Tandem Group plc

Annual report and accounts
Year ended 31 December 2016

Tandem Group plc

Welcome to Tandem Group plc

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

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Directors and advisers

Directors

M P J Keene
Non-Executive Chairman

S J Grant
Chief Executive Officer

J C Shears
Group Finance Director

P Ratcliffe
Group Commercial Director

J S T Morris
Non-Executive Director

A Q Bestwick
Non-Executive Director

Company Secretary
J C Shears

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

Registration
Registered in England No. 00616818

Website
www.tandemgroup.co.uk

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

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

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

Registrars
Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Telephone 0371 664 0300

Governance

Financials

Brands

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

Fishing
Carpzone

Football training
Kickmaster

Golf
Ben Sayers
Bioflow*
Pro Rider

Garden and camping
Airwave
Windbar

Homewares and household appliances
Jack Stonehouse

Mobility
Pro Rider

Outdoor play
Hedstrom
Airwave

Snooker, pool and table sports
Pot Black

Wheeled toys
Batman*
Ben 10*
Bored
Disney Pixar Cars*
Disney Pixar Finding Dory*
Disney Princess*
Electrick
E-moto
Fireman Sam*
Grow & Go
Marvels Avengers*
My Little Pony*
Paw Patrol*
Peppa Pig*
PJ Masks*
Power Rangers*
Powerpuff Girls*
Shopkins*
Star Wars *
Stunted
Teletubbies*
Thomas & Friends*
Transformers*
Trolls*
Twista
Wired

*under licence/distribution

Chairman´s statement

Introduction
I am pleased to present the results for the year ended 31 December 2016.

Results
Revenue increased to £38,414,000 for the year ended 31 December 2016 from £34,385,000 in the year ended 31 December 2015. This was an increase of 12%.

Operating profit after exceptional items and before finance costs and taxation was £1,379,000 for the year ended 31 December 2016 compared to £1,287,000 for the year ended 31 December 2015, an increase of 7%. Operating profit included a credit of £552,000 which was received from the vendors of the previously acquired Pro Rider and ESC businesses to compensate for the additional import duty costs on product imported prior to acquisition.

Non-underlying items, which do not represent the ongoing trading performance of the Group, were a charge of £106,000 (year ended 31 December 2015 - £85,000).

Cash and cash equivalents increased from £878,000 to £1,101,000 at 31 December 2016.

Net assets also increased during the year from £7,819,000 at 31 December 2015 to £8,214,000 at 31 December 2016.

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

Dividend
We are proposing to pay a final dividend of 2.60 pence per share (year ended 31 December 2015 – 2.50 pence per share) which, when combined with the interim dividend of 1.30 pence per share (year ended 31 December 2015 – 1.25 pence per share), gives a total dividend of 3.90 pence for the year (year ended 31 December 2015 – 3.75 pence per share).

Subject to shareholder approval at the Annual General Meeting to be held on 22 June 2017, the final dividend will be paid on or around 3 July 2017 to shareholders on the share register as at 19 May 2017. The ex-dividend date will be 18 May 2017.

Pensions
The Group operates two defined benefit pension schemes with both schemes closed to new members. There are no active members in either scheme. There was an increase in the deficit in both schemes from £3,608,000 at 31 December 2015 to £4,215,000 at 31 December 2016. This reflected the low yields in Government gilts which adversely impacted the discount rate used to calculate scheme liabilities.

During the year to 31 December 2016 total payments in respect of these schemes were £368,000 (year ended 31 December 2015 – £403,000) comprising deficit contributions of £260,000 (year ended 31 December 2015 - £256,000) and government levies and administration costs of £108,000 (year ended 31 December 2015 – £147,000).

Employees
The Board welcomes new employees who have joined our Northampton business during the year and thanks all employees for their hard work and dedication during the year.

Strategy
Our strategic objective continues to be to develop and enhance our product ranges and seek to maintain our position as a leading distributor to the UK sports, leisure, bicycle and toy markets and online retailer in the leisure and mobility markets.

Import duty
During the year the vendors of both Pro Rider and ESC businesses settled all liabilities prior to the acquisition date of both businesses and in the case of Pro Rider to February 2016. In total, £552,000 was received by the Group.

Outlook
In our sports, leisure and toys division, we have agreed several new licences, most notably Cars 3, PJ Masks and Transformers. All three licences have the potential to do well during the year.

The London Toy Fair exhibition was a great success and enabled us to showcase the largest range of product that we have had for many years. The feedback on certain categories was extremely positive and we expect to reap the rewards of this throughout 2017.

We have once again secured the majority of the 2017 gazebo business with a significant national retailer and continue to identify new national customers and online marketplaces to sell our ranges.

The newly launched direct to consumer retail websites continue to show growth in traffic with more visitors and page views and we expect this to continue as we increase our digital marketing campaigns.

In our bicycles division we have launched a new range of lightweight children's cycles under the 'Squish' brand. This was exceptionally well received at our January trade show and we are encouraged by the potential of these products.

In addition, we have launched an entry level range of value cycles under our 'British Eagle' brand. This is targeted at the new cyclist and provides opportunities for our dealer base to offer the consumer a quality bicycle at an affordable price.

Following the expansion of the mobility range we believe we have a very credible range of mobility products to satisfy a wide range of budgets and we expect sales to increase in 2017.

M P J Keene
Chairman

12 April 2017

Strategic report

Operating and Financial Review

Revenue and operating profit

Group revenue for the year ended 31 December 2016 was £38,414,000, an increase of 12% compared to £34,385,000 in the prior year.

As we reported in our trading update on 7 March, margin reduced during the second half of the year as a result of sterling weakness and increased import duty on some of our products. To compensate for this we implemented a price increase in the latter part of the year, negotiated better buying prices with suppliers and where this could not be achieved, re-sourced to new factories. As a result of these actions we expect to see an improvement in margin in 2017.

Operating expenses before non-underlying items were £8,744,000 in the year ended 31 December 2016 compared to £8,700,000 for the year ended 31 December 2015, reflecting the increase in turnover. Operating expenses are stated net of the £552,000 credit in respect of the import duty receipts previously discussed.

Due to margin pressure and additional import duty costs, operating profit before non-underlying items reduced to £1,236,000 for the year ended 31 December 2016 compared to £1,420,000 in the prior year.

Non-underlying items

Non-underlying items are material items which have arisen from unusual non-recurring or non-trading events. For the year ended 31 December 2016 non-underlying items were £106,000 (year ended 31 December 2015 – £85,000) and comprised:

- acquisition and moving expenses of £nil (year ended 31 December 2015 – £140,000).

Exceptional income £143,000 (year ended 31 December 2015 – £7,000):

- exceptional restructuring costs of £191,000 (year ended 31 December 2015 - £47,000);
- the release of deferred consideration £334,000 in respect of the Pro Rider and ESC acquisitions (year ended 31 December 2015 – £54,000).

Finance costs £258,000 (year ended 31 December 2015 –£36,000):

- a fair value charge adjustment for foreign currency derivative contracts under IAS39 of £129,000 (year ended 31 December 2015 – £104,000 credit);
- pension finance costs under IAS19 of £129,000 (year ended 31 December 2015 - £140,000).

Tax credit £9,000 (year ended 31 December 2015 – £84,000):

- a deferred tax credit of £9,000 (year ended 31 December 2015 - £84,000) in respect of IAS39, IAS19 and share options.

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Finance costs

Total net finance costs for the year ended 31 December 2016 were £465,000 compared to £242,000 for the year ended 31 December 2015.

Interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities was £207,000 compared to £206,000 in the prior year. Finance costs in respect of the pension schemes provided in accordance with IAS19 were £129,000 compared to £140,000 for year ended 31 December 2015. There was a fair value charge of £129,000 in respect of derivative foreign exchange contracts against a credit of £104,000 in the prior year. This was calculated in accordance with IAS39. The net cost of pension schemes' finance costs and derivatives of £258,000 (year ended 31 December 2015 - £36,000) is included in non-underlying items.

Taxation

The tax expense for the year ended 31 December 2016 was £137,000 which compared to £44,000 last year.

There was an increase in current tax from £73,000 in the prior year to £173,000 for the year ended 31 December 2016. This comprised corporation tax from the overseas Hong Kong operation.

Deferred tax income of £36,000 comprised tax in respect of movements in trading losses and pension schemes' liabilities and compared to £29,000 in the prior year.

Net profit

Net profit for the year ended 31 December 2016 after non-underlying items, finance costs and taxation was £777,000 compared to £1,001,000 for the year ended 31 December 2015.

