Tandem Group plc

Annual report and accounts
Year ended 31 December 2021

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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Annual General Meeting	23 June 2022
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Directors and advisers

Directors

S J Grant
Non-Executive Chairman

M P Fisher
E-Commerce and Supply Chain Director
(appointed 21 February 2022)

J C Shears
Chief Executive Officer

M A Taylor
Non-Executive Director

P Ratcliffe
Group Commercial Director

P Kimberley
Non-Executive Director
(appointed 8 November 2021)

Company Secretary
D S Rock (appointed 1 January 2021)

Nominated Adviser And Broker
Cenkos Securities plc
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London, EC2R 7AS

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

Registration
Registered in England No. 00616818

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

Registrars
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10th Floor, Central Square
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Telephone 0371 664 0300

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www.squish.bike
www.bensayers.co.uk
www.garden-camping.com
www.jackstonehouse.com
www.proridermobility.com
www.prorideleisure.com
www.snap-frames.net
www.electriclife.co.uk

Brands

Bicycles and accessories
Boss
British Eagle
Claud Butler
Dawes
Elswick
Explorer
Falcon
Pulse
Squish
Townsend
Zombie

Snooker, pool and table sports
Pot Black

Football training
Kickmaster
Strike

Golf
Ben Sayers
Bioflow*
Pro Rider

Garden and camping
Airwave
Airwave Four Seasons

Homewares and household
Jack Stonehouse
Snapframes

Mobility
Pro Rider
Drive*
Freerider*
Kymco*
Pride*
Roma Medical*
Sunrise Medical*
TGA*

Outdoor play
Airwave
Hedstrom
Hedstrom Play

Wheeled toys
Baby Shark*
Barbie*
Batman*
Bing*
Blues Clues & You*
Bluey*
Bored
Banksy Brandalised*
CoComelon*
Cutie Quins
Disney Princess*
E-moto
Frozen*
GO! Kart
Hey Duggee*
Insanity
Kindi Kids*
Li-Fe
Lightyear*
L.O.L. Surprise!*
Marvels Avengers*
Marvel Eternals*
Marvel Super Hero Adventures*
Nerf*
Paw Patrol*
Peppa Pig*
Rainbow High
Spider-Man*
Spidey and His Amazing Friends*
Stunted
Thomas & Friends*
uMoVe
Wired
Zoomies

* Under licence/distribution

Governance

Financials

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Chairman's statement

Introduction

It has been a further successful period for the Group and I am therefore pleased to present the results for the year ended 31 December 2021. Both revenue and profitability increased, building on the strong foundations of prior years.

Results

Group revenue for the year ended 31 December 2021 increased by over 10% from £37,056,000 in the previous year to £40,917,000.

In the first half of the year Group revenue increased by approximately 14% with growth in three of our four operating divisions. The exception was bicycles where stock availability continued to be a challenge for the Group.

In the second half of the year there was an increase of approximately 8% in Group revenue mainly driven by strong performance from our Toys, Sports & Leisure division, partly offset by bicycles and the supply issues as previously reported.

Toys, Sports & Leisure

Following the reclassification from the Toys, Sports & Leisure division of character licensed bicycles shown in our previous announcement in the Bicycles division, our Toys, Sports & Leisure division grew by approximately 15%. Particularly strong licences in the year included Paw Patrol, Peppa Pig and Nerf.

Our own branded ranges grew by 15% driven by Stunted and uMoVe scooters and our outdoor play brand, Hedstrom.

Ben Sayers, our golf brand, had another strong year with revenue growth of 23% compared to the prior year, with growth especially strong from our package set range. This percentage has changed from that provided in the Group's Trading Update of 31 January 2022 as a result of the subsequent reclassification of electric golf trolleys into the 'eMobility' segment.

eMobility

Our eMobility division comprising ebikes, escooters, electric golf trolleys and mobility scooters continued to grow significantly, up 56% overall for the year. The reclassification of electric golf trolleys into this category has led to the difference in movement compared to the recent Trading Update.

The ebike and escooter ranges were expanded during the year using our bicycle brands Dawes and Falcon for ebikes and Li-Fe and Wired for escooters.

Mobility scooters were under greater pressure with revenue 17% behind the prior year mostly as a result of the impact of the COVID-19 pandemic.

Bicycles

Stock availability proved to be a significant problem throughout the year, both for independent bicycle dealers with our Dawes and Claud Butler ranges and also national retailer customers with our Falcon, Boss, Elswick, Townsend and Zombie brands.

Licensed character bicycles, which were also reclassified from Toys, Sports & Leisure in the year end accounts, were approximately 30% behind the prior year and this was due to a supply chain issue which has subsequently been rectified by re-sourcing supply to alternative factories. Cost price increases also had a greater impact due to the price sensitivity of junior licensed bikes.

The exception to this was Squish, our range of lightweight junior bikes, which grew by 31% in the year demonstrating continued progress in this category.

As a result of the issues raised above the bicycle division finished 12% behind the previous year.

Home & Garden

Sales from our Home & Garden division, mostly sold direct to consumer via our Garden Comforts by Garden & Camping (www.garden-camping.com) and At Home Comforts by Jack Stonehouse (www.jackstonehouse.com) websites as well as third party (3P) websites, grew by 9% over the prior year.

It was particularly pleasing to note that website revenue increased by 17% reducing the reliance on 3P sites and this accounted for approximately 25% of the division.

