



# Tandem Group plc

Annual report and accounts  
Year ended 31 December 2018

# Welcome to **Tandem Group plc**

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

## **Contents**

Directors and advisers	1
Brands	1
Chairman's statement	2
Strategic report	3
Directors' report	6
Corporate governance statement	9
Report of the Independent Auditor	11
Consolidated income statement	13
Consolidated statement of comprehensive income	13
Consolidated balance sheet	14
Consolidated statement of changes in equity	15
Consolidated cash flow statement	16
Notes to the consolidated financial statements	17
Five year history	44
Company balance sheet	45
Company statement of changes in equity	46
Notes to the company financial statements	47
Shareholder information	61

## **Financial calendar**

Annual General Meeting	27 June 2019
Interim results for six months to 30 June 2019	September 2019
Annual results for year ending 31 December 2019	April 2020

## Directors and advisers

### Directors

#### M P J Keene

Non-Executive Chairman

#### P Ratcliffe

Group Commercial Director

#### Company Secretary

J C Shears

#### S J Grant

Chief Executive Officer

#### J S T Morris

Non-Executive Director

#### J C Shears

Group Finance Director

#### A Q Bestwick

Non-Executive Director

#### Nominated Adviser And Broker

Cairn Financial Advisers LLP  
Cheyne House, 62–63 Cheapside,  
London EC2V 6AX

#### Chartered Accountants and Statutory Auditor

PKF Cooper Parry Group Limited  
Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA

#### Solicitors

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

#### Registrars

Link Asset Services  
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU  
Telephone 0371 664 0300

#### Website

[www.tandemgroup.co.uk](http://www.tandemgroup.co.uk)

#### Registered office

35 Tameside Drive, Castle Bromwich  
Birmingham, B35 7AG

#### Registration

Registered in England No. 00616818

### Brands

#### Bicycles and accessories

Boss  
British Eagle  
CBR  
Claud Butler  
Dawes  
Elswick  
Explorer  
Falcon  
Pulse  
Scorpion  
Squish  
Townsend  
Zombie

#### Fishing

Carpzone

#### Wheeled toys

Avengers Endgame\*  
Avengers\*  
Barbie\*  
Batman\*  
Ben 10\*  
Bored  
Cars\*  
Disney Princess\*  
E-moto  
Finding Dory\*  
Fireman Sam\*  
Frozen 2\*  
Hatchimals\*  
Hot Wheels\*  
Incredibles 2\*

#### Football training

Kickmaster

#### Golf

Ben Sayers  
Bioflow\*  
Pro Rider

#### Garden and camping

Airwave  
Airwave Four Seasons  
Party Glow  
Windbar

#### Homewares and household

Jack Stonehouse  
Snapframes

Jo Jo Siwa\*  
Jurassic World Fallen Kingdom\*  
Justice League\*  
The Lion King\*  
L.O.L. Surprise!\*  
Marvels Avengers\*  
Minnie Mouse\*  
Miraculous\*  
My Little Pony\*  
Nella the Princess Knight\*  
Nerf\*  
Paw Patrol\*  
Peppa Pig\*  
Pikmi Pops\*  
PJ Masks\*

#### Mobility

Pro Rider  
Drive\*  
Freerider\*  
Kymco\*  
Sunrise Medical\*  
TGA\*

#### Outdoor play

Airwave  
Hedstrom

#### Snooker, pool and table sports

Pot Black

Rusty Rivets\*  
Shopkins\*  
Spider-Man\*  
Stunted  
Super Wings\*  
Teletubbies\*  
Teenage Mutant Ninja Turtles\*  
Thomas & Friends\*  
Toy Story 4\*  
Transformers\*  
Trolls\*  
Twista  
U-Move  
Wigwam  
Wired  
Zoomies

\* Under licence/distribution

## Chairman's statement

### Introduction

I am pleased to present the results for the year ended 31 December 2018.

### Results

Revenue reduced by just under 12% from £36,837,000 in the year ended 31 December 2017 to £32,511,000 in the year end 31 December 2018. The first half of 2018 was characterised by exceedingly poor weather in February and March, large overstocks with a certain national retailer, other customers actively trying to de-stock and the ongoing impact of the demise of Toys R Us. However, in the second half of the year the Group experienced revenue growth of nearly 6% as it recovered from the poor start to the year.

Despite the reduction in turnover, operating profit before finance costs and taxation was £2,247,000 for the year ended 31 December 2018 compared to £2,401,000 for the year ended 31 December 2017, a 6% reduction.

During the year exceptional costs of £218,000 were incurred mostly in relation to property and redundancy costs as we relocated our bicycle storage and distribution facility.

There was a reduction in finance costs from £511,000 in 2017 to £157,000 in 2018 with a significant difference in the fair value adjustment in respect of foreign currency derivatives. This was a credit of £109,000 in the year ended 31 December 2018 compared to a charge of £172,000 in the prior year. This adjustment will vary year on year based on the foreign exchange contracts in place at the year end and their maturity date.

It was another year of cash generation with cash and cash equivalents increasing to £4,847,000 at 31 December 2018 compared to £3,856,000 at 31 December 2017. I am also very pleased to report that for the first time in a number of years we finished the year with a net cash position. The net debt of £1,016,000 at the end of last year reduced to a net cash position of £107,000 at the end of 2018.

Net assets increased during the year from £11,068,000 at 31 December 2017 to £12,408,000 at 31 December 2018.

Further details of operational activities can be found in the Strategic report on page 3.

### Dividend

We are proposing to pay a final dividend of 2.89 pence per share (year ended 31 December 2017 – 2.75 pence per share) which, when combined with the interim dividend of 1.42 pence per share (year ended 31 December 2017 – 1.35 pence per share), gives a total dividend of 4.31 pence for the year (year ended 31 December 2017 – 4.10 pence per share). This represents an increase of 5% and is in line with our progressive dividend policy.

Subject to shareholder approval at the Annual General Meeting to be held on 27 June 2019, the final dividend will be paid on or around 3 July 2019 to shareholders on the share register as at 17 May 2019. The ex-dividend date will be 16 May 2019.

### Pension schemes

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

Although there was a net reduction in the deficit of the schemes to £2,827,000 at 31 December 2018 compared to £2,928,000 at the end of the previous year, the pension schemes continue to utilise the Group's cash resources.

A recent judgement handed down by the High Court in the case Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank Plc and others created a precedent regarding the equalisation of male and female guaranteed minimum pensions (GMPs). Due to the uncertainty surrounding this issue, no allowance was made for GMP equalisation in previous disclosures. However, given the additional clarity provided by the judgement, we were required to account for the additional liability associated with GMP equalisation. This has been offset by improvements in gilt yields which increased the discount rate used to calculate scheme liabilities.

During the year the Group made payments in respect of these schemes of £487,000 (year ended 31 December 2017 – £345,000) comprising deficit contributions of £423,000 (year ended 31 December 2017 – £265,000) and government levies and administration costs of £64,000 (year ended 31 December 2017 – £80,000).

### Employees

On behalf of the Board of Directors, I would like to take this opportunity to thank all employees for their dedication and continued hard work during the year.

Simon Morris is retiring from his role as a Non-Executive Director and will not offer himself for re-election at the forthcoming AGM. On behalf of the board, I would like to thank Simon for his contribution to the Group and wise counsel during his tenure and wish him well for the future. We have commenced the search for a new Non-Executive Director with appropriate skills.

### Outlook

The year has started very strongly for the Group, principally driven by the MV Sports & Leisure business where the forward order book is considerably ahead of the same time last year.

We have secured additional business with several national retailers and expect to increase revenue, based on current listings, with a number of others.

We have signed an agreement with The Walt Disney Company to extend our portfolio of licences for 2019 and beyond. This will significantly expand our range to incorporate their major properties, including Disney and Marvel and will encompass highly successful entertainment and consumer product franchises such as Frozen, Toy Story, Spider-Man, Lion King, Disney Princess and Avengers.

Our lightweight children's bicycles range, Squish, saw strong double digit revenue growth in the early part of 2019. We expect this to continue as we implement our marketing plans to develop brand recognition further.

The number of new products developed for 2019 in our 'direct to consumer' business is substantial. Not only have we fully redesigned and extended our gazebo range with higher specification components and fabrics, we have developed new products in outdoor, leisure, home, mobility and Christmas categories.

We are optimistic about the outlook for 2019. Whilst we are mindful of macro-economic uncertainties, we expect to achieve significant turnover growth and we continue to be extremely confident in our ability to deliver profitability to our shareholders.

### Mervyn Keene

Chairman

10 April 2019

# Strategic report

## Operating and Financial Review

### Revenue

Group revenue for the year ended 31 December 2018 reduced to £32,511,000 compared to £36,837,000 in the prior year.

As we reported there were a number of factors which contributed to this decline.

Revenue from the toys business was behind the prior year but much less so than the reported overall market decline. The recovery in revenue gathered greater momentum as the year progressed.

In licensed wheeled toy categories, our L.O.L Surprise! licence was the standout product range during the year. In other licences, Paw Patrol, Batman, Peppa Pig and Disney Princess made solid contributions.

In our own brands, Hedstrom continued to be ahead of the prior year and our new brand, U-Move performed strongly. Following a challenging year in 2017 for Ben Sayers, revenue recovered in 2018 and was 15% ahead of the previous year.

For the first time in many years, MV Sports & Leisure exhibited at the Nuremberg Toy Fair at the end of January 2019 with positive feedback following the show. This was in addition to the excellent response from our recent exhibition at the London Toy Fair.

We were delighted with the progress and growth in turnover in Independent Bicycle Dealers (IBD) of our Squish bicycle brand. Sales continued to be more challenging for the Dawes and Claud Butler brands. Falcon, Townsend and Elswick brands made a healthy contribution to revenue from our national account customers.

Total revenue from the bicycle businesses saw a further reduction for the year, although the second half of the year was only slightly behind 2017. Our bicycle operations maintained profitability during the year.

Revenue in our Expressco business reduced during the year, principally due to a changing buying pattern from one customer in the early part of the year. However, sales in the second half were strong with a double digit increase in revenue. Overall profitability for this business for the year increased. Growth was enhanced from newly introduced outdoor products combined with our new 'At Home Comforts' indoor ranges.

Whilst we continue to strive for sales from our own websites, we cannot ignore the potential from third party sites and therefore continued to take advantage of these sales platforms also.

### Gross profit

Although gross profit declined from £10,887,000 in the previous year to £10,249,000 in 2018, the gross profit percentage increased from 29.6% to 31.5% in the year ended 31 December 2018.

We continued our drive to improve our gross margin by improving supplier buying prices in the businesses for a number of our products.

Over 600 new products were introduced across the Group during the year which also helped to improve gross margin. These included products for all the new licenced properties, an entirely new range of IBD bicycles, and nearly 200 products launched in our direct to consumer business.

Following a programme of discounting older models of bicycles in 2017, we were able to improve gross margin in 2018 with the launch of our new range.

As in previous years there were ongoing pressures from major customers who continued to exert significant pricing pressure on the Group.