Capital expenditure

Capital additions for the year totalled £103,000 (year ended 31 December 2015 - £171,000) which included the upgrade of the Castle Bromwich security systems and additional racking of the Northampton warehouse.

Cash flows, working capital and net debt

Net cash inflow from operating activities before movements in working capital for the year ended 31 December 2016 was £693,000 compared to £1,254,000 in the prior year.

Total cash generated from operations was £1,800,000 compared to £1,711,000 last year.

Net cash outflows from investing activities were £130,000 in the year ended 31 December 2016 against £2,512,000 in the previous year.

There was a net cash outflow from financing activities of £1,275,000 in the year ended 31 December 2016 which compared to a net cash inflow of £51,000 in the year ended 31 December 2015.

Net debt, comprising cash and cash equivalents, invoice financing liabilities and borrowings, was £4,197,000 at 31 December 2016 compared to £5,650,000 at 31 December 2015.

Strategic report continued

Dividends
Total dividends paid and proposed for the year ended 31 December 2016 increased to 3.90 pence per share compared to 3.75 pence per share for the year ended 31 December 2015, an increase of 4%. The dividend cover ratio was 4.1 (year ended 31 December 2015 – 5.7). It continues to be the Group's policy to progressively increase the dividend payment to shareholders where trading performance permits.

Earnings per share
Basic earnings per share was 16.0 pence per share for the year ended 31 December 2016 compared to 21.3 pence per share in the year ended 31 December 2015. Diluted earnings per share was 15.7 pence per share compared to 20.3 pence per share in the prior year.

Sports, leisure and toys
There was an increase in revenue for the year ended 31 December 2016 in the sports, leisure and toys businesses of approximately 43%. This included a full year's contribution from the ESC business.

A number of licences performed very strongly including Batman, Disney Princess, My Little Pony, Paw Patrol, Shopkins and Trolls. Our 'evergreen' licences such as Peppa Pig, Star Wars and Thomas & Friends also made substantial contributions.

Our own brands, particularly Kickmaster and Hedstrom, also performed well and were ahead of the previous year. We have been very pleased with the contribution from our portfolio of 'Airwave' gazebos and party tents and also by our 'Jack Stonehouse' radiator cover range. Revenue exceeded the prior year and we continued to expand our product offering.

We also experienced growth in our Ben Sayers golf business with both package sets and electric golf trolleys showing good growth.

Operating profit after corporate charges for the year ended 31 December 2016 for sports, leisure and toys was £1,538,000 compared to £788,000 in the prior year.

Bicycles and mobility
Revenue was approximately 26% behind the prior year. Both corporate and independent bicycle businesses encountered difficult trading conditions.

Unlike the prior year, there was no significant promotional contract in our corporate bicycles division and revenue reduced as a result. We continue to seek opportunities for future promotional business where it is possible to make an acceptable margin.

In our independent cycles businesses there was a continued downturn reflecting the overall trend in the UK leisure cycling market. Having been aware of and having reported challenging market conditions previously we made some significant changes during the second half of the year. The Claud Butler and Dawes sales teams were merged together with one team selling both brands. We have rationalised the product development department and improved efficiencies within our Scunthorpe premises where all Claud Butler and Dawes products are now warehoused together. As a result of these changes we expect to save approximately £1.0 million of overhead costs in the bicycles businesses in 2017.

Our Pro Rider mobility business continued to make a valuable contribution. During the period we extended our product offering and signed distribution agreements with three well known mobility brands to supplement our own range.

However, as a result of the decline in revenue and the challenging market environment there was a loss in the bicycles and mobility division after corporate charges of £239,000 (year ended 31 December 2015 - £564,000 profit).

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 2016	31 December 2015
Gross profit margin The ratio of gross profit to sales expressed as a percentage	**26.0%**	29.4%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	**£380,000**	£366,000
Net operating expenses % of sales 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	**22.8%**	25.7%
Interest cover The ratio of operating profit before exceptional items, to net interest payable on bank loans, overdrafts and invoice finance facilities	**6.4**	6.7
Shareholders' return The ratio of net profit to shareholders' funds at the start of the year expressed as a percentage	**9.9%**	15.3%
Basic earnings per share – pence The net profit divided by the weighted average number of ordinary shares in issue during the year	**16.0**	21.3

Principal risks and uncertainties

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

Suppliers

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

Fluctuations in currency exchange rates

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

Licences

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

Competition

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

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

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

Financial risks

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

The Strategic report was approved by the Board on 12 April 2017 and signed on its behalf by:

S J Grant	**J C Shears**
Chief Executive Officer	Group Finance Director

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 December 2016.

Principal activity

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

Results and dividend

The results for the year ended 31 December 2016 are set out in the Consolidated income statement on page 11. An interim dividend of 1.30 pence per ordinary share was paid on 14 November 2016 in respect of the six month period to 30 June 2016 (period ended 30 June 2015 – 1.25 pence). The Directors are proposing a final dividend of 2.60 pence per ordinary share (year ended 31 December 2015 – 2.50 pence) payable to shareholders on the register on 19 May 2017 and will be paid on or around 3 July 2017.

Significant shareholders

As at 12 April 2017 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 1,087,129 shares held in treasury.

	Ordinary Shares of 25p	%
Jupiter Asset Management	540,941	11.0%
S Bragg	429,187	8.7%
D Waldron	312,560	6.3%
S J Grant	250,000	5.1%
M P J Keene	221,560	4.5%
J C Shears	147,500	3.0%

Directors

The present Directors are as follows:

M P J Keene

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

S J Grant

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

J C Shears

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

P Ratcliffe

Phil joined MV in 1999 and has many years' experience in commercial and strategic roles within the consumer goods sector, incorporating well known companies such as Car Plan, Waddingtons Games and Mattel. His experience encompasses marketing, licensing, product development, Far East sourcing and account management. Phil is a Fellow of The Chartered Institute of Marketing and a former 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 was appointed to the Board in March 2010 and is an experienced Non-Executive Director.

A Q Bestwick

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

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

Held beneficially and fully paid

	12 April 2017 25p ordinary shares	31 December 2016 25p ordinary shares	1 January 2016 25p ordinary shares
M P J Keene	221,560	221,560	221,560
S J Grant	250,000	250,000	150,000
J C Shears	147,500	147,500	72,091
P Ratcliffe	91,732	91,732	71,435
J S T Morris	15,000	15,000	15,000

In accordance with the Articles of Association, M P J Keene and A Q Bestwick, whose service contracts may be terminated by either party giving six months' written notice, retire at the Annual General Meeting and offer themselves for re-election.

Directors´ and officers´ liability insurance

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

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

A review of the Group's trading operations, KPIs and principal risks and uncertainties is contained in the Strategic Report on page 5. 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 programs for staff and other stakeholders.

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

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

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

Corporate social responsibility

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

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

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

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

Employment policies

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

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

Statement of Directors´ responsibilities

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

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

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

Directors' report continued

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

The Directors confirm that:

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

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

Auditor

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

Annual General Meeting

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

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

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

By Order of the Board

J C Shears
Company Secretary
12 April 2017

Registered number: 00616818

Corporate governance statement

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

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

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

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

The Group encourages two-way communication with both its institutional and private investors and endeavors to respond quickly to all queries received verbally or in writing. The executive Directors attended meetings with shareholders in the year ended 31 December 2016.

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

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

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

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

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

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

The Group meets its day to day working capital requirements through certain overdraft and invoice financing facilities. The bank facilities were renewed in October 2016 and the Group expects to operate within the facilities currently agreed.

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

Report of the Independent Auditor

to the members of Tandem Group plc

We have audited the financial statements of Tandem Group plc for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company balance sheet, the consolidated and parent company statements of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

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

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

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
12 April 2017

Consolidated income statement

	Note	31 December 2016 Before non-underlying items £'000	31 December 2016 Non-underlying items £'000	31 December 2016 After non-underlying items £'000	31 December 2015 Before non-underlying items £'000	31 December 2015 Non-underlying items £'000	31 December 2015 After non-underlying items £'000
Revenue	3	38,414	–	38,414	34,385	–	34,385
Cost of sales		(28,434)	–	(28,434)	(24,265)	–	(24,265)
Gross profit		9,980	–	9,980	10,120	–	10,120
Operating expenses	4	(8,744)	–	(8,744)	(8,700)	(140)	(8,840)
Operating profit before exceptional income		1,236	–	1,236	1,420	(140)	1,280
Exceptional income		–	143	143	–	7	7
Operating profit after exceptional income		1,236	143	1,379	1,420	(133)	1,287
Finance costs	5	(207)	(258)	(465)	(206)	(36)	(242)
Profit before taxation		1,029	(115)	914	1,214	(169)	1,045
Tax (expense)/credit	7	(146)	9	(137)	(128)	84	(44)
Net profit for the year		883	(106)	777	1,086	(85)	1,001
Earnings per share	8			Pence			Pence
Basic				16.0			21.3
Diluted				15.7			20.3

Consolidated statement of comprehensive income

	31 December 2016 £'000	31 December 2015 £'000
Net profit for the year	777	1,001
Other comprehensive income:		
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations	322	51
Items that will not be reclassified subsequently to profit or loss:		
Deferred tax credit on share based payments	–	75
Actuarial (loss)/gain on pension schemes	(738)	423
Movement in pension schemes' deferred tax provision	57	(223)
Other comprehensive income for the year, net of tax	(359)	326
Total comprehensive income for the year attributable to equity shareholders	418	1,327

All figures relate to continuing operations.