Growth was driven predominantly from our outdoor living and garden storage ranges.

Group operating profit

Group operating profit before finance costs and taxation increased by nearly 21% to £4,939,000 for the year ended 31 December 2021 compared to £4,095,000 for the year ended 31 December 2020.

Following the purchase of the land adjacent to the Birmingham site and the commencement of warehouse construction, property, plant and equipment increased from £4,624,000 at 31 December 2020 to £7,775,000 at 31 December 2021.

As the business resumed to some degree of normality with significant stock of bicycles arriving just before the year end, the total year end inventory position increased to £8,064,000 at 31 December 2021 compared to £4,512,000 at the end of the previous year.

The property project had an impact on the net cash position. Although cash and cash equivalents increased by nearly 5% to £6,367,000 at 31 December 2021 compared to £6,076,000 at 31 December 2020, following the land purchase overall net cash reduced to £2,326,000 compared to £3,779,000 at the end of 2020.

Net assets increased by 37% to £22,739,000 at 31 December 2021 compared to £16,608,000 at 31 December 2020. This was augmented by a material improvement in the valuation of the defined benefit pension schemes.

Further details of operational activities can be found in the Strategic Review.

Dividend

As in previous years it continues to be the Board's intention to maintain the progressive dividend as trading results and funds permit.

As a result of the Group's continued strong performance of the Board is of view that the dividend will be increased further this year.

We are therefore proposing to pay a final ordinary dividend of 6.57 pence per share (year ended 31 December 2020 – 5.50 pence per share) which is an increase of more than 19%.

When combined with the interim dividend of 3.43 pence per share (year ended 31 December 2020 – 3.12 pence per share), this is a total dividend of 10.0 pence for the year. This compared to 8.62 pence per share in the year ended 31 December 2020.

Subject to shareholder approval at the Annual General Meeting to be held on 23 June 2022, the final dividend will be paid on or around 30 June 2022 to shareholders on the share register as at 13 May 2022. The ex-dividend date will be 12 May 2022.

In accordance with the provision that in any calendar year should dividend payments exceed pension deficit contributions, an additional contribution, equal to the excess, is paid into the scheme, an additional payment of approximately £175,000 will be paid into the Tandem Group Pension Plan.

Employees

I would like once more to thank all colleagues for their efforts and contribution to the profitability of the businesses in 2021. A profit related pay scheme was introduced in the year to enable staff to participate further in the success of the Group.

Outlook

Unsurprisingly, given the significant global uncertainty and prevailing economic conditions currently in play, the year has started more slowly than we would have wanted. In the 11 weeks to 20 March 2022 Group revenue was £4,432,000 which was approximately 43% behind the same 11 week period in the prior year, however, it is still ahead 7% ahead of the comparative period in 2020.

The Group's sales order book is currently £16,394,000, compared to £27,329,000 at this point last year, with the reduced order book level attributable to the completion of back orders, cancellations and a reduction in the levels of orders currently being received.

The order book remains well ahead of 2020 when it was £5,134,000 and the Board remains confident in the long term growth prospects of the Group notwithstanding current inflationary pressures, particularly from food, fuel and energy and increasing interest rates having an impact on consumer discretionary spending. Input costs remain under some pressure also and this has been further exacerbated by rising energy and hydrocarbon costs as a result of Russia's invasion of Ukraine.

In particular, we continue to see a big opportunity for our eMobility sector which saw a 56% increase in revenues during 2021 and subject to changes to escooter legislation, which we now expect in early 2023, there remains significant further growth potential in our eMobility division.

Given the growing consumer trend towards these types of products we will, as previously announced, be investing further in this sector during 2022. Our plans to refurbish the onsite shop at the Group's Birmingham premises to focus on our eMobility offering and to launch a dedicated eMobility B2C website are progressing well.

In addition, we have added to our roster of licences this year having signed Bluey, Disney Pixar Lightyear, Rainbow High and Molcar. Initial feedback on these additions has been encouraging, and when coupled with strongly performing classics such as Paw Patrol, Peppa Pig and Nerf, will make a positive contribution in both Toys, Sports & Leisure and Bicycles divisions.

Early signs from Independent Bike Dealer (IBD) customers are that many have surplus stocks and consumer demand in our Bicycle division has been slow. We still see good growth potential from Squish and an opportunity to grow business with our corporate customers. In 2022 we plan to introduce the bicycle 'click and collect' functionality for bicycle purchases to be fulfilled by participating IBDs which was delayed in 2021 due to stock availability issues.

We have started the year in a strong stock position in our Home & Garden division and we expect trading to increase as the weather improves subject to the macro-economic issues discussed below. We have continued to recruit heavily following the relocation of this part of the Group from Northampton to Birmingham.

The construction of our new warehousing and distribution facility in Birmingham, which will double our existing capacity up to 160,000 square foot, is progressing as anticipated and we are on track for occupancy in Q4 2022.

In summary, we have entered 2022 with a degree of caution given the challenges that we along with many other businesses face, however, we are confident in our current strategy for the Group.

S J Grant
Chairman

28 March 2022

Strategic report

Operating and Financial Review

Revenue

Group revenue for the year ended 31 December 2021 was £40,917,000 compared to £37,056,000 in the prior year. As we have previously reported, revenue is now split into four main segments. There have been some reclassifications of products at the year end, in particular, character bikes are now included within Bicycles (previously within Toys, Sports & Leisure), and electric golf trolleys are included within eMobility (previously Toys, Sports & Leisure).