### Operating expenses

Operating expenses reduced by nearly 6% from £8,486,000 in the year ended 31 December 2017 to £8,002,000 in the year ended 31 December 2018. To reflect the reduction in turnover, we made savings in a number of areas.

### Operating profit

Operating profit before exceptional costs was £2,247,000 for the year ended 31 December 2018 compared to £2,401,000 in the prior year.

### Exceptional costs and Non-underlying items

Non-underlying items are material items which have arisen from unusual non-recurring or non-trading events. Exceptional costs of £218,000 were incurred in the year to 31 December 2018 (year ended 31 December 2017 – £nil). During the year we exited a warehouse in Scunthorpe and settled a dilapidations claim which, coupled with a number of associated redundancy costs at the site, accounted for most of the cost.

Other non-underlying items comprised:

- a fair value credit adjustment for foreign currency derivative contracts under IFRS9 of £109,000 (year ended 31 December 2017 – £172,000 charge);
- pension finance costs under IAS19 of £100,000 (year ended 31 December 2017 - £107,000), and
- a deferred tax charge of £55,000 (year ended 31 December 2017 - £114,000) in respect of pension schemes and share options.

## Strategic report continued

### Finance costs

Total net finance costs reduced from £511,000 in the year ended 31 December 2017 to £157,000 in the year ended 31 December 2018.

Interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities was £157,000 compared to £221,000 in the prior year.

Finance costs in respect of the pension schemes provided in line with IAS19 were £100,000 compared to £107,000 for year ended 31 December 2017.

In accordance with IFRS9, there was a fair value credit of £109,000 in respect of derivative foreign exchange contracts which compared to a charge of £172,000 in the prior year.

As in previous years and explained above, the net of pension schemes' financing and foreign currency derivatives, which totalled a credit of £9,000 (year ended 31 December 2017 – £279,000 charge), is included in non-underlying items.

### Taxation

The tax expense for the year ended 31 December 2018 was £250,000 compared to £146,000 in the prior year.

The current tax charge, which comprised corporation tax from the overseas Hong Kong operation, was £189,000 (year ended 31 December 2017 - £219,000).

There was a deferred tax charge of £61,000 compared to a credit of £73,000 in the prior year.

### Net profit

Net profit for the year ended 31 December 2018 after non-underlying items, finance costs and taxation was £1,622,000 compared to £1,744,000 for the year ended 31 December 2017.

### Capital expenditure

Total capital expenditure incurred during the year was £70,000 (year ended 31 December 2017 - £27,000).

### Property

A valuation of the Castle Bromwich property was carried out by CBRE Ltd in January 2018 in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors. This value was used to revalue the property at 31 December 2017. The Directors are of the opinion that there has been no material change since this date and the valuation remains valid as at 31 December 2018.

### Cash flows, working capital and net cash

Net cash inflow from operating activities before movements in working capital for the year ended 31 December 2018 was £1,792,000 compared to £2,330,000 in the year ended 31 December 2017. This was impacted by the additional contributions required to be made to the pensions' schemes.

Cash generated from operations was £1,638,000 compared to £4,061,000 last year.

Net cash outflows from investing activities were £88,000 in the year ended 31 December 2018 against £32,000 in the previous year.

There was a net cash outflow from financing activities of £342,000 in the year ended 31 December 2018 which compared to £543,000 in the year ended 31 December 2017.

As a result of these movements the closing cash position at 31 December 2018 was £4,847,000 compared to £3,856,000 at 31 December 2017.

## 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:

	31 December 2018	31 December 2017
Gross profit margin	31.5%	29.6%
The ratio of gross profit to sales expressed as a percentage		
Turnover per employee	£396,000	£405,000
The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period		
Net operating expenses % of sales	24.6%	23.0%
The ratio of net operating expenses, before non-underlying items, to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage		
Interest cover	14.3	10.9
The ratio of operating profit before exceptional items, to net interest payable on bank loans, overdrafts and invoice finance facilities		
Shareholders' return	14.7%	21.2%
The ratio of net profit to shareholders' funds at the start of the year expressed as a percentage		
Basic earnings per share – pence	32.3	35.0
The net profit divided by the weighted average number of ordinary shares in issue during the year		

Net cash, comprising cash and cash equivalents, invoice financing liabilities and borrowings, was £107,000 at 31 December 2018 compared to net debt of £1,016,000 at the end of the previous year.

#### Dividends

We have increased total dividends paid and proposed for the year ended 31 December 2018 by over 5% again this year. A total dividend of 4.31 pence per share will be paid, subject to shareholder approval, compared to 4.10 pence per share for the year ended 31 December 2017.

The dividend cover ratio was 7.5 (year ended 31 December 2017 – 8.5).

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

#### Earnings per share

Basic earnings per share was 32.3 pence per share for the year ended 31 December 2018 compared to 35.0 pence per share in the year ended 31 December 2017. Diluted earnings per share was 32.1 pence per share compared to 34.8 pence per share in the prior year.

#### Strategy, outlook and future prospects

The Group is a designer, developer, distributor and retailer of sports, leisure and mobility products. We continue to seek to maintain our position as a leading distributor to the UK sports, leisure, bicycle and toy markets and as an online retailer in the sports, leisure and mobility markets. We will achieve this by continuing to enter into licence agreements for the most successful character toy licences and to develop new and interesting own brand product ranges which offer both quality and value to the consumer.

The Chairman's Statement on page 2 provides an overview of the current outlook for the Group in the forthcoming year.

#### 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 affected.

#### 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 15.

The Strategic report was approved by the Board on 10 April 2019 and signed on its behalf by:

**Steve Grant**  
Chief Executive Officer

**Jim Shears**  
Group Finance Director

## Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 December 2018.

### Principal activity

The Group is principally engaged in the design, development, distribution and retail 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 2018 are set out in the Consolidated income statement on page 13. An interim dividend of 1.42 pence per ordinary share was paid on 12 November 2018 in respect of the six month period to 30 June 2018 (period ended 30 June 2017 – 1.35 pence). The Directors are proposing a final dividend of 2.89 pence per ordinary share (year ended 31 December 2017 – 2.75 pence) payable to shareholders on the register on 17 May 2019 and will be paid on or around 3 July 2019.

### Significant shareholders

As at 10 April 2019 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 987,389 shares held in treasury.

	Ordinary Shares of 25p	%
Jupiter Asset Management	540,941	10.8%
S Bragg	482,996	9.6%
D Waldron	312,560	6.2%
S J Grant	250,000	5.0%
M P J Keene	250,000	5.0%
J C Shears	170,000	3.4%

### Directors

The present Directors are as follows:

#### *M P J Keene*

Mervyn joined the Group 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.

Mervyn brings 50 years of business knowledge and acumen from numerous industries and is an expert in buying and selling businesses. Although he has served for a number of years as Chairman, he remains fiercely independent, regularly challenging and holding the executive board to account. In addition, he continues to provide strong leadership whilst maintaining a very detailed knowledge and understanding of the sectors in which the Group operates.

He is a Fellow of the Association of Chartered Certified Accountants.

#### *S J Grant*

Steve joined MV Sports & Leisure Limited 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.

Steve has in-depth knowledge of the toy, sports, leisure and bicycle sectors, in both licensing and own brand environments, as well as extensive experience in sourcing and importing from overseas suppliers.

He continues to be a regular visitor to the Far East and has considerable knowledge of selling to both national and independent customers.

#### *J C Shears*

Jim joined the Group as Group Financial Controller in 2002. He was appointed Company Secretary in 2008 and Group Finance Director in June 2010.

Jim brings a wealth of financial knowledge and experience in both private and public sectors as well as small and large company environments, having previously worked for the Audit Commission, IFG Group plc and AWG plc as well as start-up businesses where he has held various roles. He is also well versed in online and direct to consumer selling.

Jim is a Fellow of the Institute of Chartered Accountants in England and Wales.

#### *P Ratcliffe*

Phil joined MV Sports & Leisure Limited 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, Vice-President and formerly Chairman of The British Toy & Hobby Association.

#### *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 has extensive knowledge of both corporate finance and public market environments and is an experienced independent non-executive director.

He was appointed to the Board in March 2010.



### A Q Bestwick

Andy was formerly Managing Director of Gardman Holdings Limited, the outdoor garden products supplier.

He has considerable experience in product development, sourcing and supply chain management, especially from Asia, and selling to national and independent retailers. This experience has enabled him to have a strong understanding of the environment in which the Group operates which has enabled him to help to deliver the strategy of the Group.

Andy is also a Non-Executive Director of Smart Garden Products Limited, one of the fastest growing businesses in the garden and outdoor leisure sector. He was appointed to the Board 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

	10 April 2019	31 December 2018	1 January 2018
	25p ordinary shares	25p ordinary shares	25p ordinary shares
M P J Keene	250,000	250,000	250,000
S J Grant	250,000	250,000	250,000
J C Shears	170,000	170,000	170,000
P Ratcliffe	91,732	91,732	91,732
J S T Morris	15,000	15,000	15,000

In accordance with the Articles of Association, P Ratcliffe and J S T Morris, whose service contracts may be terminated by either party giving twelve and six months' written notice respectively, retire at the Annual General Meeting. P Ratcliffe offers himself for re-election. J S T Morris does not offer himself 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. The Directors are satisfied with the period under review and are confident of future prospects. After reviewing the Group's forecasts and projections covering a period of at least 12 months from the date of signing the annual report, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### 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 programmes 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.

## Directors' report continued

### Statement of Directors' responsibilities

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

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

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

The Directors confirm that:

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

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

### Auditor

A resolution to appoint PKF Cooper Parry Group Limited as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

The notice of the Annual General Meeting includes resolution 5 proposed as special business.

Resolution 5 is also a special resolution which seeks the authority from shareholders for the Company to make market purchases.

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

### By Order of the Board

#### Jim Shears

Company Secretary  
10 April 2019

Registered number: 00616818

## Corporate governance statement

The Board recognises the importance of strong corporate governance and set out below are the principles and provisions in the Quoted Companies Alliance (QCA) Corporate Governance Code (the Code) which have been applied. This statement should be read in conjunction with the Strategic report on page 3 and the Group's website <https://tandemgroupplc.co.uk/corporate-social-responsibility/corporate-governance>.

### Principle 1 – “Establish a strategy and business model which promotes long-term value for shareholders.”

The Group strategy is formulated by the Chief Executive Officer, Group Finance Director and Group Commercial Director in regular discussions with the non-executive Board. The final strategy is approved by the full Board. The executive team, led by the Chief Executive Officer, is responsible for implementing this strategy and for generally managing and developing the business. Changes in strategy require approval from the Board. The strategy and the principle risks and uncertainties facing the Group is set out in the Strategic report on page 5.

### Principle 2 – “Seek to understand and meet shareholder needs and expectations.”

The Board recognises the importance of providing shareholders with as much clear and transparent information on the Group's activities, strategy and financial position as is commercially possible and as permitted within the guidelines of the AIM rules, MAR and requirements of the relevant legislation.