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

Governance

Financials

Consolidated balance sheet

	Note	At 31 December 2016 £'000	At 31 December 2015 £'000
Non current assets			
Intangible fixed assets	9	**5,625**	5,612
Property, plant and equipment	10	**3,141**	3,267
Deferred taxation	17	**1,918**	1,825
		10,684	10,704
Current assets			
Inventories	11	**7,624**	6,227
Trade and other receivables	12	**3,910**	5,468
Derivative financial asset held at fair value	16	**117**	246
Cash and cash equivalents	13	**1,101**	878
		12,752	12,819
Total assets		**23,436**	23,523
Current liabilities			
Trade and other payables	14	**(5,571)**	(5,316)
Other liabilities	15	**(3,226)**	(4,034)
Current tax liabilities		**(133)**	(244)
		(8,930)	(9,594)
Non current liabilities			
Other payables	14	**(5)**	(8)
Other liabilities	15	**(2,072)**	(2,494)
Pension schemes' deficits	18	**(4,215)**	(3,608)
		(6,292)	(6,110)
Total liabilities		**(15,222)**	(15,704)
Net assets		**8,214**	7,819
Equity			
Share capital	19	**1,503**	1,503
Shares held in treasury	19	**(272)**	(316)
Share premium		**232**	127
Other reserves		**3,266**	2,944
Profit and loss account		**3,485**	3,561
Total equity		**8,214**	7,819

The financial statements were approved by the Board on 12 April 2017 and signed on its behalf by:

M P J Keene
Director

J C Shears
Director

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

Consolidated statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	1,503	(336)	84	1,036	1,427	430	2,442	6,586
Net profit for the year	–	–	–	–	–	–	1,001	1,001
Re-translation of overseas subsidiaries	–	–	–	–	–	51	–	51
Net actuarial gain on pension schemes	–	–	–	–	–	–	200	200
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	51	1,201	1,252
Share based payments	–	–	–	–	–	–	14	14
Deferred tax on share options	–	–	–	–	–	–	75	75
Exercise of share options	–	20	43	–	–	–	–	63
Dividends paid	–	–	–	–	–	–	(171)	(171)
Total transactions with owners	–	20	43	–	–	–	(82)	(19)
At 1 January 2016	1,503	(316)	127	1,036	1,427	481	3,561	7,819
Net profit for the year	–	–	–	–	–	–	777	777
Re-translation of overseas subsidiaries	–	–	–	–	–	322	–	322
Net actuarial loss on pension schemes	–	–	–	–	–	–	(681)	(681)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	322	96	418
Share based payments	–	–	–	–	–	–	13	13
Exercise of share options		44	105	–	–	–	–	149
Dividends paid	–	–	–	–	–	–	(185)	(185)
Total transactions with owners	–	44	105	–	–	–	(172)	(23)
At 31 December 2016	**1,503**	**(272)**	**232**	**1,036**	**1,427**	**803**	**3,485**	**8,214**

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

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

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

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

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

Consolidated cash flow statement

	31 December 2016 £'000	31 December 2015 £'000
Cash flows from operating activities		
Net profit for the year	**777**	1,001
Adjustments:		
Depreciation of property, plant and equipment	**186**	193
Amortisation of intangible fixed assets	**31**	16
Profit on sale of property, plant and equipment	**(5)**	–
Waiver of deferred consideration	**(651)**	–
Contribution to defined benefit pension plans	**(260)**	(256)
Finance costs	**465**	242
Tax expense	**137**	44
Share based payments	**13**	14
Net cash flow from operating activities before movements in working capital	**693**	1,254
Change in inventories	**(1,397)**	(137)
Change in trade and other receivables	**1,558**	1,814
Change in trade and other payables	**946**	(1,220)
Cash generated from operations	**1,800**	1,711
Interest paid	**(207)**	(108)
Tax paid	**(287)**	(120)
Net cash flows from operating activities	**1,306**	1,483
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired	**–**	(2,057)
Acquisition of subsidiaries deferred consideration paid	**(32)**	(290)
Purchases of intangible fixed assets	**(44)**	(39)
Purchases of property, plant and equipment	**(59)**	(132)
Sale of property, plant and equipment	**5**	6
Net cash flows from investing activities	**(130)**	(2,512)
Cash flows from financing activities		
New loans	**–**	1,500
Loan repayments	**(407)**	(182)
Finance lease repayments	**(24)**	(23)
Movement in invoice financing	**(808)**	(1,136)
Exercise of share options	**149**	63
Dividends paid	**(185)**	(171)
Net cash flows from financing activities	**(1,275)**	51
Net change in cash and cash equivalents	**(99)**	(978)
Cash and cash equivalents at beginning of year	**878**	1,805
Effect of foreign exchange rate changes	**322**	51
Cash and cash equivalents at end of year	**1,101**	878

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 2016 (including the comparatives for the year ended 31 December 2015) were approved by the Board of Directors on 12 April 2017.

The Group does not have an ultimate controlling related party.

2. Accounting policies

Non-underlying items

Non-underlying items are material items which arise from unusual non-recurring or non-trading events. They are disclosed in aggregate on the Consolidated income statement where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. Non-underlying items comprise one off acquisition costs, non-recurring relocation costs, exceptional costs of Group restructuring, the finance cost related to the Group's pension schemes calculated in accordance with IAS19, the impact of the movement in respect of derivative foreign exchange contracts held at fair value through the profit and loss in accordance with IAS39 and the release of the over provision in respect of contingent consideration.

Basis of preparation

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

Overall considerations

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

All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Group's latest approved budget where applicable. Judgements are based on the information available at each balance sheet date. Disclosure of the significant accounting estimates and judgements can be found on page 19 and 20.

Basis of consolidation

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

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

Foreign currency

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

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

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 (ie gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment as described below.

Contingent consideration

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

Intangible assets

Assets acquired as part of a business combination

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

Brands

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

Other intangible assets

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

Impairment

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

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

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

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

Property, plant and equipment

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

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

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

Leases

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

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis 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.

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 9 to the consolidated financial statements.

Financial instruments valuation

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

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Group, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the discount rate, life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Inventory provisioning

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

Bad debt provision

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

Intangible asset valuation

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

Notes to the financial statements continued

2. Accounting policies continued

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 any excess funding has not been recognised on the balance sheet.

Standards and interpretations

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

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Annual Improvements to IFRSs 2012-2014 Cycle
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements

There has been no material impact on either amounts reported or disclosure 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 9 Financial Instruments (effective 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (not yet adopted by the EU)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (not yet adopted by the EU, effective 1 January 2019)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (not yet adopted by the EU)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (not yet adopted by the EU)
- Disclosure Initiative: Amendments to IAS 7 (not yet adopted by the EU)
- Annual improvements to IFRS 2014-2016 Cycle (not yet adopted by the EU)
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations (not yet adopted by the EU)
- Amendments to IAS 40: Transfers of investment property (not yet adopted by the EU)

Other than in respect of IFRS 15 & 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 15 & IFRS 16, the Group is not yet in a position to state whether the impact will be material to the Group's reported results or financial position.

