodwill relates will generate profits indefinitely but a 20 year amortisation period has been prudently used. Goodwill impairment reviews have been conducted in both the current and comparative periods.

Negative goodwill is amortised over the lives of the identifiable assets to which it relates.

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:

Land	not depreciated
Freehold building	50 years
Plant and machinery	3 – 20 years

Foreign exchange

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. Where monetary assets and liabilities exist in foreign currencies, they are translated into sterling at the exchange rates ruling at the balance sheet date. Differences on exchange are taken directly to the profit and loss account.

Financial assets

The Company's financial assets comprise cash and debtors. The Company does not trade in financial instruments. All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

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.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the Group are charged to the profit and loss account in accordance with FRS17 'Retirement benefits'.

For further pension information see note 14.

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.

Notes to the UK GAAP 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.

All share based remuneration is ultimately recognised as an expense in the profit and loss account 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.

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 profit for the year was £1,693,000 (year ended 31 December 2013 – loss £131,000).

Auditor's remuneration incurred by the Company during the period for audit services totalled £3,000 (year ended 31 December 2013 - £3,000), and for tax compliance services totalled £1,000 (year ended 31 December 2013 - £1,000).

3 Directors' and employees' remuneration

Expense recognised for employee benefits is analysed below.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Salaries	740	494
Benefits in kind	16	15
Social security costs	95	61
Share-based employee remuneration	8	8
Pension scheme contributions - defined contribution schemes	79	73
	938	651

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

During the period 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.

4 Intangible fixed assets and investments

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
Cost			
At 1 January 2014	12,834	2,506	(197)
Additions	3,054	—	—
Dividends	(717)	—	—
At 31 December 2014	15,171	2,506	(197)
<i>Impairment and amortisation provisions</i>			
At 1 January 2014	9,234	2,293	(197)
Impairment and amortisation provided in the year	—	95	—
At 31 December 2014	9,234	2,388	(197)
Net book value			
At 31 December 2014	5,937	118	—
At 31 December 2013	3,600	213	—

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.

	<i>Design, development, sourcing and distribution of</i>
Tandem Group Cycles Limited#	Sports, leisure and toy products
MV Sports & Leisure Limited*	Bicycles and accessories
M V Sports (Hong Kong) Limited#	Sports, leisure and toy products
Pro Rider Limited*	Mobility and leisure products

*denotes 100% of issued ordinary shares

#denotes 100% indirect ownership of issued ordinary shares

During the year the Company acquired 100% of the issued share capital of Pro Rider Limited for provisional total consideration of £3,054,000. Post acquisition dividends received from Pro Rider totalled £717,000 and have been credited to the cost of investment.

Tandem Group plc

Notes to the UK GAAP Financial Statements continued

5 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2014	2,745	23	2,768
Additions	—	248	248
Disposals	—	(16)	(16)
At 31 December 2014	2,745	255	3,000
Depreciation			
At 1 January 2014	—	23	23
Charge for the year	50	11	61
Disposals	—	(16)	(16)
At 31 December 2014	50	18	68
Net book value			
At 31 December 2014	2,695	237	2,932
At 31 December 2013	2,745	—	2,745

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

6 Debtors

	At 31 December 2014 £'000	At 31 December 2013 £'000
Amounts due within one year		
Amounts due from subsidiary undertakings	4,006	3,245
Other debtors	15	18
Other taxation	73	75
Prepayments and accrued income	7	21
	4,101	3,359

7 Creditors - amounts falling due within one year

	At 31 December 2014 £'000	At 31 December 2013 £'000
Trade creditors	42	72
Bank overdrafts	1,549	—
Borrowings	107	107
Amounts due to subsidiary undertakings	—	1,691
Taxation and social security costs	21	21
Other creditors	363	134
Hire purchase	23	—
Accruals	342	63
	2,447	2,088

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

8 Creditors - amounts falling due after one year less than five years

	At 31 December 2014 £'000	At 31 December 2013 £'000
Borrowings	1,297	1,405
Hire purchase	203	—
Contingent consideration	151	—
	1,651	1,405

9 Deferred taxation

	At 31 December 2014 £'000	At 31 December 2013 £'000
At the beginning of the year	658	742
Origination and reversal of timing differences	29	(84)
At the end of the year	687	658

Tandem Group plc

Notes to the UK GAAP Financial Statements continued

9 Deferred taxation continued

	Provided 31 December 2014 £'000	Not Provided 31 December 2014 £'000	Provided 31 December 2013 £'000	Not Provided 31 December 2013 £'000
Accelerated capital allowances	—	(46)	—	1
Short term timing differences	—	5	—	5
Losses	—	116	—	33
Capital losses	—	553	—	553
Advance corporation tax (ACT)	—	51	—	45
Pensions	715	—	658	—
Financial instruments	(28)	—	—	—
	687	679	658	637

A deferred tax asset has not been recognised in respect of certain trading losses, capital losses, excess management expenses and ACT as the Company does not anticipate sufficient taxable trading profits, capital gains, utilisation of management expenses or recovery of ACT respectively, to arise within the foreseeable future

10. Called up share capital

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 January 2013 – ordinary shares 25p each	4,571,154	1,142
Exercise of share options	98,600	25
At 31 December 2013 and 31 December 2014 – ordinary shares 25p each	4,669,754	1,167

10 Called up share capital continued

Share options

The following options were held at 31 December 2014 under the Company's share option schemes

Number of shares	At 1 January 2014	Granted during period	Exercised/ lapsed during period	At 31 December 2014	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	—	—	75,000	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	—	—	67,000	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	116,000	—	(51,200)	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						
Directors						
P Ratcliffe	5,600	—	—	5,600	62 50p	26/06/09 — 26/06/16
Other employees	26,400	—	(15,200)	11,200	62 50p	26/06/09 — 26/06/16
	601,200	—	(66,400)	534,800		