The Board believes that the Annual Report and Accounts and the Interim Report play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Board typically holds meetings with larger shareholders following the release of annual and interim financial results and regards the Annual General Meeting as the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders.

### Principle 3 – “Take into account wider stakeholder and social responsibilities and their implications for long term-success.”

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Group for the benefit of its shareholders as a whole. The Board also understands that it has a responsibility towards other stakeholders, including but not limited to its employees, pensions schemes, lenders, customers and suppliers. Regular meetings are held with each of these stakeholder groups to discuss salient matters which may range from employee schemes to recycle more within the office to reducing the level of packaging required by customers to strict adherence by suppliers to toy safety directives.

In addition, the Group recognises its responsibility to protect the environment. The Group strives to manage its operations in ways that are environmentally sustainable and economically feasible and provides appropriate educational programmes for staff and other stakeholders.

The Group has a Corporate Social Responsibility Committee (CSRC) which 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.

### Principle 4 – “Embed effective risk management, considering both opportunities and threats, throughout the organisation.”

The Group's principle risks and uncertainties are disclosed in the Strategic report on page 5.

### Principle 5 – “Maintain the board as a well-functioning, balanced team led by the chair.”

As set out in the Chairman's Corporate Governance Statement disclosed on the website, the Group is controlled through the Board of Directors which comprises three executive Directors and three independent non-executive Directors. Although one of the non-executive Directors has served for more than nine years, the Board do not consider that there is any impairment of independence of character or judgement and that there has been no hindrance in the ability to be objective.

The Board sets the Group's strategic aims and ensures that necessary resources are in place in order for the Group to meet its objectives. All members of the Board take collective responsibility for the performance of the Group and all decisions are taken in the interests of the Group.

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 A Q Bestwick (Chairman), M P J Keene and J S T Morris 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.

## Corporate governance statement continued

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 Finance Director and the external auditors 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, J S T Morris (Chairman – Audit Committee) and A Q Bestwick (Chairman – Remuneration and Nominations Committee) are members of these committees and take independent external advice when appropriate.

In the year ended 31 December 2018 there were ten formal board meetings held. All Directors were in attendance for all meetings except P Ratcliffe who was in attendance for eight meetings. In addition there were two Audit Committee meetings and one Remuneration Committee meeting held during the year.

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.

**Principle 6 – “Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.”**

Directors' profiles which detail skills, experiences and capabilities are disclosed on the Group's website.

**Principle 7 – “Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.”**

The Group undertakes regular informal evaluations of the performance and effectiveness of the Board and that of each Director and its Committees. Suggestions regarding the strategic direction of the Group are covered during monthly Board meetings.

Responsibility for assessing and monitoring the performance of the executive directors lies with the independent non-executive directors. External advice is taken as appropriate.

The Company Secretary, Jim Shears, ensures that all Directors are updated with changes in relevant legislation and regulation. External advice is also taken as appropriate.

**Principle 8 – “Promote a corporate culture that is based on ethical values and behaviours.”**

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Group maintains and annually reviews an employee handbook that includes clear guidance on what is expected of every employee. Adherence to these standards is a key factor in the evaluation of performance within the Group, including during annual performance reviews.

The Group is also aware of its responsibilities for ensuring adherence to key internal and external policies including those relating to slavery, diversity, anti-corruption, bribery and whistleblowing.

**Principle 9 – “Maintain Governance structures and processes that are fit for purpose and support good decision making by the board.”**

There is a clear division of the responsibilities of the Chairman and the Chief Executive Officer. The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer. The Chairman acts as the communicator for Board decisions where appropriate. The key responsibilities of the Chairman and Chief Executive Officer are set out on the Group's website.

**Principle 10 – “Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.”**

The Board is committed to maintaining an open dialogue with shareholders and stakeholders. Communication is co-ordinated by the Chairman, Chief Executive Officer and Group Finance Director.

Throughout the year, the Board maintains a regular dialogue with its major institutional investor, providing them with such information on the Group's progress as is permitted within the guidelines of the AIM rules, MAR and requirements of the relevant legislation.

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The AGM is the principal opportunity for shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders.

# Report of the Independent Auditor

to the members of Tandem Group plc

## Opinion

We have audited the financial statements of Tandem Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of

material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Carrying value and impairment of goodwill

### Matter

The Group has a significant goodwill balance in relation to the various business acquisitions which have been made historically. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.

### Response

- We challenged the assumptions used in the impairment model for goodwill, which is described in note 8.
- We considered historical trading performance by comparing recent growth rates of both revenue and operating profit.
- We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations.
- We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.

## Valuation of defined benefit pension obligations

### Matter

The Group operates two defined benefit pension schemes, both of which are closed to new members. These obligations are valued in accordance with IAS19 at the Balance Sheet date and the valuations made are based on assumptions agreed by management. These assumptions, and the resulting valuation, are an area of significant judgment.

### Response

- We benchmarked the assumptions used against other similar schemes and published industry data to ensure they were within a reasonable range.
- We obtained and reviewed the actuarial valuation report to ensure the agreed assumptions were used in that valuation.
- We obtained confirmation of scheme asset valuations from the custodian.

## Our application of materiality

The materiality for the Group financial statements as a whole was set at £325,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of group revenue as presented in the Consolidated Income Statement.

The materiality for the Parent Company financial statements as a whole was set at £52,000. This has been determined with reference to the Parent Company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 2% of net assets as presented on the face of the Parent Company's Balance Sheet.

## Report of the Independent Auditor continued

to the members of Tandem Group plc

### An overview of the scope of our audit

We adopted a risk based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces. The key elements of our audit approach were as follows:

Of the Group's four reporting components, we subjected all four to audits for Group reporting purposes. The components within the scope of our work covered: 100% of Group revenue, 100% of Group profit before tax and 100% of Group net assets.

In order to address the matters described in the key audit matters section we performed focused audit procedures over these areas, including reference to external market data and publicly available market information in relation to assumptions used.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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's 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.

### Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Katharine Warrington

Senior Statutory Auditor  
for and on behalf of PKF Cooper Parry Group Limited  
Chartered Accountants and Statutory Auditor  
Sky View  
Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA  
10 April 2019

## Consolidated income statement

	Note	31 December 2018			31 December 2017		
		Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000	Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000
Revenue	2	32,511	–	32,511	36,837	–	36,837
Cost of sales		(22,262)	–	(22,262)	(25,950)	–	(25,950)
<b>Gross profit</b>		<b>10,249</b>	<b>–</b>	<b>10,249</b>	<b>10,887</b>	<b>–</b>	<b>10,887</b>
Operating expenses	3	(8,002)	–	(8,002)	(8,486)	–	(8,486)
<b>Operating profit before exceptional costs</b>		<b>2,247</b>	<b>–</b>	<b>2,247</b>	<b>2,401</b>	<b>–</b>	<b>2,401</b>
Exceptional costs	3	–	(218)	(218)	–	–	–
<b>Operating profit after exceptional costs</b>		<b>2,247</b>	<b>(218)</b>	<b>2,029</b>	<b>2,401</b>	<b>–</b>	<b>2,401</b>
Finance costs	4	(166)	9	(157)	(232)	(279)	(511)
<b>Profit before taxation</b>		<b>2,081</b>	<b>(209)</b>	<b>1,872</b>	<b>2,169</b>	<b>(279)</b>	<b>1,890</b>
Tax expense	6	(195)	(55)	(250)	(32)	(114)	(146)
<b>Net profit for the year</b>		<b>1,886</b>	<b>(264)</b>	<b>1,622</b>	<b>2,137</b>	<b>(393)</b>	<b>1,744</b>
<b>Earnings per share</b>	7			<b>Pence</b>			<b>Pence</b>
Basic				<b>32.3</b>			<b>35.0</b>
Diluted				<b>32.1</b>			<b>34.8</b>

## Consolidated statement of comprehensive income

	31 December 2018 £'000	31 December 2017 £'000
Net profit for the year	1,622	1,744
<b>Other comprehensive income:</b>		
<i>Items that will be reclassified subsequently to profit and loss:</i>		
Foreign exchange differences on translation of foreign operations	102	(254)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation of property, plant and equipment	–	530
Actuarial (loss)/gain on pension schemes	(222)	1,129
Movement in pension schemes' deferred tax provision	37	(191)
<b>Other comprehensive income for the year, net of tax</b>	<b>(83)</b>	<b>1,214</b>
<b>Total comprehensive income for the year attributable to equity shareholders</b>	<b>1,539</b>	<b>2,958</b>

All figures relate to continuing operations.

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

## Consolidated balance sheet

	Note	31 December 2018 £'000	31 December 2017 £'000
<b>Non current assets</b>			
Intangible fixed assets	8	5,580	5,597
Property, plant and equipment	9	3,480	3,550
Deferred taxation	16	1,776	1,800
		<b>10,836</b>	<b>10,947</b>
<b>Current assets</b>			
Inventories	10	4,250	4,001
Trade and other receivables	11	4,397	4,539
Derivative financial asset held at fair value	15	54	–
Cash and cash equivalents	12	4,847	3,856
		<b>13,548</b>	<b>12,396</b>
<b>Total assets</b>		<b>24,384</b>	<b>23,343</b>
<b>Current liabilities</b>			
Trade and other payables	13	(4,266)	(4,312)
Other liabilities	14	(3,542)	(3,237)
Derivative financial liability held at fair value	15	–	(55)
Current tax liabilities		(143)	(107)
		<b>(7,951)</b>	<b>(7,711)</b>
<b>Non current liabilities</b>			
Other payables	13	–	(1)
Other liabilities	14	(1,198)	(1,635)
Pension scheme deficit	17	(2,827)	(2,928)
		<b>(4,025)</b>	<b>(4,564)</b>
<b>Total liabilities</b>		<b>(11,976)</b>	<b>(12,275)</b>
<b>Net assets</b>		<b>12,408</b>	<b>11,068</b>
<b>Equity</b>			
Share capital	18	1,503	1,503
Shares held in treasury	18	(247)	(247)
Share premium		286	286
Other reserves		3,644	3,542
Profit and loss account		7,222	5,984
<b>Total equity</b>		<b>12,408</b>	<b>11,068</b>

The financial statements were approved by the Board on 10 April 2019 and signed on its behalf by:

**Mervyn Keene**  
Director

**Jim 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	Revaluation reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	1,503	(272)	232	1,036	1,427	–	803	3,485	8,214
Net profit for the year	–	–	–	–	–	–	–	1,744	1,744
Re-translation of overseas subsidiaries	–	–	–	–	–	–	(254)	–	(254)
Revaluation of property, plant and equipment	–	–	–	–	–	530	–	–	530
Net actuarial gain on pension schemes	–	–	–	–	–	–	–	938	938
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	530	(254)	2,682	2,958
Share based payments	–	–	–	–	–	–	–	13	13
Exercise of share options	–	25	54	–	–	–	–	–	79
Dividends paid	–	–	–	–	–	–	–	(196)	(196)
Total transactions with owners	–	25	54	–	–	–	–	(183)	(104)
At 1 January 2018	1,503	(247)	286	1,036	1,427	530	549	5,984	11,068
Net profit for the year	–	–	–	–	–	–	–	1,622	1,622
Re-translation of overseas subsidiaries	–	–	–	–	–	–	102	–	102
Net actuarial loss on pension schemes	–	–	–	–	–	–	–	(185)	(185)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	–	102	1,437	1,539
Share based payments	–	–	–	–	–	–	–	11	11
Dividends paid	–	–	–	–	–	–	–	(210)	(210)
Total transactions with owners	–	–	–	–	–	–	–	(199)	(199)
<b>At 31 December 2018</b>	<b>1,503</b>	<b>(247)</b>	<b>286</b>	<b>1,036</b>	<b>1,427</b>	<b>530</b>	<b>651</b>	<b>7,222</b>	<b>12,408</b>

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.