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. Segmental reporting

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

31 December 2016	Sports, leisure and toys £'000	Bicycles and mobility £'000	Total £'000
Revenue	26,975	11,439	38,414
Segment result before corporate charges	2,233	124	2,357
Allocation of corporate charges	(695)	(363)	(1,058)
Segment result after corporate charges	1,538	(239)	1,299
Unallocated corporate charges			(63)
Operating profit			1,236
Exceptional income			143
Finance costs			(465)
Profit before taxation			914
Tax expense			(137)
Net profit for the year			777
Segment assets	12,666	6,912	19,578
Unallocated assets			3,858
Total assets			23,436
Segment liabilities	(5,427)	(2,728)	(8,155)
Unallocated liabilities			(7,067)
Total liabilities			(15,222)
Consolidated net assets			8,214
Capital additions			
Group			–
Segments	83	20	103
			103
Depreciation			
Group			38
Segments	75	73	148
			186

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3. Segmental reporting continued

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

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

3. Segmental reporting continued

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

31 December 2016	United Kingdom £'000	Europe £'000	Rest of the World £'000	Total £'000
Revenue	**34,871**	**2,439**	**1,104**	**38,414**
Non current assets	**8,766**	**–**	**–**	**8,766**

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

There was one customer (year ended 31 December 2015 – one) whose revenue from transactions amounted to 10% or more of the Group's revenue.

4. Operating expenses

	31 December 2016 £'000	31 December 2015 £'000
Distribution costs	**4,986**	4,566
Administrative expenses (before exceptional items)	**3,758**	4,274
Total operating expenses (before exceptional items) as shown in the Consolidated income statement	**8,744**	8,840
The operating expenses disclosed above include the following charges:		
Employee benefits expense (note 6)	**4,376**	4,035
Depreciation – owned assets	**173**	181
Depreciation – assets under hire purchase agreements	**13**	12
Profit on sale of tangible fixed assets	**5**	–
Intangible amortisation	**31**	16
Operating lease costs	**521**	469
Repayment of import duty	**(552)**	–
Other expenses	**3,625**	4,127
	8,744	8,840

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (year ended 31 December 2015 - £3,000) and in the capacity as auditor of the subsidiary companies was £69,000 (year ended 31 December 2015 – £67,000). Non audit remuneration in respect of services relating to corporate finance transactions totalled £nil (year ended 31 December 2015 – £21,000), other taxation advisory services totalled £18,000 (year ended 31 December 2015 – £nil) and tax compliance services totalled £21,000 (year ended 31 December 2015 - £14,000).

There was a credit received during the year of £552,000 (year ended 31 December 2015 – £nil) from the vendors of both Pro Rider and ESC businesses in respect of import duty payable on certain products in the period prior to acquisition.

Exceptional income during the year of £143,000 (year ended 31 December 2015 – £7,000) related to restructuring costs incurred by the Group of £191,000 offset by the release of an over provision in respect of the earn out arising on the Pro Rider and ESC acquisitions of £334,000.

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5. Finance costs

	31 December 2016 £'000	31 December 2015 £'000
Interest payable on bank loans, overdrafts and invoice finance facilities	194	192
Interest payable on hire purchase agreements	13	14
Expected return on pension scheme assets less interest on liabilities	129	140
Fair value adjustment in respect of derivative financial liabilities held at fair value through profit and loss	129	(104)
Total finance costs	465	242

6. Directors´ and employees remuneration

Employee benefits expense

	31 December 2016 £'000	31 December 2015 £'000
Wages and salaries	3,854	3,560
Social security costs	333	316
Share-based employee remuneration	13	14
Pension scheme contributions - defined contribution schemes	176	145
	4,376	4,035

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

	Number	Number
Selling and distribution	59	56
Management and administration	42	38
	101	94

Directors´ remuneration

	31 December 2016					31 December 2015
	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	176	15	6	34	231	220
J C Shears	119	15	4	43	181	167
P Ratcliffe	143	15	7	22	187	188
J S T Morris	20	–	–	–	20	20
A Q Bestwick	20	–	–	–	20	20
	528	45	17	99	689	665

In addition to the above the total charge for Employer's National Insurance for the period was £66,000 (year ended 31 December 2015 – £66,000).

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 2015 – £10,000) of which £4,000 (year ended 31 December 2015 – £4,000) related to S J Grant, £3,000 (year ended 31 December 2015 – £3,000) related to J C Shears and £4,000 (year ended 31 December 2015 - £3,000) related to P Ratcliffe.

6. Directors´ and employees remuneration continued

Key management personnel

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

Share based employee remuneration

The following options were held at 31 December 2016 under the Group's share option schemes:

Number of shares	At 1 January 2016	Granted during year	Exercised/ lapsed during year	At 31 December 2016	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme						
Directors						
M P J Keene	86,400	–	–	**86,400**	78.91p	31/01/10-14/06/17
S J Grant	45,000	–	(45,000)	**–**	78.91p	31/10/10-14/06/17
	27,475	–	–	**27,475**	107.00p	31/01/14-14/06/21
	47,525	–	(25,000)	**22,525**	79.00p	31/12/15-29/10/23
	–	75,000	–	**75,000**	127.00p	31/12/15-29/10/24
J C Shears	62,909	–	(40,409)	**22,500**	107.00p	31/01/14-14/06/21
	35,000	–	(35,000)	**–**	79.00p	31/12/15-29/10/23
	–	53,222	–	**53,222**	127.00p	31/12/15-29/10/24
P Ratcliffe	14,000	–	–	**14,000**	107.00p	31/01/14-14/06/21
	37,400	–	(20,297)	**17,103**	79.00p	31/12/15-29/10/23
	–	58,897	–	**58,897**	127.00p	31/12/15-29/10/24
Other employees	64,800	–	–	**64,800**	78.91p	31/01/10-14/06/17
	23,400	–	–	**23,400**	107.00p	31/01/14-14/06/21
	–	63,400	–	**63,400**	127.00p	31/12/15-29/10/24
1996 Approved Share Option Scheme						
Other employees	11,200	–	(11,200)	**–**	62.50p	26/06/09-26/06/16
	455,109	250,519	(176,906)	**528,722**		

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

	At 31 December 2016			At 31 December 2015		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2009 (up to 2016)	**–**	**–**	**–**	11,200	62.50	0.5
2010 (up to 2017)	**151,200**	**78.91**	**0.5**	196,200	78.91	1.5
2014 (up to 2021)	**87,375**	**107.00**	**4.5**	127,784	107.00	5.5
2015 (up to 2023)	**39,628**	**79.00**	**6.8**	119,925	79.00	7.8
2016 (up to 2024)	**250,519**	**127.00**	**8**	–	–	–
	528,722			455,109		

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Notes to the financial statements continued

6. Directors´ and employees remuneration continued

The ordinary share mid-market price on 31 December 2016 was 100.0p (31 December 2015 – 182.5p). During the period, the highest mid-market price was 200.0p (31 December 2015 – 197.5p) and the lowest was 91.0p (31 December 2015 – 103.5p). The weighted average exercise price of the options in issue was 106.6p (31 December 2015 – 86.4p).

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

- exercise prices of 62.50p (31 December 2015 – 62.50p) to 127.00 (31 December 2015 – 107.0p);
- 36.3% (31 December 2015 - 36.3%) to 48.0% (31 December 2015 – 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2015 – 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 £13,000 (31 December 2015 – £14,000) of share-based employee remuneration has been included in the Consolidated income statement.

7. Tax expense

The relationship between the expected tax expense at 20.00% (year ended 31 December 2015 – 20.25%) and the actual tax income recognised in the consolidated income statement can be reconciled as follows:

	31 December 2016 £'000	**%**	31 December 2015 £'000	%
Profit before taxation	**914**		1,045	
Tax rate	**20.00%**		20.25%	
Expected tax expense	**183**	**20.0**	212	20.25
Income not taxable	**(67)**	**(7.3)**	–	0.0
Expenses not deductible for tax purposes	**12**	**1.3**	(72)	(6.9)
Movement in unrecognised deferred tax asset	**(83)**	**(9.1)**	(311)	(29.8)
Deferred tax charged to the Consolidated statement of comprehensive income	**57**	**6.2**	(146)	(14.0)
Amounts (charged)/credited directly to equity or otherwise transferred	**(149)**		86	8.2
Effect of differing rates on overseas taxation	**(9)**	**(1.0)**	4	0.4
Effect of change in tax rate	**188**	**20.6**	309	29.6
Adjustments in respect of prior periods	**5**	**0.5**	(38)	(3.6)
Actual tax expense	**137**	**15.0**	44	4.2
Actual tax expense comprises:				
Current tax expense	**173**		73	
Deferred tax credit	**(36)**		(29)	
	137		44	

At 31 December 2016 there are trading losses and loan relationship deficits of approximately £10,624,000 (31 December 2015 – £10,133,000) 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.