	2021 (£000s)	2020 (£000s)
Toys, Sports & Leisure	**16,492**	14,372
eMobility	**6,990**	4,493
Bicycles	**10,191**	11,576
Home & Garden	**7,244**	6,615
	40,917	37,056

Gross profit

Gross profit of £11,018,000 in 2020 increased by 9.4% to £12,051,000 in 2021.

Carriage outward costs of £1,105,000 have been included in cost of sales in the current year, having previously been disclosed in operating expenses. This has impacted the presentation of gross margin. The comparative year has also been restated to reflect the carriage outward costs of £1,174,000.

On this basis, the gross profit margin percentage decreased marginally from 29.7% to 29.5%. This reflects the already reported increases in supplier cost prices and inbound freight costs, however, carefully considered price rises during the year and minimising costs where possible helped to offset these increases.

Operating expenses

Group operating expenses, restated to exclude carriage outward costs as referred to above, increased by 2.7% to £7,112,000 in the year (year ended 31 December 2020 – £6,923,000). This was driven by increases in several areas, notably insurance where the insurance market has hardened, professional fees where we have changed Nominated Advisor and Broker commission due to increased turnover levels in certain parts of the Group. These were partly offset by savings in rent costs due to third party storage savings where stock holding were lower during the year, rental income from part of our Birmingham site and further reduced travel related costs due to COVID-19 related restrictions.

Operating profit

Operating profit was £4,939,000 for the year ended 31 December 2021 compared to £4,095,000 in the prior year.

Non-underlying items

Non-underlying items comprised:

- a fair value adjustment for foreign currency derivative contracts under IFRS9 of £nil (year ended 31 December 2020 – credit of £106,000);
- pension finance costs under IAS19 of £127,000 (year ended 31 December 2020 – £132,000); and
- a deferred tax charge of £375,000 (year ended 31 December 2020 – £143,000) in respect of pension schemes and trading loss utilisation.

Finance costs

Total net finance costs increased to £207,000 in the year ended 31 December 2021 compared to £91,000 in the year ended 31 December 2020.

The Group adopted hedge accounting from 1 January 2020 and, as such, gains and losses designated as hedges where effective, are now reflected in other comprehensive income rather than in the Consolidated Income Statement. In accordance with IFRS9, there was no adjustment in the year ended 31 December 2021 in respect of derivative foreign exchange contracts entered into prior to adopting a formal hedging policy (year ended 31 December 2020 fair value credit of £106,000).

There was an increase in interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities from £26,000 in the prior year to £63,000 in 2021 due to the borrowings for the land purchase in Birmingham.

Interest payable on lease arrangements was £17,000 compared to £39,000 in 2020.

Finance costs in respect of the pension schemes provided in line with IAS19 were £127,000 compared to £132,000 for the year ended 31 December 2020.

Taxation

The tax expense for the year ended 31 December 2021 was £906,000 compared to £546,000 in the prior year.

The current tax charge, which comprised corporation tax from the overseas Hong Kong operation net of a refund provision for UK research and development, was £220,000 (year ended 31 December 2020 – credit of £98,000).

There was a deferred tax charge of £686,000 compared to £644,000 in the prior year as tax losses were utilised.

A reduction in the actuarial losses on the pension schemes would be expected to result in a tax charge in the Statement of Comprehensive Income, however due to the future tax rate change from 19% to 25%, it resulted in a credit of £248,000 (year ended 31 December 2020 – credit of £474,000).

Net profit

Net profit for the year ended 31 December 2021 after non-underlying items, finance costs and taxation was £3,826,000 compared to £3,458,000 for the year ended 31 December 2020, an increase of 11%.

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)

EBITDA was £5,199,000 for the year ended 31 December 2021, an increase of 18% compared to £4,405,000 in the prior year.

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Capital expenditure

Total capital expenditure incurred during the year was £3,386,000 (year ended 31 December 2020 – £164,000 inclusive of IFRS16 adjustment, £92,000 excluding IFRS16 adjustment). This was mainly in relation to the purchase of land in Birmingham, initial warehouse construction costs and expenditure on the new Enterprise Resource Planning (ERP) system. An agreement for an initial expenditure of £850,000 was entered into prior to the year end for initial construction related works to be completed on the warehouse project.

Cash flows, working capital and net cash

Net cash inflow from operating activities before movements in working capital for the year ended 31 December 2021 was £4,682,000 compared to £3,986,000 in the year ended 31 December 2020.

Cash generated from operations was £2,239,000 compared to £3,100,000 last year.

Net cash outflows from investing activities were £3,384,000 in 2021 against £49,000 in the previous year due to the capital expenditure referred to above.

There was a net cash inflow from financing activities of £1,479,000 in 2021 which compared to an outflow of £1,361,000 in 2020. The net inflow was due to new loans and increases in invoice financing.

As a result of these movements the closing cash position at 31 December 2021 was £6,367,000 compared to £6,076,000 at 31 December 2020.

Net cash, comprising cash and cash equivalents less invoice financing liabilities and borrowings, was £2,326,000 at 31 December 2021 compared to £3,779,000 at the end of the previous year.

Dividends

A final dividend of 6.57 pence per share will be paid for the year ended 31 December 2021 subject to shareholder approval, compared to 5.50 pence per share in the previous year.