The revaluation reserve was created following the revaluation of property, plant and equipment during the year.

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

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

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

## Consolidated cash flow statement

	31 December 2018 £'000	31 December 2017 £'000
<b>Cash flows from operating activities</b>		
Net profit for the year	1,622	1,744
<i>Adjustments:</i>		
Depreciation of property, plant and equipment	139	148
Amortisation of intangible fixed assets	41	39
Profit on sale of property, plant and equipment	(5)	(6)
Contribution to defined benefit pension plans	(423)	(265)
Finance costs	157	511
Tax expense	250	146
Share based payments	11	13
<b>Net cash flow from operating activities before movements in working capital</b>	<b>1,792</b>	<b>2,330</b>
Change in inventories	(407)	3,623
Change in trade and other receivables	142	(629)
Change in trade and other payables	111	(1,263)
<b>Cash generated from operations</b>	<b>1,638</b>	<b>4,061</b>
Interest paid	(166)	(232)
Tax paid	(153)	(245)
<b>Net cash flows from operating activities</b>	<b>1,319</b>	<b>3,584</b>
<b>Cash flows from investing activities</b>		
Purchases of intangible fixed assets	(24)	(11)
Purchases of property, plant and equipment	(70)	(27)
Sale of property, plant and equipment	6	6
<b>Net cash flows from investing activities</b>	<b>(88)</b>	<b>(32)</b>
<b>Cash flows from financing activities</b>		
Loan repayments	(408)	(407)
Finance lease repayments	(27)	(27)
Movement in invoice financing	303	8
Exercise of share options	–	79
Dividends paid	(210)	(196)
<b>Net cash flows from financing activities</b>	<b>(342)</b>	<b>(543)</b>
<b>Net change in cash and cash equivalents</b>	<b>889</b>	<b>3,009</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,856</b>	<b>1,101</b>
Effect of foreign exchange rate changes	102	(254)
<b>Cash and cash equivalents at end of year</b>	<b>4,847</b>	<b>3,856</b>

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 2018 (including the comparatives for the year ended 31 December 2017) were approved by the Board of Directors on 10 April 2019.

The Group does not have an ultimate controlling 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 in the Consolidated income statement where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. Non-underlying items comprise one off acquisition costs, non-recurring relocation costs, exceptional costs of Group restructuring, the finance cost related to the Group's pension schemes calculated in accordance with IAS19, the impact of the movement in respect of derivative foreign exchange contracts held at fair value through the profit and loss in accordance with IFRS9 and the release of the over provision in respect of contingent consideration, together with any taxation impact of these items.

### Basis of preparation

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

### Overall considerations

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

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Group's latest approved budget where applicable. Judgements are based on the information available at each balance sheet date. Disclosure of the significant accounting estimates and judgements can be found on page 21.

### Basis of consolidation

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

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

### Foreign currency

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

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

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

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

### Revenue recognition

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

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

## Notes to the financial statements continued

### 2. Accounting policies continued

#### Business combinations and goodwill

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

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

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

#### Contingent consideration

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

#### Intangible assets

##### Assets acquired as part of a business combination

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

##### Brands

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

#### Other intangible assets

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

#### Impairment

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

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

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

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

#### Property, plant and equipment

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

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

#### Inventories

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

## 2. Accounting policies continued

### Segment reporting

Due to the integration of a number of functions across the Group it is not possible to accurately report 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 over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

### Taxation

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

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

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

### Employee benefits

#### *Defined contribution pension schemes*

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

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

#### *Defined benefit pension schemes*

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

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

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

## Notes to the financial statements continued

### 2. Accounting policies continued

#### Financial assets

The Group's financial assets include cash and cash equivalents, trade and other receivables and forward exchange contracts.

All financial assets are recognised when the entity becomes party to the contractual provisions of an instrument. All financial assets except forward exchange contracts 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.

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

#### Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash at bank and in hand, bank overdrafts and short term highly liquid investments 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.

The revaluation reserve was created following the revaluation of property, plant and equipment during the year.

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

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

#### Share based employee remuneration

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

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

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

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

#### Financial liabilities

The Group's financial liabilities include trade and other payables and invoice finance.

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.

## 2. Accounting policies continued

### Foreign exchange forward and option contracts

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

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

### Significant accounting estimates and judgements

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

### Key areas of estimation uncertainty

#### *Impairment of goodwill*

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 8 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 Consolidated 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 17 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

#### *Inventory provisioning*

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

#### *Bad debt provision*

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels. The recovery of certain debts is dependent on the individual circumstances of customers. As disclosed in note 11 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.

#### *Pension deficit*

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

## Notes to the financial statements continued

### 2. Accounting policies continued

#### Standards and interpretations

The Group has adopted the following new standards, or new provisions of amended standards:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IAS7 Disclosure Initiative
- Amendments to IFRS 2 Classification and measurement of share based payment transactions
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations
- Amendments to IAS 40: Transfers of investment property
- Annual Improvements to IFRSs 2014-2016 Cycle

There has been no material impact on either amounts reported or disclosed in the financial statements arising from first time adoption.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

- IFRS 16 Leases (effective 1 January 2019);
- Amendments to IFRS 9 Prepayment features with negative compensation (effective 1 January 2019);
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement (effective 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019);
- Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019);

Other than in respect of IFRS 16, the Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

With regards to IFRS 16, at 31 December 2018 the Group holds non-cancellable operating lease commitments totalling £817,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 19. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact. A preliminary assessment indicates that the Group will recognise a right-of-use asset of £363,000 and a corresponding lease liability of £363,000 in respect of leases held. The impact on the Income Statement is not expected to be material.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, the Directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.



### 3. Operating expenses and Exceptional costs

	31 December 2018 £'000	31 December 2017 £'000
Distribution costs	4,448	4,838
Administrative expenses (before exceptional costs)	3,554	3,648
<b>Total operating expenses (before exceptional costs) as shown in the Consolidated income statement</b>	<b>8,002</b>	<b>8,486</b>
The operating expenses disclosed above include the following charges/(credits):		
Employee benefits expense (note 5)	3,551	3,768
Depreciation – owned assets	126	135
Depreciation – assets under hire purchase agreements	13	13
Profit on sale of tangible fixed assets	(5)	(6)
Intangible amortisation	41	39
Operating lease costs	351	504
Other expenses	3,925	4,033
	<b>8,002</b>	<b>8,486</b>

Exceptional costs of £218,000 (year ended 31 December 2017 - £nil) were incurred following the relocation of a warehouse and distribution facility.

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (year ended 31 December 2017 - £3,000) and in the capacity as auditor of the subsidiary companies was £58,000 (year ended 31 December 2017 - £57,000). Non audit remuneration in respect of tax compliance services totalled £13,000 (year ended 31 December 2017 - £13,000).

### 4. Finance costs

	31 December 2018 £'000	31 December 2017 £'000
Interest payable on bank loans, overdrafts and invoice finance facilities	157	221
Interest payable on hire purchase agreements	9	11
Expected return on pension scheme assets less interest on liabilities	100	107
Fair value adjustment in respect of derivative financial liabilities held at fair value through profit and loss	(109)	172
<b>Total finance costs</b>	<b>157</b>	<b>511</b>

## Notes to the financial statements continued

### 5. Directors' and employees remuneration

#### Employee benefits expense

	31 December 2018 £'000	31 December 2017 £'000
Wages and salaries	3,138	3,337
Social security costs	286	308
Share-based employee remuneration	11	13
Pension scheme contributions - defined contribution schemes	116	110
	<b>3,551</b>	<b>3,768</b>

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

	Number	Number
Selling and distribution	45	52
Management and administration	37	39
	<b>82</b>	<b>91</b>

#### Directors' remuneration

	31 December 2018				31 December 2017	
	Salary/Fee £'000	Performance bonus £'000	Benefits in kind £'000	Pension contribution £'000	Total £'000	Total £'000
M P J Keene	50	–	–	–	50	50
S J Grant	190	35	8	10	243	270
J C Shears	126	26	6	27	185	206
P Ratcliffe	149	28	8	14	199	221
J S T Morris	20	–	–	–	20	20
A Q Bestwick	20	–	–	–	20	20
	<b>555</b>	<b>89</b>	<b>22</b>	<b>51</b>	<b>717</b>	<b>787</b>

In addition to the above the total charge for Employer's National Insurance for the period was £83,000 (year ended 31 December 2017 – £93,000).

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 £11,000 (year ended 31 December 2017 – £13,000) of which £3,000 (year ended 31 December 2017 – £4,000) related to S J Grant, £3,000 (year ended 31 December 2017 – £3,000) related to J C Shears and £3,000 (year ended 31 December 2017 – £3,000) related to P Ratcliffe.

## 5. Directors' and employees remuneration continued

### Key management personnel

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

### Share based employee remuneration

The following options were held at 31 December 2018 under the Group's share option schemes:

Number of shares	At 1 January 2018	Granted during year	Exercised/ lapsed during year	At 31 December 2017	Option price per 25p ordinary share	Exercise period
<i>2007 Employee Share Option Scheme</i>						
<b>Directors</b>						
S J Grant	27,475	–	–	<b>27,475</b>	107.0p	31/01/14-14/06/21
	22,525	–	–	<b>22,525</b>	79.0p	31/12/15-29/10/23
	75,000	–	–	<b>75,000</b>	127.5p	31/12/15-29/10/24
J C Shears	22,500	–	–	<b>22,500</b>	107.0p	31/01/14-14/06/21
	53,222	–	–	<b>53,222</b>	127.5p	31/12/15-29/10/24
P Ratcliffe	14,000	–	–	<b>14,000</b>	107.0p	31/01/14-14/06/21
	17,103	–	–	<b>17,103</b>	79.0p	31/12/15-29/10/23
	58,897	–	–	<b>58,897</b>	127.5p	31/12/15-29/10/24
<b>Other employees</b>	23,400	–	–	<b>23,400</b>	107.0p	31/01/14-14/06/21
	43,400	–	–	<b>43,400</b>	127.5p	31/12/15-29/10/24
	<b>357,522</b>	–	–	<b>357,522</b>		

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

	At 31 December 2018			At 31 December 2017		
	Number	Exercise price (pence)	Remaining contractual life (years)	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2014 (up to 2021)	<b>87,375</b>	<b>107.0</b>	<b>2.5</b>	87,375	107.0	3.5
2015 (up to 2023)	<b>39,628</b>	<b>79.0</b>	<b>4.8</b>	39,628	79.0	5.8
2016 (up to 2024)	<b>230,519</b>	<b>127.0</b>	<b>5.8</b>	230,519	127.5	6.8
	<b>357,522</b>			357,522		

## Notes to the financial statements continued

### 5. Directors' and employees remuneration continued

The ordinary share mid-market price on 31 December 2018 was 110.0p (31 December 2017 – 100.0p). During the period, the highest mid-market price was 165.0p (31 December 2017 – 155.0p) and the lowest was 90.0p (31 December 2017 – 95.0p). The weighted average exercise price of the options in issue was 117.1p (31 December 2017 – 117.7p).