8. Earnings per share

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

	31 December 2016 £'000	31 December 2015 £'000
Net profit for the year	**777**	1,001
Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share	**4,863,496**	4,696,752
Weighted average dilutive shares under option	**84,530**	241,974
Average number of shares used for diluted earnings per share	**4,948,026**	4,938,726

	Pence	Pence
Basic earnings per share	**16.0**	21.3
Diluted earnings per share	**15.7**	20.3

9. Intangible fixed assets

	Goodwill £'000	Software £'000	Brand names £'000	Total £'000
Gross carrying amount				
At 1 January 2015	8,888	–	185	9,073
Additions	–	39	–	39
Acquisition	1,221	–	256	1,477
At 1 January 2016	10,109	39	441	10,589
Additions	–	44	–	44
At 31 December 2016	**10,109**	**83**	**441**	**10,633**
Amortisation				
At 1 January 2015	4,957	–	4	4,961
Provided in the year	–	4	12	16
At 1 January 2016	4,957	4	16	4,977
Provided in the year	–	10	21	31
At 31 December 2016	**4,957**	**14**	**37**	**5,008**
Net book value				
At 31 December 2016	**5,152**	**69**	**404**	**5,625**
At 31 December 2015	5,152	35	425	5,612

Amortisation has been included within operating expensing in the consolidated income statement.

Notes to the financial statements continued

9. Intangible fixed assets continued

Goodwill above relates to the following cash generating units:

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

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

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

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

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

The discount rate used is 3.98%, being the Group's weighted average cost of capital, which is considered to be suitable for each cash generating unit as they operate in similar markets.

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

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

10. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Total £'000
Gross carrying amount					
At 1 January 2015	2,745	649	33	2,582	6,009
Additions	–	17	1	114	132
Acquisition of subsidiary undertaking	–	–	7	20	27
Disposals	–	–	(26)	(836)	(862)
Foreign exchange adjustments	–	3	–	4	7
At 1 January 2016	2,745	669	15	1,884	5,313
Additions	–	32	–	27	59
Disposals	–	(291)	(7)	(72)	(370)
Foreign exchange adjustments	–	11	–	19	30
At 31 December 2016	**2,745**	**421**	**8**	**1,858**	**5,032**
Depreciation					
At 1 January 2015	50	485	23	2,121	2,679
Provided in the year	25	39	4	125	193
Acquisition of subsidiary undertaking	–	–	7	16	23
Eliminated on disposals	–	–	(21)	(836)	(857)
Foreign exchange adjustments	–	3	–	5	8
At 1 January 2016	75	527	13	1,431	2,046
Provided in the year	25	48	2	111	186
Eliminated on disposals	–	(291)	(7)	(72)	(370)
Foreign exchange adjustments	–	11	–	18	29
At 31 December 2016	**100**	**295**	**8**	**1,488**	**1,891**
Net book value					
At 31 December 2016	**2,645**	**126**	**–**	**370**	**3,141**
At 31 December 2015	2,670	142	2	453	3,267

The net book value of assets held under hire purchase agreements was £212,000 (31 December 2015 - £224,000).

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

Notes to the financial statements continued

11. Inventories

	At 31 December 2016 £'000	At 31 December 2015 £'000
Finished goods for resale	**7,624**	6,227

Cost of sales includes material costs of £25,800,000 (year ended 31 December 2015 – £22,100,000) and other costs of £2,634,000 (year ended 31 December 2015 – £2,165,000).

12. Trade and other receivables

	At 31 December 2016 £'000	At 31 December 2015 £'000
Trade receivables	**3,503**	4,852
Prepayments and accrued income	**235**	252
Other receivables	**172**	364
	3,910	5,468

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

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

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and accordingly a provision of £62,000 (year ended 31 December 2015 - £83,000) has been made. The movement in the provision for impairment losses can be reconciled as follows:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Amounts brought forward	**83**	74
Amounts written off	**(26)**	(28)
Impairment loss	**5**	37
At year end	**62**	83

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 2016 £'000	At 31 December 2015 £'000
Not past due	**2,675**	3,748
Past due 0 – 90 days	**786**	1,085
Past due 91 – 180 days	**42**	18
Past due more than 180 days	**–**	1
	3,503	4,852

13. Cash and cash equivalents

	At 31 December 2016 £'000	At 31 December 2015 £'000
Cash and cash equivalents per consolidated cash flow statement	**1,101**	878

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

14. Trade and other payables

	At 31 December 2016 £'000	At 31 December 2015 £'000
Amounts falling due within one year:		
Trade payables	**(2,810)**	(2,375)
Contingent consideration	**–**	(685)
Taxation and social security	**(102)**	(315)
Other payables	**(2,660)**	(1,941)
	(5,571)	(5,316)
Amounts falling due between one and two years:		
Other payables	**(5)**	(8)
	(5)	(8)

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

Notes to the financial statements continued

15. Other liabilities

	At 31 December 2016 £'000	At 31 December 2015 £'000
Invoice finance liability	**(2,795)**	(3,603)
Current borrowings with contractual maturities in less than one year		
– other borrowings	**(407)**	(407)
– assets held under hire purchase agreements	**(24)**	(24)
Total current borrowings	**(3,226)**	(4,034)
Non current borrowing with contractual maturities one to two years		
– other borrowings	**(407)**	(407)
– assets held under hire purchase agreements	**(26)**	(25)
Non current borrowings with contractual maturities between two to five years		
– other borrowings	**(1,509)**	(1,908)
– assets held under hire purchase agreements	**(87)**	(87)
Non current borrowings with contractual maturities over five years		
– other borrowings	**–**	–
– assets held under hire purchase agreements	**(43)**	(67)
Total non current borrowings	**(2,072)**	(2,494)
Total borrowings	**(5,298)**	(6,528)

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.

16. Financial assets and liabilities

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

	At 31 December 2016				At 31 December 2015			
	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	(834)	–	–	(834)	334	–	–	334
US Dollars	1,650	–	–	1,650	266	–	–	266
Euro	67	–	–	67	90	–	–	90
Others	218	–	–	218	188	–	–	188
	1,101	–	–	1,101	878	–	–	878
Foreign exchange and option derivatives	–	117	–	117	–	246	–	246
Trade and other receivables	3,614	–	296	3,910	5,216	–	252	5,468
Inventories	–	–	7,624	7,624	–	–	6,227	6,227
Current assets	4,715	117	7,920	12,752	6,094	246	6,479	12,819

The financial liabilities of the Group comprised:

	At 31 December 2016				At 31 December 2015			
	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	(4,726)	-	(845)	(5,571)	(4,318)	(683)	(315)	(5,316)
Invoice finance liability	(2,795)	–	–	(2,795)	(3,603)	–	–	(3,603)
Current borrowings	(24)	–	–	(24)	(407)	–	–	(407)
Hire purchase	(407)	–	–	(407)	(24)	–	–	(24)
Current tax liabilities	-	-	(133)	(133)	-	-	(244)	(244)
Current liabilities	(7,952)	-	(978)	(8,930)	(8,352)	(683)	(559)	(9,594)
Non current borrowings and other liabilities	(2,072)	–	(5)	(2,077)	(2,494)	–	(8)	(2,502)

Notes to the financial statements continued

16. Financial assets and liabilities continued

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

Interest rate risk

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

Liquidity risk

Liquidity risk is managed centrally on a Group basis. Bank and invoice finance facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and capital expenditure. The Group has an overdraft facility and invoicing financing facility which are due for renewal in October 2017 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.

The Group's US dollar contracts relate to cash flows that have been forecast for 2017. At 31 December 2016, a loss of £129,000 (year ended 31 December 2015 – gain £104,000) has been recorded in the consolidated balance sheet in respect of outstanding contracts at the balance sheet date in accordance with IAS 39.

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

	At 31 December 2016				At 31 December 2015			
	USD £'000	**GBP £'000**	**Other £'000**	**Total £'000**	USD £'000	GBP £'000	Other £'000	Total £'000
Current assets	**1,843**	**10,623**	**286**	**12,752**	1,346	11,162	311	12,819
Current liabilities	**(1,587)**	**(7,343)**	**–**	**(8,930)**	(1,165)	(8,096)	(333)	(9,594)
Total exposure	**256**	**3,280**	**286**	**3,822**	181	3,066	(22)	3,225

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 £117,000 at 31 December 2016 (year ended 31 December 2015 – £246,000) are financial instruments held at fair value and are disclosed as an asset at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2016. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2016 or 2015.

16. Financial assets and liabilities continued

Measurement of financial instruments

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

The intangible assets held by the group, as disclosed in note 9, are classified as Level 3 within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2016. The fair value of the intangibles as at 31 December 2016 are included in the statement of financial position as £404,000 (year ended 31 December 2015 – £425,000).

The fair value of the intangibles are estimated using an income approach which capitalises the estimated royalty income which would be charged to a third party to use the brand using the group's discount rate of 3.98%.