Total dividends paid and proposed for the year ended 31 December 2021 of 10.00 pence per share (year ended 31 December 2020 – 8.62 pence per share) have increased by 16%. As the total dividend will exceed the deficit repair contributions paid to the Tandem Group Pension Plan, in accordance with a previous agreement with the pension scheme trustees an additional contribution equal to the excess of approximately £175,000, is expected to be paid into the scheme.

The dividend cover ratio is 7.4 (year ended 31 December 2020 – 7.9).

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

Earnings per share

Basic earnings per share was 73.8 pence per share for the year ended 31 December 2021 compared to 68.5 pence per share in the year ended 31 December 2020. Diluted earnings per share was 70.1 pence per share compared to 64.7 pence per share in the prior year.

Product range review

For the year ended 31 December 2021, turnover has been split into four segments, Toys, Sports & Leisure, eMobility, Bicycles, and Home & Garden.

Toy, Sports & Leisure

The Toys, Sports & Leisure business comprises character licenced products which are mainly wheeled toys (excluding character bikes) and own brand sports and leisure products, sold to both independent and national retailers.

FOB sales improved by 42% on the year ended 31 December 2020, in which some buyers had remained cautious, however, domestic sales fell by 12%.

Industry data reported that the toy market showed a decline of 3% in 2021. COVID-19 restrictions limited the development of new licences in the market, however the business has still managed to secure some exciting new licences such as Disney Pixar Lightyear, Rainbow High, Molcar and Bluey.

Despite this, some of our classic licences such as Paw Patrol, Peppa Pig, and Barbie still outperformed the prior year, along with Nerf which more than doubled in revenue.

Hedstrom, Stunted and uMoVe also grew and finished ahead of the prior year.

Ben Sayers, our golf brand, continued to perform significantly well, with revenue growth of 23% over the prior year.

eMobility

Our eMobility includes sales of electric scooters, bikes, golf trolleys and mobility scooters.

Electric bikes, trolleys and scooters all outperformed the prior year revenue figures, escooter sales revenue in particular more than doubled.

Mobility scooter sales remained challenging due to COVID-19 continuing to impact this demographic in 2021.

Bicycles

Revenue from the bicycle business includes both child and adult bicycles, along with licensed character bikes, but excludes any electric powered bicycles.

Revenue from our increasingly popular Squish branded lightweight children's bicycles again had a strong year and improved by 31% on the prior year. Our other brands, Claud Butler and Dawes, finished behind mainly due to stock availability issues.

There was also strong growth in our Falcon and Elswick brands, however declines in Boss, Townsend and Zombie sales in the second half of the year compared to the prior year comparative.

Home & Garden

Our Home & Garden segment includes sales of outdoor living products and homeware items, mostly sold from our online platforms.

Our gazebo and party tent ranges performed strongly in the first half of the year following a warm spell at the end of March and the sunniest April on record for the UK. Garden storage products improved throughout the year but particularly so in the second half of the year.

We were also pleased by the contributions from various home products, traditionally stronger in the second half of the year.

Strategic report continued

Property and IT

A valuation of the Castle Bromwich property was carried out by CBRE Ltd in October 2020 in accordance with the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book"). This valuation was used to revalue the property as at 31 December 2020. The Directors are of the opinion that there has been no material change since this date and the valuation remains valid at 31 December 2021.

Costs of £3,250,000 have been capitalised with respect to the acquisition of the freehold land adjacent to our existing site in Birmingham, and preliminary works conducted with regards to the construction of the new warehouse.

From 1 July 2021 we entered into a 10-year lease at a rent of £44,500 per annum with Flogas Britain Ltd to occupy approximately 0.5 acres of the site, surplus to our development requirements.

As previously reported, formal planning permission was granted on 23 December 2021, and we anticipate that the construction of the new warehousing and distribution facility will be completed in Quarter 4 of 2022. The new building will more than double existing warehouse capacity in Birmingham to approximately 160,000 square feet. Aside from the financial returns of undertaking the project, there are significant commercial and strategic benefits which we believe will enhance the Group and help to maximise long term shareholder value.

To minimise business disruption, the implementation of the new ERP and finance system across the Group has been slightly delayed but will go live in Quarter 2 2022. This is expected to considerably improve distribution efficiency as well as operational planning and management reporting.

Pension schemes

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

The deficit of the schemes at 31 December 2021 reduced to £2,086,000 compared to £4,157,000 at 31 December 2020. Improved bond yields were the main driver for the reduction of the deficit with a discount rate of 2.1% compared to 1.6% at 31 December 2020.

The pension schemes continue to utilise the Group's cash resources with payments in respect of the schemes totalling £590,000 (year ended 31 December 2020 – £477,000). The total comprised deficit contributions of £449,000 and £101,000 in respect of Tandem and Casket schemes respectively (year ended 31 December 2020 – £437,000) and government levies and administration costs of £40,000 (year ended 31 December 2020 – £40,000).

The next triennial valuations are due as at 1 October 2022 and will be finalised during 2023.