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 79.0p (31 December 2017 – 79.0p) to 127.5p (31 December 2017 – 127.5p);
- 37.3% (31 December 2017 – 37.3%) to 45.0% (31 December 2017 – 45.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2017 – 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, £11,000 (31 December 2017 – £13,000) of share-based employee remuneration has been included in the Consolidated income statement.

### 6. Tax expense

The relationship between the expected tax expense at 19.00% (year ended 31 December 2017 – 19.25%) and the actual tax income recognised in the Consolidated income statement can be reconciled as follows:

	31 December 2018		31 December 2017	
	£'000	%	£'000	%
Profit before taxation	1,872		1,890	
Tax rate		19.00%		19.25%
<b>Expected tax expense</b>	<b>356</b>	<b>19.0%</b>	<b>364</b>	<b>19.3%</b>
Expenses not deductible for tax purposes	19	1.0%	3	0.2%
Fixed asset timing differences	12	0.6%	12	0.6%
Movement in unrecognised deferred tax asset	(11)	(0.6)%	(246)	(13.0)%
Deferred tax charged to the Consolidated statement of comprehensive income	38	2.0%	(18)	(1.0)%
Amounts (charged)/credited directly to equity or otherwise transferred	(42)	(2.2)%	42	2.2%
Effect of differing rates on overseas taxation	(41)	(2.2)%	22	1.2%
Effect of change in tax rate	(12)	(0.6)%	(33)	(1.7)%
Adjustments in respect of prior periods	(60)	(3.2)%	–	0.0%
Other movements	(9)	(0.5)%	–	0.0%
<b>Actual tax expense</b>	<b>250</b>	<b>13.4%</b>	<b>146</b>	<b>7.7%</b>
<b>Actual tax expense comprises:</b>				
Current tax expense	189		219	
Deferred tax expense/(credit)	61		(73)	
	<b>250</b>		<b>146</b>	

At 31 December 2018 there are trading losses and loan relationship deficits of approximately £9,497,000 (31 December 2017 – £9,299,000) available for carry forward against future profits of the same trade.

#### Tax rate changes

Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and was substantively enacted on 7 September 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 had already been substantively enacted as part of the Finance Bill 2015 on 26 October 2015.

## 7. Earnings per share

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

	31 December 2018 £'000	31 December 2017 £'000
Net profit for the year	1,622	1,744
Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share	5,026,091	4,981,003
Weighted average dilutive shares under option	25,005	24,163
Average number of shares used for diluted earnings per share	5,051,096	5,005,166
	Pence	Pence
Basic earnings per share	32.3	35.0
Diluted earnings per share	32.1	34.8

## 8. Intangible fixed assets

	Goodwill £'000	Software £'000	Brand names £'000	Total £'000
<b>Gross carrying amount</b>				
At 1 January 2017	10,109	83	441	10,633
Additions	–	11	–	11
At 1 January 2018	10,109	94	441	10,644
Additions	–	24	–	24
<b>At 31 December 2018</b>	<b>10,109</b>	<b>118</b>	<b>441</b>	<b>10,668</b>
<b>Amortisation</b>				
At 1 January 2017	4,957	14	37	5,008
Provided in the year	–	18	21	39
At 1 January 2018	4,957	32	58	5,047
Provided in the year	–	20	21	41
<b>At 31 December 2018</b>	<b>4,957</b>	<b>52</b>	<b>79</b>	<b>5,088</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>5,152</b>	<b>66</b>	<b>362</b>	<b>5,580</b>
At 31 December 2017	5,152	62	383	5,597

Amortisation has been included within operating expenses in the Consolidated income statement.

## Notes to the financial statements continued

### 8. Intangible fixed assets continued

Goodwill above relates to the following cash generating units:

	Date of acquisition	Goodwill on acquisition £'000	Carrying value of goodwill £'000
Pot Black	28 September 2000	1,906	965
Dawes Cycles	26 June 2001	895	695
Ben Sayers	25 February 2002	715	576
Pro Rider	01 August 2014	1,695	1,695
ESC	01 September 2015	1,221	1,221
Others (fully impaired)		3,677	–
		<b>10,109</b>	<b>5,152</b>

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

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

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

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

The discount rate used is 4.29%, 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.

## 9. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
<b>Gross carrying amount</b>					
At 1 January 2017	2,745	421	8	1,858	5,032
Additions	–	–	22	5	27
Disposals	–	–	(8)	(6)	(14)
Revaluation	405	–	–	–	405
Foreign exchange adjustments	–	(6)	–	(11)	(17)
At 1 January 2018	3,150	415	22	1,846	5,433
Additions	–	–	30	40	70
Disposals	–	(8)	–	(157)	(165)
Foreign exchange adjustments	–	4	–	5	9
<b>At 31 December 2018</b>	<b>3,150</b>	<b>411</b>	<b>52</b>	<b>1,734</b>	<b>5,347</b>
<b>Depreciation</b>					
At 1 January 2017	100	295	8	1,488	1,891
Provided in the year	25	42	–	81	148
Eliminated on disposals	–	–	(8)	(6)	(14)
Revaluation	(125)	–	–	–	(125)
Foreign exchange adjustments	–	(6)	–	(11)	(17)
At 1 January 2018	–	331	–	1,552	1,883
Provided in the year	32	40	10	57	139
Eliminated on disposals	–	(8)	–	(156)	(164)
Foreign exchange adjustments	–	4	–	5	9
<b>At 31 December 2018</b>	<b>32</b>	<b>367</b>	<b>10</b>	<b>1,458</b>	<b>1,867</b>
<b>Net book value</b>					
<b>At 31 December 2018</b>	<b>3,118</b>	<b>44</b>	<b>42</b>	<b>276</b>	<b>3,480</b>
At 31 December 2017	3,150	84	22	294	3,550

A valuation of the property was carried out in January 2018 in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors. The value placed on the property at that date was £3,150,000. The Directors of the Company consider this to materially represent the fair value at 31 December 2018.

The net book value of assets held under hire purchase agreements was £187,000 (31 December 2017 - £199,000).

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

## Notes to the financial statements continued

### 10. Inventories

	At 31 December 2018 £'000	At 31 December 2017 £'000
Finished goods for resale	4,250	4,001

Cost of sales includes material costs of £19,897,000 (year ended 31 December 2017 - £23,450,000) and other costs of £2,365,000 (year ended 31 December 2017 - £2,500,000).

### 11. Trade and other receivables

	At 31 December 2018 £'000	At 31 December 2017 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	3,931	4,174
Prepayments and accrued income	154	192
Other receivables	312	173
	<b>4,397</b>	<b>4,539</b>

Trade and other receivables are usually due within 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 £34,000 (year ended 31 December 2017 - £67,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	At 31 December 2018 £'000	At 31 December 2017 £'000
Amounts brought forward	67	62
Amounts written off	(34)	(20)
Impairment loss	1	25
At year end	<b>34</b>	<b>67</b>

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 2018 £'000	At 31 December 2017 £'000
Not past due	3,255	3,349
Past due 0 – 90 days	654	766
Past due 91 – 180 days	22	59
	<b>3,931</b>	<b>4,174</b>



## 12. Cash and cash equivalents

	At 31 December 2018 £'000	At 31 December 2017 £'000
Cash and cash equivalents per Consolidated cash flow statement	4,847	3,856

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.

## 13. Trade and other payables

	At 31 December 2018 £'000	At 31 December 2017 £'000
<b>Amounts falling due within one year:</b>		
Trade payables	(2,381)	(2,027)
Taxation and social security	(239)	(330)
Other payables	(1,646)	(1,955)
	(4,266)	(4,312)
<b>Amounts falling due between one and two years:</b>		
Other payables	–	(1)
	–	(1)

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

## Notes to the financial statements continued

### 14. Other liabilities

	At 31 December 2018 £'000	At 31 December 2017 £'000
Invoice finance liability	(3,106)	(2,803)
Current borrowings with contractual maturities in less than one year		
– other borrowings	(407)	(407)
– assets held under hire purchase agreements	(29)	(27)
<b>Total current borrowings</b>	<b>(3,542)</b>	<b>(3,237)</b>
Non current borrowing with contractual maturities one to two years		
– other borrowings	(407)	(407)
– assets held under hire purchase agreements	(30)	(29)
Non current borrowings with contractual maturities between two to five years		
– other borrowings	(694)	(1,102)
– assets held under hire purchase agreements	(67)	(97)
<b>Total non current borrowings</b>	<b>(1,198)</b>	<b>(1,635)</b>
<b>Total borrowings</b>	<b>(4,740)</b>	<b>(4,872)</b>

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.

The mortgage, which is included in other borrowings, is secured over the freehold land and buildings of the Group to which it relates.

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

## 15. Financial assets and liabilities

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

	At 31 December 2018				At 31 December 2017			
	Loans and receivables £'000	Financial assets held at fair value through profit and loss £'000	Assets not within the scope of IAS 39 £'000	Total £'000	Loans and receivables £'000	Financial assets held at fair value through profit and loss £'000	Assets not within the scope of IAS 39 £'000	Total £'000
Cash and cash equivalents:								
Sterling	2,447	–	–	2,447	(851)	–	–	(851)
US Dollars	2,100	–	–	2,100	4,406	–	–	4,406
Euro	75	–	–	75	90	–	–	90
Others	225	–	–	225	211	–	–	211
	4,847	–	–	4,847	3,856	–	–	3,856
Foreign exchange derivatives	–	54	–	54	–	–	–	–
Trade and other receivables	4,243	–	154	4,397	4,347	–	192	4,539
Inventories	–	–	4,250	4,250	–	–	4,001	4,001
Current assets	9,090	54	4,404	13,548	8,203	–	4,193	12,396

The financial liabilities of the Group comprised:

	At 31 December 2018				At 31 December 2017			
	Other financial liabilities at amortised cost £'000	Financial liabilities held at fair value through profit and loss £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Financial liabilities held at fair value through profit and loss £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade and other payables	(4,027)	–	(239)	(4,266)	(3,982)	–	(330)	(4,312)
Invoice finance liability	(3,106)	–	–	(3,106)	(2,803)	–	–	(2,803)
Current borrowings	(407)	–	–	(407)	(407)	–	–	(407)
Hire purchase	(29)	–	–	(29)	(27)	–	–	(27)
Foreign exchange derivatives	–	–	–	–	(55)	–	–	(55)
Current tax liabilities	–	–	(143)	(143)	–	–	(107)	(107)
Current liabilities	(7,569)	–	(382)	(7,951)	(7,274)	–	(437)	(7,711)
Non current liabilities	(1,198)	–	–	(1,198)	(1,635)	–	(1)	(1,636)

## Notes to the financial statements continued

### 15. 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. The Group has an overdraft facility and invoicing financing facility which are due for renewal in October 2018 and the bank has indicated that they are likely to be renewed with similar terms.