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

17. Deferred taxation

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

	At 31 December 2014 £'000	*Movement in the year £'000*	At 31 December 2015 £'000	*Movement in the year £'000*	**At 31 December 2016 £'000**
Provided					
Pension obligations	(829)	*181*	(648)	*(66)*	**(714)**
Property, plant and equipment	(148)	*(67)*	(215)	*48*	**(167)**
Current liabilities - provisions	(10)	*10*	–	–	**–**
Financial instruments	28	*(28)*	–	–	**–**
Unused tax losses	(1,068)	*111*	(957)	*(75)*	**(1,032)**
Share based payments	–	*(88)*	(88)	–	**(88)**
Intangible fixed assets	37	*46*	83	–	**83**
Total	(1,990)	*165*	(1,825)	*(93)*	**(1,918)**
Presented as:					
Deferred tax asset	(1,990)	*165*	(1,825)	*(93)*	**(1,918)**
Unprovided					
Property, plant and equipment	54	*(71)*	(17)	*17*	**–**
Unused tax losses	(1,769)	*900*	(869)	*10*	**(859)**
Capital losses	(1,333)	*134*	(1,199)	*66*	**(1,133)**
ACT	(89)	–	(89)	–	**(89)**
Total	(3,137)	*963*	(2,174)	*93*	**(2,081)**

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 £93,000, a credit of £36,000 has been recognised in the consolidated income statement and a credit of £57,000 in other comprehensive income.

Notes to the financial statements continued

18. Pension scheme arrangements

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

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

The Tandem Group Pension Plan

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

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

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

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

	31 December 2016 £'000	31 December 2015 £'000
Defined benefit obligation at the beginning of the year	**10,072**	10,924
Interest cost	**360**	371
Actuarial gains due to scheme experience	**(7)**	(12)
Actuarial gains due to changes in demographic assumptions	**(149)**	(156)
Actuarial losses/(gains) due to changes in financial assumptions	**1,243**	(418)
Benefits paid	**(713)**	(637)
Defined benefit obligation at the end of the year	**10,806**	10,072

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

	31 December 2016 £'000	31 December 2015 £'000
Discount rate	**2.50%**	3.70%
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%**	3.00%
Mortality assumption table	**S2 PxA (YOB)**	S1 PxA (YOB)

* There are no members whose benefits are linked to salaries

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

	Life expectancy at age 65 (years)
Male retiring in 2016	**20.3**
Female retiring in 2016	**22.2**
Male retiring in 2036	**21.1**
Female retiring in 2036	**23.3**

18. Pension scheme arrangements continued

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

	31 December 2016 £'000	31 December 2015 £'000
Fair value of scheme assets at the beginning of the year	6,888	7,342
Interest income	245	249
Return on plan assets	654	(221)
Contributions	159	155
Benefits paid	(713)	(637)
Fair value of scheme assets at the end of the year	**7,233**	6,888

The actual return on scheme assets over the period ended 31 December 2016 was £899,000.

The value of assets in the scheme were:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Equities – UK	448	387
Equities – overseas	2,470	2,215
Property	733	744
Diversified growth assets	1,070	1,055
Gilts	987	947
Corporate Bonds	1,414	1,337
Cash and other	111	203
Total fair value of assets	**7,233**	6,888

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 liabilities	Change in liabilities
Discount rate	Decrease of 0.25% per annum	Increase by 2.7%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 5.0%

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 2016 is 12 years.

Notes to the financial statements continued

18. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2016 £'000	31 December 2015 £'000
Deficit at the beginning of the year	(3,184)	(3,582)
Movement in year:		
Contributions	159	155
Finance cost	(115)	(122)
Actuarial (loss)/gain	(433)	365
Deficit at the end of the year	(3,573)	(3,184)
Related deferred tax asset	605	571
Net deficit at the end of the year	(2,968)	(2,613)

The expected contributions in the year ending 31 December 2017 are £164,000 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 2016 £'000	31 December 2015 £'000
Net interest cost	115	122
Defined benefit costs recognised in profit or loss	115	122

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

	31 December 2016 £'000	31 December 2015 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	654	(221)
Experience gain arising on the defined benefit obligation	7	12
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	149	156
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(1,243)	418
Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain	(433)	365

18. Pension scheme arrangements continued

The Casket Group Retirement and Death Benefit Scheme

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

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

	31 December 2016 £'000	31 December 2015 £'000
Defined benefit obligation at the beginning of the year	**2,944**	3,121
Interest cost	**107**	104
Actuarial gains due to scheme experience	**(66)**	(15)
Actuarial gains due to changes in demographic assumptions	**(56)**	(36)
Actuarial losses due to changes in financial assumptions	**647**	1
Benefits paid	**(128)**	(231)
Defined benefit obligation at the end of the year	**3,448**	2,944

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

	31 December 2016	31 December 2015
Discount rate	**2.50%**	3.70%
Increase in pensionable salaries*	**3.00%**	3.00%
Increase in pensions in payment	**-%**	-%
Increase in deferred pensions	**3.30%**	3.00%
Inflation assumption	**3.30%**	3.00%
Mortality assumption table	**S2 PxA (YOB)**	S1 PxA (YOB)

* There are no members whose benefits are linked to salaries

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

	Life expectancy at age 65 (years)
Male retiring in 2016	20.3
Female retiring in 2016	22.2
Male retiring in 2036	21.1
Female retiring in 2036	23.3

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Notes to the financial statements continued

18. Pension scheme arrangements continued

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

	31 December 2016 £'000	31 December 2015 £'000
Fair value of scheme assets at the beginning of the year	2,520	2,556
Interest income	93	86
Return on plan assets	220	8
Contributions	101	101
Benefits paid	(128)	(231)
Fair value of scheme assets at the end of the year	**2,806**	2,520

The actual return on scheme assets over the period ended 31 December 2016 was £313,000.

The value of assets in the scheme were:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Equities	1,920	1,692
Property	45	42
Gilts	593	554
Corporate Bonds	142	122
Cash and other	106	110
Total fair value of assets	**2,806**	2,520

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

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

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% per annum	Increase by 3.9%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.9%
Rate of inflation	Increase of 0.25% per annum	Increase by 4.1%

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 2016 is 12 years.

18. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2016 £'000	31 December 2015 £'000
Deficit at the beginning of the year	(424)	(565)
Movement in year:		
Contributions	101	101
Finance cost	(14)	(18)
Actuarial (loss)/gain	(305)	58
Deficit at the end of the year	(642)	(424)
Related deferred tax asset	109	77
Net deficit at the end of the year	(533)	(347)

The expected contributions in the year ending 31 December 2017 are £101,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to July 2029.

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

	31 December 2016 £'000	31 December 2015 £'000
Net interest cost	14	18
Defined benefit costs recognised in profit or loss	14	18

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

	31 December 2016 £'000	31 December 2015 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain	220	8
Experience gain arising on the defined benefit obligation	66	15
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	56	36
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss	(647)	(1)
Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain	(305)	58

Notes to the financial statements continued

18. Pension scheme arrangements continued

Group pension scheme deficit

	31 December 2016 £'000	31 December 2015 £'000
Deficit		
The Tandem Group Pension Plan	(3,573)	(3,184)
The Casket Group Retirement and Death Benefit Scheme	(642)	(424)
	(4,215)	(3,608)
Related deferred tax asset		
The Tandem Group Pension Plan	605	571
The Casket Group Retirement and Death Benefit Scheme	109	77
Net deficit at the end of the year	(3,501)	(2,960)

The amounts recognised in the Consolidated statement of comprehensive income in the year ended 31 December 2016 are a loss of £433,000 in respect of the Tandem Group Pension Plan and a loss of £305,000 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 £2,130,000 in total in respect of both schemes.

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

19. Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 January 2015 – ordinary shares 25p each	4,669,754	1,167
Exercise of share options	79,691	20
At 1 January 2016 – ordinary shares 25p each	4,749,445	1,187
Exercise of share options	176,906	44
At 31 December 2016 – ordinary shares 25p each	4,926,351	1,231

20. Financial commitments

The total charge for the year for operating lease rentals in respect of land and buildings was £323,000 (year ended 31 December 2015 - £355,000) and for other operating leases was £198,000 (year ended 31 December 2015 - £114,000).