Notes to the UK GAAP Financial Statements continued

10 Called up share capital continued

The Group has the following outstanding share options and exercise prices

	31 December 2014			31 December 2013		
	Number	Exercise price (pence)	Remaining contractual life (years)	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life)						
2009 (up to 2016)	16,800	62.50	1.5	32,000	62.50	2.5
2010 (up to 2017)	266,200	78.91	2.5	317,400	78.91	3.5
2014 (up to 2021)	131,875	107.00	6.5	131,875	107.00	7.5
2015 (up to 2023)	119,925	79.00	8.8	119,925	79.00	9.8
	534,800			601,200		

The ordinary share mid-market price on 31 December 2014 was 106.0p (31 December 2013 – 75.08p). During the period, the highest mid-market price was 130.0p (31 December 2013 – 100.0p) and the lowest was 68.5p (31 December 2013 – 73.5p). The weighted average exercise price of the options in issue was 85.3p (31 December 2013 – 84.7p).

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 2013 – 62.50p) to 107.00 (31 December 2013 – 107.0p),
- 36.3% (31 December 2013 - 36.3%) to 48.0% (31 December 2013 – 48.0%) volatility based on expected and historical share price,
- a risk-free interest rate of 0.86% (31 December 2013 – 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 £9,000 (31 December 2013 – £8,000) of share-based employee remuneration expense has been included in the Consolidated income statement. No liabilities were recognised due to share-based transactions.

11. Statement of movements on reserves

	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2014	(336)	84	1,036	1,427	1,291	3,502
Profit for the year	—	—	—	—	1,693	1,693
Net actuarial loss on pension scheme	—	—	—	—	(420)	(420)
Share based payments	—	—	—	—	9	9
Dividends paid	—	—	—	—	(163)	(163)
Balance at 31 December 2014	(336)	84	1,036	1,427	2,410	4,621

12 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit/(loss) for the year	1,693	(131)
Net actuarial loss on pension scheme	(420)	(119)
Exercise of share options	—	70
Share based payments	9	8
Dividends paid	(163)	(157)
Opening shareholders' funds	5,005	5,334
Closing shareholders' funds	6,124	5,005

13 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 £974,000 (31 December 2013 - £419,000)

14 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 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 January 2011 £'000
Present value of defined benefit obligation at the beginning of the year/period	10,411	10,582	9,620	8,237	8,464
Interest cost	455	449	494	415	458
Actuarial loss/(gain)	668	106	1,107	1,503	(105)
Benefits paid	(610)	(726)	(639)	(535)	(580)
Present value of defined benefit obligation at the end of the year/period	10,924	10,411	10,582	9,620	8,237

Tandem Group plc

Notes to the UK GAAP Financial Statements continued

14 Pension arrangements continued

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

	31 December 2014	31 December 2013	31 December 2012	31 January 2012	31 January 2011
Discount rate	3.50%	4.50%	4.40%	5.30%	5.70%
Increase in pensionable salaries*	— %	— %	— %	— %	— %
Increase in pensions in payment	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%	Up to 5.00%
Increase in deferred pensions		3.00% to 5.00% for all years			
Inflation assumption	2.80%	3.30%	2.50%	3.00%	3.50%
Mortality assumption table	S1 PxA (YOB)	S1 PxA (YOB)	PA92 (YOB MC)	PA92 (YOB MC)	PA92 (YOB MC)

* 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 2014	20.6
Female retiring in 2014	22.8
Male retiring in 2034	21.9
Female retiring in 2034	24.3

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

	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 January 2011 £'000
Fair value of scheme assets at the beginning of the year/period	7,279	7,355	7,252	7,875	7,410
Expected return on assets	317	388	414	450	440
Actuarial gain/(loss)	214	120	190	(626)	514
Contributions	142	142	138	88	91
Benefits paid	(610)	(726)	(639)	(535)	(580)
Fair value of scheme assets at the end of the year/period	7,342	7,279	7,355	7,252	7,875

14 Pension arrangements continued

	At 31 December 2014 £'000	At 31 December 2013 £'000	At 31 December 2012 £'000	At 31 December 2011 £'000	At 31 January 2011 £'000
Equities - UK	401	426	404	2,203	4,797
Equities - overseas	2,894	2,875	3,254	2,195	—
Property	760	664	618	638	707
Diversified growth assets	1,114	1,171	1,092	—	—
Gilts	321	306	323	1,340	1,350
Corporate Bonds	1,809	1,782	1,634	694	780
Cash and other	43	55	30	182	241
Total fair value of assets	7,342	7,279	7,355	7,252	7,875

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 2.9%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.5%

The reconciliation of movements in the year/period were as follows

	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 January 2011 £'000
Deficit at the beginning of the year/period	(3,132)	(3,227)	(2,368)	(362)	(1,054)
Movement in year.					
Contributions	142	142	138	88	91
Finance (cost)/income	(138)	(138)	(80)	35	(18)
Actuarial (loss)/gain	(454)	91	(917)	(2,129)	619
Deficit at the end of the year/period	(3,582)	(3,132)	(3,227)	(2,368)	(362)
Related deferred tax asset	716	658	742	616	101
Net deficit at the end of the year/period	(2,866)	(2,474)	(2,485)	(1,752)	(261)

The expected contributions in the year ending 31 December 2014 are £155,000 in accordance with the agreed schedule of contributions

15 Related party transactions

Transactions between wholly owned group companies have not been disclosed in accordance with the exemption conferred by FRS 8

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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!

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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**

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