#### 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.

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 2018				At 31 December 2017			
	USD £'000	GBP £'000	Other £'000	Total £'000	USD £'000	GBP £'000	Other £'000	Total £'000
Current assets	2,425	10,823	300	13,548	4,732	7,364	300	12,396
Current liabilities	(1,226)	(6,721)	(4)	(7,951)	(1,035)	(6,674)	(2)	(7,711)
Total exposure	1,199	4,102	296	5,597	3,697	690	298	4,685

#### Fair value measurement of financial instruments

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

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

Forward exchange contracts which have a value of £54,000 at 31 December 2018 (year ended 31 December 2017 – £55,000) are financial instruments held at fair value and are disclosed as an asset (year ended 31 December 2017 – liability) at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2018. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2018 or 2017.

## 15. Financial assets and liabilities continued

### Measurement of financial instruments

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

The intangible assets held by the group, as disclosed in note 8, are classified as Level 3 within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018. The fair value of the intangibles as at 31 December 2018 are included in the Consolidated balance sheet as £362,000 (year ended 31 December 2017 – £383,000).

The fair value of the intangibles are estimated using an income approach which capitalises the estimated royalty income which would be charged to a third party to use the brand using the group's discount rate of 4.29%.

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.

## 16. Deferred taxation

The relationship between the expected tax expense at 19.00% (31 December 2017 – 19.25%) and the actual tax income recognised in the Consolidated income statement can be reconciled as follows:

	At 31 December 2016 £'000	Movement in the year £'000	At 31 December 2017 £'000	Movement in the year £'000	At 31 December 2018 £'000
<b>Provided</b>					
<b>Pension obligations</b>	(714)	217	(497)	18	(479)
Property, plant and equipment	(167)	(41)	(208)	(7)	(215)
Short term temporary differences	–	–	–	(3)	(3)
Unused tax losses	(1,032)	(146)	(1,178)	16	(1,162)
Share based payments	(88)	88	–	–	–
Intangible fixed assets	83	–	83	–	83
<b>Total</b>	<b>(1,918)</b>	<b>118</b>	<b>(1,800)</b>	<b>24</b>	<b>(1,776)</b>
Presented as:					
Deferred tax asset	(1,918)	118	(1,800)	24	(1,776)
<b>Unprovided</b>					
Property, plant and equipment	–	4	4	(4)	–
Short term temporary differences	–	(7)	(7)	5	(2)
Unused tax losses	(859)	224	(635)	87	(548)
Capital losses	(1,133)	–	(1,133)	–	(1,133)
ACT	(89)	–	(89)	–	(89)
<b>Total</b>	<b>(2,081)</b>	<b>221</b>	<b>(1,860)</b>	<b>88</b>	<b>(1,772)</b>

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 £24,000 (31 December 2017 – £118,000), a charge of £61,000 (31 December 2017 – £73,000 credit) has been recognised in the Consolidated income statement and a credit of £37,000 (31 December 2017 – £191,000 charge) in other comprehensive income.

## Notes to the financial statements continued

### 17. 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 2016.

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

	31 December 2018 £'000	31 December 2017 £'000
Defined benefit obligation at the beginning of the year	10,428	10,806
Interest cost	269	261
Actuarial loss due to scheme experience	48	1,420
Actuarial gain due to changes in demographic assumptions	(53)	(1,038)
Actuarial gain due to changes in financial assumptions	(321)	(324)
Benefits paid	(980)	(697)
<b>Defined benefit obligation at the end of the year</b>	<b>9,391</b>	<b>10,428</b>

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

	31 December 2018 £'000	31 December 2017 £'000
Discount rate	3.00%	2.70%
Increase in pensionable salaries*	-%	-%
Increase in pensions in payment	Up to 5.00%	Up to 5.00%
Increase in deferred pensions	3.00 to 5.00%	3.00 to 5.00%
Inflation assumption	3.30%	3.20%
Mortality assumption table	S2 PxA (YOB)	S2 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 2018	19.5
Female retiring in 2018	21.4
Male retiring in 2038	20.2
Female retiring in 2038	22.3

## 17. Pension scheme arrangements continued

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

	31 December 2018 £'000	31 December 2017 £'000
Fair value of scheme assets at the beginning of the year	7,404	7,233
Interest income	173	168
Return on plan assets	(284)	536
Contributions	322	164
Benefits paid	(980)	(697)
<b>Fair value of scheme assets at the end of the year</b>	<b>6,635</b>	<b>7,404</b>

The actual return on scheme assets over the year ended 31 December 2018 was £(111,000) (31 December 2017 - £704,000).

The value of assets in the scheme were:

	31 December 2018 £'000	31 December 2017 £'000
Equities	1,470	2,816
Property	1,136	803
Alternatives	358	1,139
Gilts	760	654
Corporate Bonds	2,388	1,802
Cash and other	523	190
<b>Total fair value of assets</b>	<b>6,635</b>	<b>7,404</b>

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 0.5% per annum	Increase by 5.8%
Inflation	Increase of 0.5% per annum	Increase by 0.2%
Rate of mortality	Increase in life expectancy by 1 year	Increase by 5.1%

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 2018 is 13 years.

## Notes to the financial statements continued

### 17. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Deficit at the beginning of the year	(3,024)	(3,573)
<b>Movement in year:</b>		
Contributions	322	164
Finance cost	(96)	(93)
Actuarial gain	42	478
Deficit at the end of the year	(2,756)	(3,024)
Related deferred tax asset	466	512
<b>Net deficit at the end of the year</b>	<b>(2,290)</b>	<b>(2,512)</b>

The expected contributions in the year ending 31 December 2018 are £336,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to December 2029.

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

	31 December 2018 £'000	31 December 2017 £'000
Net interest cost	96	93
Defined benefit costs recognised in profit or loss	96	93

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

	31 December 2018 £'000	31 December 2017 £'000
Return on plan assets (excluding amounts included in net interest cost)	(284)	536
Experience loss arising on the defined benefit obligation	(48)	(1,420)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	53	1,038
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	321	324
<b>Total actuarial gains and losses and total amount recognised in other comprehensive income – gain</b>	<b>42</b>	<b>478</b>



## 17. Pension scheme arrangements continued

### The Casket Group Retirement and Death Benefit Scheme

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

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

	31 December 2018 £'000	31 December 2017 £'000
Defined benefit obligation at the beginning of the year	2,947	3,448
Interest cost	78	84
Actuarial loss/(gain) due to scheme experience	103	(265)
Actuarial gain due to changes in demographic assumptions	(17)	(88)
Actuarial gain due to changes in financial assumptions	(67)	(102)
Benefits paid	(154)	(130)
<b>Defined benefit obligation at the end of the year</b>	<b>2,890</b>	<b>2,947</b>

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

	31 December 2018	31 December 2017
Discount rate	3.00%	2.70%
Increase in pensionable salaries*	3.00%	3.00%
Increase in pensions in payment	–%	–%
Increase in deferred pensions	3.30%	3.20%
Inflation assumption	3.30%	3.20%
Mortality assumption table	S2 PxA (YOB)	S2 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 2018	19.5
Female retiring in 2018	21.4
Male retiring in 2038	20.2
Female retiring in 2038	22.3

## Notes to the financial statements continued

### 17. Pension scheme arrangements continued

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

	31 December 2018 £'000	31 December 2017 £'000
Fair value of scheme assets at the beginning of the year	3,043	2,806
Interest income	74	70
Return on plan assets	(245)	196
Contributions	101	101
Benefits paid	(154)	(130)
<b>Fair value of scheme assets at the end of the year</b>	<b>2,819</b>	<b>3,043</b>

The actual return on scheme assets over the year ended 31 December 2018 was £(171,000) (31 December 2017 - £266,000).

The value of assets in the scheme were:

	31 December 2018 £'000	31 December 2017 £'000
Equities	1,458	1,770
Property	450	33
Gilts	290	189
Corporate Bonds	358	350
Cash and other	263	701
<b>Total fair value of assets</b>	<b>2,819</b>	<b>3,043</b>

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 0.5% per annum	Increase by 5.0%
Rate of inflation	Increase of 0.5% per annum	Increase by 3.0%
Rate of mortality	Increase in life expectancy by 1 year	Increase by 4.0%

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 2018 is 13 years.

## 17. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Deficit at the beginning of the year	96	(642)
<b>Movement in year:</b>		
Contributions	101	101
Finance cost	(4)	(14)
Actuarial (loss)/gain	(264)	651
Deficit at the end of the year	(71)	96
Related deferred tax asset	13	(15)
<b>Net deficit at the end of the year</b>	<b>(58)</b>	<b>81</b>

The expected contributions in the year ending 31 December 2018 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 April 2028.

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

	31 December 2018 £'000	31 December 2017 £'000
Net interest cost	4	14
<b>Defined benefit costs recognised in profit or loss</b>	<b>4</b>	<b>14</b>

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

	31 December 2018 £'000	31 December 2017 £'000
Return on plan assets (excluding amounts included in net interest cost)	(245)	196
Experience (loss)/gain arising on the defined benefit obligation	(103)	265
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	17	88
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	67	102
<b>Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain</b>	<b>(264)</b>	<b>651</b>

## Notes to the financial statements continued

### 17. Pension scheme arrangements continued

#### Group pension scheme deficit

	31 December 2018 £'000	31 December 2017 £'000
<i>Deficit</i>		
The Tandem Group Pension Plan	(2,756)	(3,024)
The Casket Group Retirement and Death Benefit Scheme	(71)	96
	<b>(2,827)</b>	<b>(2,928)</b>
<i>Related deferred tax asset</i>		
The Tandem Group Pension Plan	466	512
The Casket Group Retirement and Death Benefit Scheme	13	(15)
<b>Net deficit at the end of the year</b>	<b>(2,348)</b>	<b>(2,431)</b>

The amounts recognised in the Consolidated statement of comprehensive income in the year ended 31 December 2018 are a gain of £42,000 in respect of the Tandem Group Pension Plan and a loss of £264,000 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 £3,233,000 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.