	At 31 December 2016		At 31 December 2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Total future minimum payments under operating leases:				
Within one year	365	137	378	194
Within two to five years	709	182	514	255
After five years	32	–	152	–
	1,106	319	1,044	449

21. Related parties

Transactions with Directors are disclosed in note 6. During the period dividends were paid to the Directors as follows:

	31 December 2016 £'000	31 December 2015 £'000
M P J Keene	8	8
S J Grant	9	5
J C Shears	5	2
P Ratcliffe	3	1
J S T Morris	1	1
	26	17

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 2016 £'000	31 December 2015 £'000	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000
Revenue	**38,414**	34,385	31,320	28,347	28,952
Cost of sales	**(28,434)**	(24,265)	(21,755)	(20,061)	(20,364)
Gross profit	**9,980**	10,120	9,565	8,286	8,588
Operating expenses	**(8,744)**	(8,840)	(8,107)	(7,314)	(7,617)
Operating profit before exceptionals	**1,236**	1,280	1,458	972	971
Exceptional items	**143**	7	(73)	(142)	–
Operating profit after exceptionals	**1,379**	1,287	1,385	830	971
Finance (costs)/income	**(465)**	(242)	331	(814)	(203)
Profit before taxation	**914**	1,045	1,716	16	768
Tax (expense)/credit	**(137)**	(44)	(90)	338	(157)
Net profit for the year/period	**777**	1,001	1,626	354	611

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

Company balance sheet

	Note	At 31 December 2016 £'000	At 31 December 2015 £'000
Non current assets			
Goodwill	4	**213**	213
Investments	5	**8,590**	8,924
Property, plant and equipment	6	**2,857**	2,895
Deferred taxation	10	**693**	659
		12,353	12,691
Current assets			
Trade and other receivables	7	**4,172**	4,054
Derivative financial asset held at fair value	7	**117**	246
		4,289	4,300
Total assets		**16,642**	16,991
Current liabilities			
Trade and other payables	8	**(4,497)**	(4,448)
Other liabilities	9	**(431)**	(432)
Current tax liabilities		**–**	(27)
		(4,928)	(4,907)
Non current liabilities			
Other liabilities	9	**(2,072)**	(2,494)
Pension scheme deficit	13	**(3,573)**	(3,184)
		(5,645)	(5,678)
Total liabilities		**(10,573)**	(10,585)
Net assets		**6,069**	6,406
Equity			
Share capital	11	**1,503**	1,503
Shares held in treasury	11	**(272)**	(316)
Share premium		**232**	127
Other reserves		**2,463**	2,463
Profit and loss account		**2,143**	2,629
Total equity		**6,069**	6,406

The profit of the company for the year was £100,000 (year ended 31 December 2015 – loss £87,000).

The financial statements were approved by the Board on 12 April 2017 and signed on its behalf by:

M P J Keene
Director

J C Shears
Director

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

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Company statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	1,503	(336)	84	1,036	1,427	2,619	6,333
Net profit for the year	–	–	–	–	–	(87)	(87)
Net actuarial gain on pension scheme	–	–	–	–	–	179	179
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	92	92
Share based payments	–	–	–	–	–	14	14
Deferred tax on share options	–	–	–	–	–	75	75
Exercise of share options	–	20	43	–	–	–	63
Dividends paid	–	–	–	–	–	(171)	(171)
Total transactions with owners	–	20	43	–	–	(82)	(19)
At 1 January 2016	1,503	(316)	127	1,036	1,427	2,629	6,406
Net profit for the year	–	–	–	–	–	100	100
Net actuarial loss on pension scheme	–	–	–	–	–	(414)	(414)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	–	–	(314)	(314)
Share based payments	–	–	–	–	–	13	13
Exercise of share options	–	44	105	–	–	–	149
Dividends paid	–	–	–	–	–	(185)	(185)
Total transactions with owners	–	44	105	–	–	(172)	(23)
At 31 December 2016	**1,503**	**(272)**	**232**	**1,036**	**1,427**	**2,143**	**6,069**

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

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

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

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

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

Notes to the 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 2016. 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.

Notes to the Company financial statements continued

1. Accounting policies continued

Goodwill

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

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

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

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

Contingent consideration

Where an acquisition is subject to deferred or contingent consideration it is recorded as part of the cost of the investment at the net present value of future expected cash flows. Future expected cashflows are estimated using forecasts prepared by management based on the likely future performance of the acquired business. The consideration is classified as a financial liability and is 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 machinery	3 – 20 years

Impairment of assets

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

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

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

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

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

Investment property

The Company has applied the cost accounting model to investment property. Investment property comprises property held by the Company for the purpose of earning rental income and/or capital appreciation.

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

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

Land	not depreciated
Freehold building	50 years

Foreign exchange

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

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 Group'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.

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 9 to the consolidated financial statements.

Financial instruments valuation

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

Pension scheme valuation

The liabilities in respect of defined benefit pension schemes are calculated by qualified actuaries and reviewed by the Company, but are necessarily based on subjective assumptions. The principal uncertainties relate to the estimation of the discount rate, life expectancies of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 18 to the consolidated financial statements. Profits and losses in relation to changes in actuarial assumptions are taken directly to reserves and therefore do not impact on the profitability of the business, but the changes do impact on net assets.

Key judgements

Deferred tax assets

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

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 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 2015 - £3,000), and for tax compliance services totalled £1,000 (year ended 31 December 2015 - £1,000).

3. Directors´ and employees´ remuneration

Expenses recognised for employee benefits is analysed as follows:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Salaries	**692**	662
Benefits in kind	**21**	21
Social Security costs	**82**	79
Share based employee remuneration	**13**	14
Pension scheme contributions - defined contribution schemes	**105**	97
	913	873

	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 6 to the consolidated financial statements.

Share based employee remuneration

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

Number of shares	At 1 January 2016	Granted during year	Exercised/ lapsed during year	At 31 December 2016	Option price per 25p ordinary share	Exercise period
2007 Employee Share Option Scheme						
Directors						
M P J Keene	86,400	–	–	**86,400**	78.91p	31/01/10–14/06/17
S J Grant	45,000	–	(45,000)	**–**	78.91p	31/10/10–14/06/17
	27,475	–	–	**27,475**	107.00p	31/01/14–14/06/21
	47,525	–	(25,000)	**22,525**	79.00p	31/12/15–29/10/23
	–	75,000	–	**75,000**	127.00p	31/12/15–29/10/24
J C Shears	62,909	–	(40,409)	**22,500**	107.00p	31/01/14–14/06/21
	35,000	–	(35,000)	**–**	79.00p	31/12/15–29/10/23
	–	53,222	–	**53,222**	127.00p	31/12/15–29/10/24
P Ratcliffe	14,000	–	–	**14,000**	107.00p	31/01/14–14/06/21
	37,400	–	(20,297)	**17,103**	79.00p	31/12/15–29/10/23
	–	58,897	–	**58,897**	127.00p	31/12/15–29/10/24
Other employees	64,800	–	–	**64,800**	78.91p	31/01/10–14/06/17
	23,400	–	–	**23,400**	107.00p	31/01/14–14/06/21
	–	63,400	–	**63,400**	127.00p	31/12/15–29/10/24
1996 Approved Share Option Scheme						
Other employees	11,200	–	(11,200)	**–**	62.50p	26/06/09–26/06/16
	455,109	250,519	(176,906)	**528,722**		

Notes to the Company financial statements continued

3. Directors´ and employees´ remuneration continued

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

	At 31 December 2016			At 31 December 2015		
	Number	Exercise price (pence)	Remaining contractual life (years)	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2009 (up to 2016)	–	–	–	11,200	62.50	0.5
2010 (up to 2017)	**151,200**	**78.91**	**0.5**	196,200	78.91	1.5
2014 (up to 2021)	**87,375**	**107.00**	**4.5**	127,784	107.00	5.5
2015 (up to 2023)	**39,628**	**79.00**	**6.8**	119,925	79.00	7.8
2016 (up to 2024)	**250,519**	**127.00**	**8**	–	–	–
	528,722			455,109		

The ordinary share mid-market price on 31 December 2016 was 100.0p (31 December 2015 – 182.5p). During the period, the highest mid-market price was 200.0p (31 December 2015 – 197.5p) and the lowest was 91.0p (31 December 2015 – 103.5p). The weighted average exercise price of the options in issue was 106.6p (31 December 2015 – 86.4p).

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

- exercise prices of 62.50p (31 December 2015 – 62.50p) to 127.00 (31 December 2015 – 107.0p);
- 36.3% (31 December 2015 - 36.3%) to 48.0% (31 December 2015 – 48.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2015 – 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 £13,000 (31 December 2015 – £14,000 expenses) of share-based employee remuneration credit has been included in the Consolidated income statement.