The Board remain mindful that the recovery plans set following the 2019 triennial valuations for both schemes exceed the Pension Regulator's reported median length of 7 years. However, this continues to be justifiable on the basis that the employer covenant is stronger and with respect to the Tandem scheme there is an agreed provision that in any calendar year should dividend payments exceed deficit contributions paid to the scheme, an additional contribution equal to the excess will be made. As a consequence of the total dividend in the year ended 31 December 2020, in 2021 the additional contribution made to the scheme was £109,000. For the year ended 31 December

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 2021	31 December 2020 (restated)
Gross profit margin The ratio of gross profit to sales expressed as a percentage	**29.5%**	29.7%
Turnover per employee The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period	**£525,000**	£488,000
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	**17.4%**	18.7%
Interest cover The ratio of operating profit to net interest payable on bank loans, overdrafts and invoice finance facilities	**78.4**	157.5
Shareholders' return The ratio of net profit to shareholders' funds at the start of the year expressed as a percentage	**23.0%**	24.2%
Basic earnings per share – pence The net profit divided by the weighted average number of ordinary shares in issue during the year	**73.8**	68.5

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2021 this will lead to an additional contribution of approximately £175,000 payable in 2022, subject to shareholder approval of the proposed final 2021 dividend.

Employees

We have continued to operate our on site warehouse and sales administration functions in a COVID secure environment and have also allowed a degree of remote working where possible.

We currently employ a modest 78 people in the Group and they remain our most coveted and important asset. Their ongoing dedication has resulted in the Group continuing to function as normal and perform exceptionally well during the year.

Annual General Meeting

The 2022 Annual General Meeting with be held on 23 June 2022 at our Castle Bromwich offices.

Strategy

Our strategic objective is to invest further in our direct-to-consumer offering (particularly home & garden categories) and grow our eMobility division more rapidly as the sector continues to evolve, whilst continuing to generate strong and solid profits in our Toys, Sports & Leisure and Bicycle divisions. We will achieve this by continuing to enter into licence agreements for the most successful character toy licences and to develop new and interesting own brand product ranges which offer both quality and value to the consumer.

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

Principal risks and uncertainties

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

Suppliers

In order to achieve competitively priced products the Group has outsourced production, mainly to countries in Asia. Risks and uncertainties of this strategy include management issues at the factories, the possibility of changes in import duties, the potentially significant cost of freight 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 and has adopted formal hedge accounting. If these activities do not mitigate the exposure, then the results and the financial condition of the Group may be adversely affected.

Licences

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

Competition

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

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

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

Financial risks

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks. A summary of these risks is disclosed in note 15.

Warehouse project

Whilst we have mitigated many of the risks associated with the construction of the new warehouse, including a full financial assessment of the project, along with planning permission without any pre-commencement conditions attached, there is a risk that costs are greater than we anticipate or the project is impacted by a force majeure event that delays or suspends construction.

Directors´ duties

The Directors of the Company are required to act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows: "A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole".

The Directors are aware of their obligations with regards to the matters under section 172, namely:

(a) the likely consequences of any decision in the long term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly between members of the company.

This Strategic report, the Directors' report on page 8 and the Corporate governance statement on page 11 set out the ways in which these duties are fulfilled.

The Strategic report was approved by the Board on 28 March 2022 and signed on its behalf by:

J C Shears
Chief Executive Officer

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 December 2021.

Principal activity

The Group is principally engaged in the design, development, distribution and retail of sports, leisure and mobility products. The Chairman's statement and Strategic report on pages 2 and 4 should be read in conjunction with this report.

Results and dividend

The results for the year ended 31 December 2021 are set out in the Consolidated income statement on page 16. To reflect the stronger performance of the Group the interim dividend increased from 3.12 to 3.43 pence per ordinary share paid on 15 November 2021 in respect of the six month period to 30 June 2021 (period ended 30 June 2020 – 3.12 pence per share). The Directors are proposing a final dividend of 6.57 pence per ordinary share (year ended 31 December 2020 – 5.50 pence per share). The final dividend will be payable to shareholders on the register on 13 May 2022 and will be paid on or around 30 June 2022.

Significant shareholders

As at 28 March 2022 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 769,364 shares held in treasury.

	Ordinary Shares of 25p	%
S Bragg	629,321	11.9%
D Waldron	358,400	6.8%
S J Grant	250,000	4.7%
J C Shears	245,722	4.6%
B Geary	217,363	4.1%

Directors

The present Directors are as follows:

S J Grant

Steve joined MV Sports & Leisure Limited from the accountancy profession in 1990 becoming Finance Director in that year. He was appointed Managing Director of MV in 1996 and became CEO of the Group in June 2010. He was appointed Non-Executive Chairman on 1 August 2020.

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

Throughout his career he was a regular visitor to the Far East and has considerable knowledge of selling to both national and independent customers.

J C Shears

Jim joined the Group as Group Financial Controller in 2002. He was appointed Company Secretary in 2008, Group Finance Director in June 2010 and CEO on 1 August 2020.

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

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

P Ratcliffe

Phil joined MV Sports & Leisure Limited in 1999 and has many years' experience in commercial and strategic roles within the consumer goods sector, incorporating well known companies such as Car Plan, Waddingtons Games and Mattel.

His experience encompasses marketing, licensing, product development, Far East sourcing and account management.

Phil is a Fellow of The Chartered Institute of Marketing, President and formerly Chairman of The British Toy & Hobby Association.

M P Fisher

Martin joined the Board in February 2022, having served as Managing Director of Expressco Direct Limited since 2016. He has developed a career in E-commerce leadership roles since 2000, including being Head of E-commerce at The Fitness Superstore.

Martin is highly knowledgeable in Direct to Consumer operations, product sourcing and logistical aspects of business.