### 18. Equity

	Number of Shares	£'000
<b>Allotted, called up and fully paid</b>		
At 1 January 2017 – ordinary shares 25p each	4,926,351	1,231
Exercise of share options	99,740	25
At 1 January 2018 – ordinary shares 25p each	5,026,091	1,256
<b>At 31 December 2018 – ordinary shares 25p each</b>	<b>5,026,091</b>	<b>1,256</b>

### 19. Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £282,000 (year ended 31 December 2017 - £390,000) and for other operating leases was £69,000 (year ended 31 December 2017 - £114,000).

	At 31 December 2018		At 31 December 2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Total future minimum payments under operating leases:</b>				
Within one year	261	74	355	106
Within two to five years	396	86	512	132
	<b>657</b>	<b>160</b>	<b>867</b>	<b>238</b>

## 20. Related parties

Transactions with Directors are disclosed in note 5. During the period dividends were paid to the Directors as follows:

	31 December 2018 £'000	31 December 2017 £'000
M P J Keene	10	9
S J Grant	10	10
J C Shears	7	6
P Ratcliffe	4	3
J S T Morris	1	1
	<b>32</b>	<b>29</b>

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

## 22. 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 details the working capital and net debt measures used by the Group.

## Five year history

	31 December 2018 £'000	31 December 2017 £'000	31 December 2016 £'000	31 December 2015 £'000	31 December 2014 £'000
<b>Revenue</b>	<b>32,511</b>	36,837	38,414	34,385	31,320
Cost of sales	(22,262)	(25,950)	(28,434)	(24,265)	(21,755)
<b>Gross profit</b>	<b>10,249</b>	10,887	9,980	10,120	9,565
Operating expenses	(8,002)	(8,486)	(8,744)	(8,840)	(8,107)
<b>Operating profit before exceptional (costs)/income</b>	<b>2,247</b>	2,401	1,236	1,280	1,458
Exceptional (costs)/income	(218)	–	143	7	(73)
<b>Operating profit after exceptional (costs)/income</b>	<b>2,029</b>	2,401	1,379	1,287	1,385
Finance (costs)/income	(157)	(511)	(465)	(242)	331
<b>Profit before taxation</b>	<b>1,872</b>	1,890	914	1,045	1,716
Tax expense	(250)	(146)	(137)	(44)	(90)
<b>Net profit for the year</b>	<b>1,622</b>	1,744	777	1,001	1,626

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

## Company balance sheet

	Note	31 December 2018 £'000	31 December 2017 £'000
<b>Non current assets</b>			
Goodwill	4	213	213
Investments	5	8,590	8,590
Property, plant and equipment	6	3,305	3,350
Deferred taxation	10	448	512
		<b>12,556</b>	<b>12,665</b>
<b>Current assets</b>			
Trade and other receivables	7	6,063	5,469
Derivative financial asset held at fair value	7	54	–
		<b>6,117</b>	<b>5,469</b>
<b>Total assets</b>		<b>18,673</b>	<b>18,134</b>
<b>Current liabilities</b>			
Trade and other payables	8	(6,678)	(4,994)
Other liabilities	9	(436)	(434)
Derivative financial liability held at fair value	7	–	(55)
		<b>(7,114)</b>	<b>(5,483)</b>
<b>Non current liabilities</b>			
Other liabilities	9	(1,198)	(1,635)
Pension scheme deficit	13	(2,756)	(3,024)
		<b>(3,954)</b>	<b>(4,659)</b>
<b>Total liabilities</b>		<b>(11,068)</b>	<b>(10,142)</b>
<b>Net assets</b>		<b>7,605</b>	<b>7,992</b>
<b>Equity</b>			
Share capital	11	1,503	1,503
Shares held in treasury	11	(247)	(247)
Share premium		286	286
Other reserves		2,993	2,993
Profit and loss account		3,070	3,457
<b>Total equity</b>		<b>7,605</b>	<b>7,992</b>

The loss of the company for the year was £222,000 (31 December 2017 – £1,100,000 profit).

The financial statements were approved by the Board on 10 April 2019 and signed on its behalf by:

**Mervyn Keene**  
Director

**Jim Shears**  
Director

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

## Company statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2017	1,503	(272)	232	1,036	1,427	–	2,143	6,069
Net profit for the year	–	–	–	–	–	–	1,100	1,100
Revaluation of investment property	–	–	–	–	–	530	–	530
Net actuarial gain on pension scheme	–	–	–	–	–	–	397	397
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	530	1,497	2,027
Share based payments	–	–	–	–	–	–	13	13
Exercise of share options	–	25	54	–	–	–	–	79
Dividends paid	–	–	–	–	–	–	(196)	(196)
Total transactions with owners	–	25	54	–	–	–	(183)	(104)
Balance at 1 January 2018	1,503	(247)	286	1,036	1,427	530	3,457	7,992
Net loss for the year	–	–	–	–	–	–	(222)	(222)
Net actuarial gain on pension scheme	–	–	–	–	–	–	34	34
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	–	(188)	(188)
Share based payments	–	–	–	–	–	–	11	11
Dividends paid	–	–	–	–	–	–	(210)	(210)
Total transactions with owners	–	–	–	–	–	–	(199)	(199)
<b>At 31 December 2018</b>	<b>1,503</b>	<b>(247)</b>	<b>286</b>	<b>1,036</b>	<b>1,427</b>	<b>530</b>	<b>3,070</b>	<b>7,605</b>

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 revaluation reserve was created following the revaluation of investment property during the year.

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



# Notes to the Company financial statements

## 1. Accounting policies

### Statement of compliance

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

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

### Parent company

The Company is a parent company which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Tandem Group plc for the year ended 31 December 2018. These accounts are available from Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham B35 7AG. No individual profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

### Disclosure exemptions adopted

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

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

### Investments

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

### Goodwill

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

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

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

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

## Notes to the Company financial statements continued

### 1. Accounting policies continued

#### 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 held at amortised cost.

#### Tangible fixed assets

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

Plant and equipment    3 – 20 years

#### Impairment of assets

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

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

An impairment loss is recognised for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

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

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

#### Investment property

Investment property comprises property held by the Company for the purpose of earning rental income and/or capital appreciation.

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

#### Foreign exchange

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

The Company's functional and presentational currency is pounds sterling (£).

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

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

## 1. Accounting policies continued

### Financial assets

The Company's financial assets include cash and cash equivalents, trade and other receivables and forward exchange contracts.

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

### Financial Liabilities

The Company's financial liabilities include trade and other payables and invoice finance.

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

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

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

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

### Foreign exchange forward and option contracts

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

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

### Deferred taxation

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

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

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

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

### Pension costs

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

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

For further pension information see note 13.

### Equity

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

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

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

The revaluation reserve was created following the revaluation of property, plant and equipment during the year.

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

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

## Notes to the Company financial statements continued

### 1. Accounting policies continued

#### Share based employee remuneration

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

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

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

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

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

#### Significant accounting estimates and judgements

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

#### Key areas of estimation uncertainty

##### Impairment of goodwill

The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The basis of review of the carrying value of goodwill is as detailed in note 8 to the consolidated financial statements.

#### Financial instruments valuation

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

#### Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Company, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the discount rate, life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 17 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

#### Key judgements

##### Deferred tax assets

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

##### Pension deficit

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

## 2. Profit for the financial year

Auditor's remuneration incurred by the Company during the period for audit services totalled £3,000 (year ended 31 December 2017 - £3,000), and for tax compliance services totalled £1,000 (year ended 31 December 2017 - £1,000).

## 3. Directors' and employees' remuneration

Expenses recognised for employee benefits is analysed as follows:

	At 31 December 2018 £'000	At 31 December 2017 £'000
Salaries	772	861
Benefits in kind	26	23
Social Security costs	96	108
Share based employee remuneration	9	13
Pension scheme contributions - defined contribution schemes	57	57
	960	1,062

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

During the year and in the previous year the Company contributed to a defined contribution pension scheme for S J Grant, J C Shears and P Ratcliffe. An analysis of Directors' remuneration is shown in note 5 to the consolidated financial statements.

## Notes to the Company financial statements continued

### 3. Directors' and employees remuneration continued

#### Share based employee remuneration

The following options were held at 31 December 2018 under the Company's share option schemes:

Number of shares	At 1 January 2018	Granted during year	Exercised/ lapsed during year	At 31 December 2018	Option price per 25p ordinary share	Exercise period
<i>2007 Employee Share Option Scheme</i>						
<b>Directors</b>						
S J Grant	27,475	–	–	<b>27,475</b>	107.0p	31/01/14-14/06/21
	22,525	–	–	<b>22,525</b>	79.0p	31/12/15-29/10/23
	75,000	–	–	<b>75,000</b>	127.5p	31/12/15-29/10/24
J C Shears	22,500	–	–	<b>22,500</b>	107.0p	31/01/14-14/06/21
	53,222	–	–	<b>53,222</b>	127.5p	31/12/15-29/10/24
P Ratcliffe	14,000	–	–	<b>14,000</b>	107.0p	31/01/14-14/06/21
	17,103	–	–	<b>17,103</b>	79.0p	31/12/15-29/10/23
	58,897	–	–	<b>58,897</b>	127.5p	31/12/15-29/10/24
<b>Other employees</b>	23,400	–	–	<b>23,400</b>	107.0p	31/01/14-14/06/21
	43,400	–	–	<b>43,400</b>	127.5p	31/12/15-29/10/24
	<b>357,522</b>	–	–	<b>357,522</b>		

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

	At 31 December 2018			At 31 December 2017		
	Number	Exercise price (pence)	Remaining contractual life (years)	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2014 (up to 2021)	<b>87,375</b>	<b>107.0</b>	<b>2.5</b>	87,375	107.0	3.5
2015 (up to 2023)	<b>39,628</b>	<b>79.0</b>	<b>4.8</b>	39,628	79.0	5.8
2016 (up to 2024)	<b>230,519</b>	<b>127.5</b>	<b>5.8</b>	230,519	127.5	6.8
	<b>357,522</b>			357,522		

The ordinary share mid-market price on 31 December 2018 was 110.0p (31 December 2017 – 100.0p). During the period, the highest mid-market price was 165.0p (31 December 2017 – 155.0p) and the lowest was 90.0p (31 December 2017 – 95.0p). The weighted average exercise price of the options in issue was 117.1p (31 December 2017 – 117.7p).

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 79.0p (31 December 2017 – 79.0p) to 127.5p (31 December 2017 – 127.5p);
- 37.3% (31 December 2017 - 37.3%) to 45.0% (31 December 2017 – 45.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2017 – 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, £11,000 (31 December 2017 – £13,000) of share-based employee remuneration has been included in the Consolidated income statement.

#### 4. Goodwill

	Goodwill £'000
<b>Gross carrying amount</b>	
At 1 January 2018 and 31 December 2018	2,506
<b>Amortisation</b>	
At 1 January 2018 and 31 December 2018	2,293
<b>Net book value</b>	
At 31 December 2018	213
At 31 December 2017	213

#### 5. Investments

	Unlisted investments in subsidiary undertakings £'000
<b>Gross carrying amount</b>	
At 1 January 2018 and 31 December 2018	17,824
<b>Impairment</b>	
At 1 January 2018 and 31 December 2018	9,234
<b>Net book value</b>	
At 31 December 2018	8,590
At 31 December 2017	8,590

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 Registered Office address is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The other companies were incorporated in and operate in the United Kingdom. The Registered Office address of the other companies is the same as Tandem Group plc.