4. Goodwill

	Goodwill £'000
Gross carrying amount	
At 1 January 2015 and 31 December 2016	**2,506**
Amortisation	
At 1 January 2015 and 31 December 2016	**2,293**
Net book value	
At 31 December 2016	**213**
At 31 December 2015	213

5. Investments

	Unlisted investments in subsidiary undertakings £'000
Gross carrying amount	
At 1 January 2015	**18,158**
Release of contingent consideration	(334)
At 31 December 2016	**17,824**
Amortisation	
At 1 January 2015 and 31 December 2016	**9,234**
Net book value	
At 31 December 2016	**8,590**
At 31 December 2015	8,924

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

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

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

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Notes to the Company financial statements continued

6. Property, plant and equipment

	Investment property £'000	Plant and equipment £'000	Total £'000
Gross carrying amount			
At 1 January 2015 and 31 December 2016	**2,745**	**256**	**3,001**
Depreciation			
At 1 January 2016	75	31	106
Provided in the year	25	13	38
At 31 December 2016	**100**	**44**	**144**
Net book value			
At 31 December 2016	**2,645**	**212**	**2,857**
At 31 December 2015	2,670	225	2,895

A valuation of the Investment property was carried out in respect of the year ended 31 December 2015 by CBRE Ltd in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors. The value placed on the property at that date was £2,680,000. The Directors of the Company consider this to materially represent the fair value at 31 December 2016.

During the year rental income of £156,000 was received from subsidiary companies within the Group.

The net book value of assets held under hire purchase agreements was £212,000 (31 December 2015 - £224,000).

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

7. Trade and other receivables

	At 31 December 2016 £'000	At 31 December 2015 £'000
Amounts falling due within one year:		
Prepayments and accrued income	**24**	20
Other receivables	**4,148**	4,034
	4,172	4,054

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 £117,000 at 31 December 2016 (year ended 31 December 2015 – £246,000) are financial instruments held at fair value and are disclosed as an asset at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2016. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2016 or 2015.

8. Trade and other payables

	At 31 December 2016 £'000	At 31 December 2015 £'000
Amounts falling due within one year:		
Bank overdraft	**(4,203)**	(3,494)
Trade payables	**(87)**	(99)
Contingent consideration	**–**	(685)
Other payables	**(207)**	(170)
	(4,497)	(4,448)

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

	At 31 December 2016 £'000	At 31 December 2015 £'000
Current borrowings with contractual maturities in less than one year		
– other borrowings	**(407)**	(407)
– assets held under hire purchase agreements	**(24)**	(25)
Total current borrowings	**(431)**	(432)
Non current borrowing with contractual maturities one to two years		
– other borrowings	**(407)**	(407)
– assets held under hire purchase agreements	**(26)**	(25)
Non current borrowings with contractual maturities between two to five years		
– other borrowings	**(1,509)**	(1,908)
– assets held under hire purchase agreements	**(87)**	(87)
Non current borrowings with contractual maturities over five years		
– other borrowings	**–**	–
– assets held under hire purchase agreements	**(43)**	(67)
Total non current borrowings	**(2,072)**	(2,494)
Total borrowings	**(2,503)**	(2,926)

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 2014 £'000	*Movement in the period £'000*	At 31 December 2015 £'000	*Movement in the year £'000*	**At 31 December 2016 £'000**
Provided					
Pension obligations	715	*(144)*	571	*34*	**605**
Financial instruments	(28)	*28*	–	–	**–**
Share based payments	–	*88*	88	–	**88**
Total	687	*(28)*	659	*34*	**693**
Presented as:					
Deferred tax asset	687	*(28)*	659	*34*	**693**
Unprovided					
Property, plant and equipment	(41)	*51*	10	*(10)*	**–**
Unused tax losses	116	*(57)*	59	*(20)*	**39**
Capital losses	553	*(56)*	497	*(27)*	**470**
ACT	51	–	51	*(102)*	**(51)**
Total	679	*(62)*	617	*(159)*	**458**

11. Equity

	Number of Shares	£'000
Allotted, called up and fully paid		
At 1 January 2015 – ordinary shares 25p each	4,669,754	1,167
Exercise of share options	79,691	20
At 1 January 2016 – ordinary shares 25p each	**4,749,445**	**1,187**
Exercise of share options	**176,906**	**44**
At 31 December 2016 – ordinary shares 25p each	**4,926,351**	**1,231**

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 £697,000 (31 December 2015 – £1,223,000).

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 2016 £'000	31 December 2015 £'000
Defined benefit obligation at the beginning of the year	**10,072**	10,924
Interest cost	**360**	371
Actuarial gains due to scheme experience	**(7)**	(12)
Actuarial gains due to changes in demographic assumptions	**(149)**	(156)
Actuarial losses/(gains) due to changes in financial assumptions	**1,243**	(418)
Benefits paid	**(713)**	(637)
Defined benefit obligation at the end of the year	**10,806**	10,072

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

	31 December 2016	31 December 2015
Discount rate	**2.50%**	3.70%
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%**	3.00%
Mortality assumption table	**S2 PxA (YOB)**	S1 PxA (YOB)

* There are no members whose benefits are linked to salaries

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

	Life expectancy at age 65 (years)
Male retiring in 2016	20.3
Female retiring in 2016	22.2
Male retiring in 2036	21.1
Female retiring in 2036	23.3

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 2016 £'000	31 December 2015 £'000
Fair value of scheme assets at the beginning of the year	6,888	7,342
Interest income	245	249
Return on plan assets	654	(221)
Contributions	159	155
Benefits paid	(713)	(637)
Fair value of scheme assets at the end of the year	**7,233**	6,888

The actual return on scheme assets over the period ended 31 December 2016 was £899,000.

The value of assets in the scheme were:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Equities - UK	448	387
Equities - overseas	2,470	2,215
Property	733	744
Diversified growth assets	1,070	1,055
Gilts	987	947
Corporate Bonds	1,414	1,337
Cash and other	111	203
Total fair value of assets	**7,233**	6,888

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'.

13. Pension scheme arrangements continued

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

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% per annum	Increase by 2.7%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 5.0%

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 2016 is 12 years.

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

	At 31 December 2016 £'000	At 31 December 2015 £'000
Fair value of scheme assets at the beginning of the year	**6,888**	7,342
Interest income	**245**	249
Return on plan assets	**654**	(221)
Contributions	**159**	155
Benefits paid	**(713)**	(637)
Fair value of scheme assets at the end of the year	**7,233**	6,888

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Corporate Bonds	**1,414**	1,337
Cash and other	**111**	203
Total fair value of assets	**7,233**	6,888

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'.

Notes to the Company financial statements continued

13. Pension scheme arrangements continued

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

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.25% per annum	Increase by 2.7%
Rate of mortality	increase in life expectancy of 1 year	Increase by 5.0%

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 2016 is 12 years.

The reconciliation of movements in the year were as follows:

	31 December 2016 £'000	31 December 2015 £'000
Deficit at the beginning of the year	(3,184)	(3,582)
Movement in year:	–	
Contributions	159	155
Finance cost	(115)	(122)
Actuarial (loss)/gain	(433)	365
Deficit at the end of the year	(3,573)	(3,184)
Related deferred tax asset	605	571
Net deficit at the end of the year	(2,968)	(2,613)

The expected contributions in the year ending 31 December 2017 are £164,000 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 2016 £'000	31 December 2015 £'000
Net interest cost	115	122
Defined benefit costs recognised in profit or loss	115	122

13. Pension scheme arrangements continued

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

	31 December 2016 £'000	31 December 2015 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	**654**	(221)
Experience gain arising on the defined benefit obligation	**7**	12
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	**149**	156
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	**(1,243)**	418
Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain	**(433)**	(365

14. Related party transactions

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

15. Financial commitments

The total charge for the year for operating lease rentals in respect of operating leases was £18,000 (year ended 31 December 2015 - £18,000).

	31 December 2016 £'000	31 December 2015 £'000
Total future minimum payments under operating leases:		
Within one year	**18**	18
Within two to five years	**55**	73
	73	91

16. Ultimate controlling party

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

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Shareholder Information

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

Customer Support Centre

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

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

By email – shareholderenquiries@capita.co.uk

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

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Dividend payment options

Re-invest your dividends

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

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

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

Arrange to have your dividends paid direct into your bank account

This means that:

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

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

Choose to receive your next dividend in your local currency

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

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

For further information contact Capita:

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

By e-mail – ips@capita.co.uk

Buy and sell shares

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

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

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

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

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

www.capitaassetservices.com

Donate your shares to charity

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

Share fraud warning

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

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

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

Protect yourself

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

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

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

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

Report a scam

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

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

Shareholder Notes

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