M A Taylor

Mark joined the Board in October 2019. He was a partner in Grant Thornton UK LLP for 19 years having spent his entire career in the accounting profession. He was an audit and transactions support partner, specialising in transaction support in the latter years. He is chairman of a number of defined benefit pension schemes.

Mark has considerable experience of corporate transactions across many sectors, financial reporting and the management of defined benefit schemes. This experience enables him to support the Group with its financial reporting, any potential corporate transactions and the pension schemes.

Mark is a member of the Institute of Chartered Accountants in England and Wales and an Accredited Member of the Association of Professional Pension Trustees.

P Kimberley

Peter joined the Board in November 2021. Peter brings with him more than 30 years retail experience across a number of sectors including the cycle retail sector with specific experience in the e-mobility retail market – most recently as Chief Executive Officer of Pure Electric Limited, a retailer of e-bikes and e-scooters in the UK and Europe.

His experience encompasses marketing, licensing, product development, Far East sourcing and account management.

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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:

	28 March 2022 25p ordinary shares	31 December 2021 25p ordinary shares	1 January 2021 25p ordinary shares
S J Grant	250,000	245,000	250,000
J C Shears	245,722	245,722	170,000
P Ratcliffe	122,835	122,835	91,732
M P Fisher	10,000	–	–

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

Directors' and officers' liability insurance

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

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

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

To ensure that we robustly identify our carbon footprint, and track and measure the success of our carbon reduction plans, we have spent time this year collecting information to enable us to include relevant data required by the Streamlined Energy and Carbon Reporting regulations. This data is reported on page 10.

Corporate social responsibility

The Group has a Corporate Social Responsibility Committee (CSRC), 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 United Kingdom, and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 101 Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

Directors' report continued

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

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

The Directors confirm that:

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

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

UK Greenhouse gas emissions and energy use data

	2021	2020
Energy consumption used to calculate	**310,730**	247,350
Energy consumption breakdown (kWh):		
– gas	**40,957**	29,314
– electricity	**166,216**	168,569
– transport fuel	**103,557**	49,467
Scope 1 emissions in metric tonnes CO_2e		
Gas consumption	**7.50**	5.37
Owned transport	**20.57**	9.29
Total Scope 1	**28.07**	14.66
Scope 2 emissions in metric tonnes CO_2e		
Purchased electricity	**35.29**	35.79
Scope 3 emissions in metric tonnes CO_2e		
Business travel in employee owned vehicles	**5.51**	3.07
Total gross emissions in metric tonnes CO_2e	**68.87**	53.52
Intensity ratio Tonnes CO_2e per employee	**0.88**	0.73

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO_2e per employee, the recommended ratio for the sector.

Measures taken to improve energy efficiency

There is already a solar panel installation on the roof of the premises at Castle Bromwich, along with 2 EV charge points. There are also 2 fully electric company vehicles.

The new warehouse under construction will also include a solar panel installation on the roof. There are also plans to install a further 4 EV charge points at Castle Bromwich, and to take on more fully electric vehicles into the companies fleet.

The intensity ratio has increased for the year ended 31 December 2021 compared to the prior year as less business travel was conducted due to COVID-19.

Auditor

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

Annual General Meeting

The notice of the Annual General Meeting includes resolution 7 proposed as special business 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

D S Rock
Company Secretary
28 March 2022

Registered number: 00616818

Corporate governance statement

The Board recognises the importance of strong corporate governance and set out below are the principles and provisions in the Quoted Companies Alliance (QCA) Corporate Governance Code (the Code) which have been applied. This statement should be read in conjunction with the Strategic report on page 4 and the Group's website https://tandemgroupplc.co.uk/corporate-social-responsibility/corporate-governance.

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

The Group strategy is formulated by the Chief Executive Officer, Group Commercial Director and E-Commerce and Supply Chain Director in regular discussions with the non-executive Directors. The final strategy is approved by the full Board. The executive team, led by the Chief Executive Officer, is responsible for implementing this strategy and for generally managing and developing the business. Changes in strategy require approval from the Board. The strategy and the principal risks and uncertainties facing the Group is set out in the Strategic report on page 7.

Principle 2 – "Seek to understand and meet shareholder needs and expectations."

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

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

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

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

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

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

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

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

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

The Group's principal risks and uncertainties are disclosed in the Strategic report on page 7.

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

As set out in the Chairman's Corporate Governance Statement disclosed on the website, the Group is controlled through the Board of Directors which comprises three executive Directors and three independent non-executive Directors.

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

The service contracts of the three executive Directors may be terminated by either party giving 12 months' written notice.

The remuneration and other emoluments of executive Directors and senior managers are determined by the Remuneration Committee, of which M A Taylor (Chairman), S J Grant, and P Kimberley 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.

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Corporate governance statement continued

The Board has established three committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the Chief Executive Officer and the external auditors in attendance. The Nominations Committee meets when applicable to consider and recommend to the Board changes in the Board's composition. The Remuneration Committee reviews the terms and conditions of employment of the Directors and senior managers. S J Grant and M A Taylor (Chairman – Audit, Remuneration and Nominations Committee) and P Kimberley (Remuneration and Nominations Committee) are members of these committees and take independent external advice when appropriate.

In the year ended 31 December 2021 there were eleven formal board meetings held. All Directors were in attendance for all meetings except for M A Taylor who was in attendance for ten meetings. In addition there was one Audit Committee meeting and three Remuneration Committee meetings. There were no specific Nominations Committee meetings held during the year, however, such business was discussed and approved as part of the main Board meetings.