Tandem Group Cycles Limited\*  
 MV Sports & Leisure Limited\*  
 M.V. Sports (Hong Kong) Limited#  
 Expressco Direct Limited\*

*Design, development, distribution and retail of:*

Bicycles and accessories  
 Sports, leisure and toy products  
 Sports, leisure and toy products  
 Garden, home, leisure and mobility products

\* denotes 100% of issued ordinary shares

# denotes 100% indirect ownership of issued ordinary shares

## Notes to the Company financial statements continued

### 6. Property, plant and equipment

	Investment property £'000	Plant and equipment £'000	Total £'000
<b>Gross carrying amount</b>			
<b>At 1 January 2018 and 31 December 2018</b>	<b>3,150</b>	<b>257</b>	<b>3,407</b>
<b>Depreciation</b>			
At 1 January 2018	–	57	57
Provided in the year	32	13	45
<b>At 31 December 2018</b>	<b>32</b>	<b>70</b>	<b>102</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>3,118</b>	<b>187</b>	<b>3,305</b>
At 31 December 2017	3,150	200	3,350

A valuation of the property was carried out in January 2018 in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors. The value placed on the property at that date was £3,150,000. The Directors of the Company consider this to materially represent the fair value at 31 December 2018.

The net book value of assets held under hire purchase agreements was £187,000 (31 December 2017 - £199,000).

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

### 7. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
<b>Amounts falling due within one year:</b>		
Prepayments and accrued income	13	9
Other receivables	6,050	5,460
	<b>6,063</b>	<b>5,469</b>

#### Fair value measurement of financial instruments

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

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

Forward exchange contracts which have a value of £54,000 at 31 December 2018 (year ended 31 December 2017 – £55,000) are financial instruments held at fair value and are disclosed as an asset (year ended 31 December 2017 – liability) at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2018. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2018 or 2017.



## 8. Trade and other payables

	31 December 2018 £'000	31 December 2017 £'000
<b>Amounts falling due within one year:</b>		
Bank overdraft	(2,799)	(2,117)
Trade payables	(135)	(154)
Other payables	(3,744)	(2,723)
	<b>(6,678)</b>	<b>(4,994)</b>

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

## 9. Other liabilities

	31 December 2018 £'000	31 December 2017 £'000
<i>Current borrowings with contractual maturities in less than one year</i>		
– other borrowings	(407)	(407)
– assets held under hire purchase agreements	(29)	(27)
<b>Total current borrowings</b>	<b>(436)</b>	<b>(434)</b>
<i>Non current borrowing with contractual maturities one to two years</i>		
– other borrowings	(407)	(407)
– assets held under hire purchase agreements	(30)	(29)
<i>Non current borrowings with contractual maturities between two to five years</i>		
– other borrowings	(694)	(1,102)
– assets held under hire purchase agreements	(67)	(97)
<b>Total non current borrowings</b>	<b>(1,198)</b>	<b>(1,635)</b>
<b>Total borrowings</b>	<b>(1,634)</b>	<b>(2,069)</b>

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.

## Notes to the Company financial statements continued

### 10. Deferred taxation

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

	At 31 December 2016 £'000	Movement in the year £'000	At 31 December 2017 £'000	Movement in the year £'000	At 31 December 2018 £'000
<b>Provided</b>					
Pension obligations	605	(93)	512	(46)	466
Property, plant and equipment	–	–	–	(8)	(8)
Short term temporary differences	–	–	–	(10)	(10)
Share based payments	88	(88)	–	–	–
<b>Total</b>	<b>693</b>	<b>(181)</b>	<b>512</b>	<b>(64)</b>	<b>448</b>
Presented as:					
Deferred tax asset	693	(181)	512	(64)	448
<b>Unprovided</b>					
Property, plant and equipment	–	(5)	(5)	5	–
Unused tax losses	39	92	131	(46)	85
Capital losses	470	–	470	–	470
ACT	51	–	51	–	51
<b>Total</b>	<b>560</b>	<b>87</b>	<b>647</b>	<b>(41)</b>	<b>606</b>

### 11. Equity

	Number of Shares	£'000
<b>Allotted, called up and fully paid</b>		
At 1 January 2017 – ordinary shares 25p each	4,926,351	1,231
Exercise of share options	99,740	25
At 1 January 2018 – ordinary shares 25p each	5,026,091	1,256
<b>At 31 December 2018 – ordinary shares 25p each</b>	<b>5,026,091</b>	<b>1,256</b>

### 12. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to HSBC Bank Plc. The maximum potential liability to the Company at the year end in respect of bank overdrafts was £nil (31 December 2017 - £67,000).

### 13. Pension scheme 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 2018 £'000	31 December 2017 £'000
Defined benefit obligation at the beginning of the year	10,428	10,806
Interest cost	269	261
Actuarial loss due to scheme experience	48	1,420
Actuarial gain due to changes in demographic assumptions	(53)	(1,038)
Actuarial gain due to changes in financial assumptions	(321)	(324)
Benefits paid	(980)	(697)
<b>Defined benefit obligation at the end of the year</b>	<b>9,391</b>	<b>10,428</b>

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

	31 December 2018	31 December 2017
Discount rate	3.00%	2.70%
Increase in pensionable salaries*	-%	-%
Increase in pensions in payment	Up to 5.00%	Up to 5.00%
Increase in deferred pensions	3.00 to 5.00%	3.00 to 5.00%
Inflation assumption	3.30%	3.20%
Mortality assumption table	S2 PxA (YOB)	S2 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 2018	19.5
Female retiring in 2018	21.4
Male retiring in 2038	20.2
Female retiring in 2038	22.3

## Notes to the Company financial statements continued

### 13. Pension scheme arrangements continued

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

	31 December 2018 £'000	31 December 2017 £'000
Fair value of scheme assets at the beginning of the year	7,404	7,233
Interest income	173	168
Return on plan assets	(284)	536
Contributions	322	164
Benefits paid	(980)	(697)
<b>Fair value of scheme assets at the end of the year</b>	<b>6,635</b>	<b>7,404</b>

The actual return on scheme assets over the year ended 31 December 2018 was £(111,000) (31 December 2017 - £704,000).

The value of assets in the scheme were:

	31 December 2018 £'000	31 December 2017 £'000
Equities	1,470	2,816
Property	1,136	803
Alternatives	358	1,139
Gilts	760	654
Corporate Bonds	2,388	1,802
Cash and other	523	190
<b>Total fair value of assets</b>	<b>6,635</b>	<b>7,404</b>

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 0.5% per annum	Increase by 5.8%
Inflation	Increase of 0.5% per annum	Increase by 0.2%
Rate of mortality	Increase in life expectancy by 1 year	Increase by 5.1%

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 2018 is 13 years.

### 13. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Deficit at the beginning of the year	(3,024)	(3,573)
Movement in year:		
Contributions	322	164
Finance cost	(96)	(93)
Actuarial gain	42	478
Deficit at the end of the year	(2,756)	(3,024)
Related deferred tax asset	466	512
<b>Net deficit at the end of the year</b>	<b>(2,290)</b>	<b>(2,512)</b>

The expected contributions in the year ending 31 December 2019 are £336,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to March 2029.

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

	31 December 2018 £'000	31 December 2017 £'000
Net interest cost	96	93
Defined benefit costs recognised in profit or loss	96	93

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

	31 December 2018 £'000	31 December 2017 £'000
Return on plan assets (excluding amounts included in net interest cost)	(284)	536
Experience loss arising on the defined benefit obligation	(48)	(1,420)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	53	1,038
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	321	324
<b>Total actuarial gains and losses and total amount recognised in other comprehensive income – gain</b>	<b>42</b>	<b>478</b>

### 14. Related party transactions

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

## Notes to the Company financial statements continued

### 15. Financial commitments

The total charge for the year for operating lease rentals in respect of operating leases was £19,000 (31 December 2017 - £18,000).

	31 December 2018 Other £'000	31 December 2017 Other £'000
<b>Total future minimum payments under operating leases:</b>		
Within one year	19	18
Within two to five years	78	37
	<b>97</b>	<b>55</b>

### 16. Ultimate controlling party

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

## Shareholder Information

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

### Signal Shares

Signal Shares is a secure online site where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- Arrange to have dividends paid into your bank account
- Request to receive shareholder communications by email rather than post
- View your dividend payment history
- Make dividend payment choices
- Buy and sell shares and access a wealth of stock market news and information
- Register your proxy voting instruction
- Download a stock transfer form

To register for Signal Shares just visit [www.signalshares.com](http://www.signalshares.com). All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

### Customer Support Centre

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

**By phone** – UK – **0871 664 030**, overseas – **+44 (0) 371 664 0300**. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. The Customer Support Centre is open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

**By email** – [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

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

### Sign up to electronic communications

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

Registering for electronic communications is very straightforward. Just visit [www.signalshares.com](http://www.signalshares.com). All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

### Dividend payment options

#### Re-invest your dividends

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

For more information and an application pack please call 0371 664 0381 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales).

Alternatively you can email [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk) or log on to [www.signalshares.com](http://www.signalshares.com).

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

#### Arrange to have your dividends paid direct into your bank account

This means that:

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

If you have a UK bank account you can sign up for this service on Signal shares (by clicking on 'your dividend options' and following the on screen instructions) or by contacting the Customer Support Centre.

#### Choose to receive your next dividend in your local currency

If you live outside the UK, Link has partnered with Deutsche Bank to provide you with a service that will convert your sterling dividends into your local currency at a competitive rate.

You can choose to receive payment directly into your local bank account, or alternatively, you can be sent a currency draft.

You can sign up for this service on Signal shares (by clicking on 'your dividend options' and following the on screen instructions) or by contacting the Customer Support Centre.

## Shareholder Information

### Dividend payment options continued

For further information contact Link Asset Services:

**By phone – 0371 664 0385**

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

**By e-mail - [ips@linkgroup.co.uk](mailto:ips@linkgroup.co.uk)**

**Online - <http://ips.linkassetsservices.com/>**

### Buy and sell shares

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

For further information on this service, or to buy and sell shares visit [www.linksharedeal.com](http://www.linksharedeal.com) or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08:00 – 16:30, Monday to Friday excluding public holidays in England and Wales).

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

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

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

### Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity 10528686).

Find out more at [www.sharegift.org.uk](http://www.sharegift.org.uk) or by telephoning **020 7930 3737**.

### Share fraud warning

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

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

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

### Protect yourself

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

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

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

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

### Report a Scam

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

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







**Tandem Group plc**

35 Tameside Drive

Castle Bromwich

Birmingham

B35 7AG

Telephone: +44 (0)121 748 8075

Email: [info@tandemgroup.co.uk](mailto:info@tandemgroup.co.uk)

[www.tandemgroup.co.uk](http://www.tandemgroup.co.uk)