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

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

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

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

Directors' profiles which detail skills, experiences and capabilities are disclosed on the Group's website and on page 8.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Report of the Independent Auditor

to the members of Tandem Group plc

Opinion

We have audited the financial statements of Tandem Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated income statement and Statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated and Company balance sheets, the Consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

An overview of the scope of our audit

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

Of the Group's three reporting components, we subjected all three to audits for Group reporting purposes. The components within the scope of our work covered: 100% of group revenue, 100% of group profit before tax and 95% of group net assets.

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

Key audit matters

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

Carrying value and impairment of goodwill

Matter

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

Response

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

Valuation of defined benefit pension obligations

Matter

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

Response

- We benchmarked the assumptions used against other similar schemes and published industry data to ensure they were within a reasonable range.
- We obtained and reviewed the actuarial valuation report to ensure the agreed assumptions were used in that valuation.
- We tested significant inputs into the actuarial valuation by obtaining confirmation of scheme asset valuations from the custodian and testing a sample of member data back to payroll records.

Our application of materiality

The materiality for the Group financial statements as a whole was set at £409,000. This has been determined with reference to the benchmark of the Group's revenue and represents 1% of Group revenue as presented in the Group income statement. In determining the level of testing to be performed during our audit work, we applied performance materiality of £368,000.

Report of the Independent Auditor continued

to the members of Tandem Group plc

The materiality for the parent Company financial statements as a whole was set at £206,000. This has been determined with reference to the parent Company's net assets and represents 1.5% of net assets as presented on the face of the parent Company's Balance sheet. In determining the level of testing to be performed during our audit work, we applied performance materiality of £185,000.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's cash flow forecasts for a period of 12 months from the date of approval of these financial statements;
- applying reasonable "worst case" sensitivities to management's forecasts and assessing remaining cash headroom within those scenarios; and
- reviewing results post year end to the date of approval of these financial statements and assessment against original budgets.

From our work we noted that the Group has significant cash balances and forecasts support the directors' assessment that the Group will continue to be able to meet its liabilities as they fall due.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom, and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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

Use of our report

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

Katharine Warrington (Senior Statutory Auditor)
for and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

28 March 2022

Consolidated income statement

		31 December 2021			31 December 2020 (restated)		
	Note	Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000	Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000
Revenue	3	**40,917**	**–**	**40,917**	37,056	–	37,056
Cost of sales		**(28,866)**	**–**	**(28,866)**	(26,038)	–	(26,038)
Gross profit		**12,051**	**–**	**12,051**	11,018	–	11,018
Operating expenses	3	**(7,112)**	**–**	**(7,112)**	(6,923)	–	(6,923)
Operating profit		**4,939**	**–**	**4,939**	4,095	–	4,095
Finance costs	4	**(80)**	**(127)**	**(207)**	(65)	(26)	(91)
Profit before taxation		**4,859**	**(127)**	**4,732**	4,030	(26)	4,004
Tax expense	6	**(531)**	**(375)**	**(906)**	(403)	(143)	(546)
Net profit for the year		**4,328**	**(502)**	**3,826**	3,627	(169)	3,458
Earnings per share	7			**Pence**			Pence
Basic				**73.8**			68.5
Diluted				**70.1**			64.7

Consolidated statement of comprehensive income

	31 December 2021 £'000	31 December 2020 £'000
Net profit for the year	**3,826**	3,458
Other comprehensive income:		
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations	**6**	(28)
Forward foreign exchange contracts	**236**	(410)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of property, plant and equipment	**–**	1,141
Actuarial gain/(loss) on pension schemes	**1,648**	(1,982)
Movement in pension schemes' deferred tax provision	**248**	474
Other comprehensive profit/(loss) for the year, net of tax	**2,138**	(805)
Total comprehensive income for the year attributable to equity shareholders	**5,964**	2,653

All figures relate to continuing operations.

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

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Consolidated balance sheet

	Note	31 December 2021 £'000	31 December 2020 £'000
Non current assets			
Intangible fixed assets	8	**5,454**	5,481
Property, plant and equipment	9	**7,775**	4,624
Deferred taxation	16	**1,323**	1,761
		14,552	11,866
Current assets			
Inventories	10	**8,064**	4,512
Trade and other receivables	11	**10,243**	9,971
Derivative financial asset held at fair value	15	**225**	–
Cash and cash equivalents	12	**6,367**	6,076
		24,899	20,559
Total assets		**39,451**	32,425
Current liabilities			
Trade and other payables	13	**(10,333)**	(8,952)
Borrowings	14	**(2,010)**	(1,562)
Derivative financial liability held at fair value	15	**–**	(410)
Current tax liabilities	15	**(252)**	(1)
		(12,595)	(10,925)
Non current liabilities			
Borrowings	14	**(2,031)**	(735)
Pension schemes' deficit	17	**(2,086)**	(4,157)
		(4,117)	(4,892)
Total liabilities		**(16,712)**	(15,817)
Net assets		**22,739**	16,608
Equity			
Share capital	18	**1,503**	1,503
Shares held in treasury	18	**(192)**	(240)
Share premium		**474**	315
Other reserves		**4,964**	4,323
Profit and loss account		**15,990**	10,707
Total equity		**22,739**	16,608

The financial statements were approved by the Board on 28 March 2022 and signed on its behalf by:

S J Grant
Director

J C Shears
Director

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

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Consolidated statement of changes in equity

	Share capital £'000	Shares held in treasury £'000	Share premium £'000	Cash flow hedge reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	1,503	(247)	286	–	1,036	1,427	530	627	9,149	14,311
Net profit for the year	–	–	–	–	–	–	–	–	3,458	3,458
Re-translation of overseas subsidiaries	–	–	–	–	–	–	–	(28)	–	(28)
Revaluation of property, plant and equipment	–	–	–	–	–	–	1,141	–	–	1,141
Forward contracts	–	–	–	(410)	–	–	–	–	–	(410)
Net actuarial loss on pension schemes	–	–	–	–	–	–	–	–	(1,508)	(1,508)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	(410)	–	–	1,141	(28)	1,950	2,653
Exercise of share options	–	7	29	–	–	–	–	–	–	36
Share based payments	–	–	–	–	–	–	–	–	19	19
Dividends paid	–	–	–	–	–	–	–	–	(411)	(411)
Total transactions with owners	–	7	29	–	–	–	–	–	(392)	(356)
At 1 January 2021	1,503	(240)	315	(410)	1,036	1,427	1,671	599	10,707	16,608
Net profit for the year	–	–	–	–	–	–	–	–	3,826	3,826
Re-translation of overseas subsidiaries	–	–	–	–	–	–	–	6	–	6
Forward contracts	–	–	–	236	–	–	–	–	–	236
Net actuarial gain on pension schemes	–	–	–	–	–	–	–	–	1,896	1,896
Total comprehensive income for the year attributable to equity shareholders	–	–	–	236	–	–	–	6	5,722	5,964
Share based payments	–	–	–	–	–	–	–	–	33	33
Reclassified to cost of inventory	–	–	–	399	–	–	–	–	–	399
Exercise of share options	–	48	159	–	–	–	–	–	–	207
Dividends paid	–	–	–	–	–	–	–	–	(472)	(472)
Total transactions with owners	–	48	159	399	–	–	–	–	(439)	167
At 31 December 2021	**1,503**	**(192)**	**474**	**225**	**1,036**	**1,427**	**1,671**	**605**	**15,990**	**22,739**

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

The cash flow hedge reserve comprises of gains and losses arising on the effective portion of hedging instruments and is carried at fair value in a qualifying cash flow hedge.

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

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

The capital redemption reserve and the translation reserve 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 2021 £'000	31 December 2020 £'000
Cash flows from operating activities		
Net profit for the year	**3,826**	3,458
Adjustments:		
Depreciation of property, plant and equipment	**230**	245
Amortisation of intangible fixed assets	**30**	65
Profit on sale of property, plant and equipment	**–**	(1)
Contribution to defined benefit pension plans	**(550)**	(437)
Finance costs	**207**	91
Tax expense	**906**	546
Share based payments	**33**	19
Net cash flow from operating activities before movements in working capital	**4,682**	3,986
Change in inventories	**(3,552)**	197
Change in trade and other receivables	**(272)**	(4,528)
Change in trade and other payables	**1,381**	3,445
Cash generated from operations	**2,239**	3,100
Interest paid	**(80)**	(65)
Tax received / (paid)	**31**	(558)
Net cash flows from operating activities	**2,190**	2,477
Cash flows from investing activities		
Purchases of intangible fixed assets	**(3)**	(4)
Purchases of property, plant and equipment	**(3,386)**	(72)
Sale of property, plant and equipment	**5**	27
Net cash flows from investing activities	**(3,384)**	(49)
Cash flows from financing activities		
New loans / Loan repayments	**1,463**	(314)
Finance lease repayments	**(199)**	(80)
Movement in invoice financing	**480**	(592)
Exercise of share options	**207**	36
Dividends paid	**(472)**	(411)
Net cash flows from financing activities	**1,479**	(1,361)
Net change in cash and cash equivalents	**285**	1,067
Cash and cash equivalents at beginning of year	**6,076**	5,037
Effect of foreign exchange rate changes	**6**	(28)
Cash and cash equivalents at end of year	**6,367**	6,076

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

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Notes to the Consolidated 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 8.

The financial statements for the year ended 31 December 2021 (including the comparatives for the year ended 31 December 2020) were approved by the Board of Directors on 28 March 2022.

The Group does not have an ultimate controlling party.

2. Accounting policies

Non-underlying items

Non-underlying items are material items which arise from unusual non-recurring or non-trading events. They are disclosed in aggregate in the Consolidated income statement where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. Non-underlying items comprise the finance cost related to the Group's pension schemes calculated in accordance with IAS19 and the impact of the movement of the ineffective proportion of the hedge.

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, except for the reallocation of carriage outwards from operating expenses to cost of sales as referred to in note 3.

Overall considerations

The consolidated financial statements have been prepared using the measurement bases specified by International Financial Reporting Standards as adopted by the UK 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 24.

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.

Rental income is recognised in the consolidated income statement on a straight line basis over the term of the lease.

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2. Accounting policies continued

Business combinations and goodwill

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

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

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

Contingent consideration

Where an acquisition is subject to deferred or contingent consideration it is recorded as part of the cost of the investment at the net present value of future expected cash flows. Future expected cash flows 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 Consolidated 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 asset is then amortised over the economic life of the asset as detailed below.

Brands

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

Other intangible assets

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

Impairment

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

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

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

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

Property, plant and equipment

Freehold property is held under the revaluation model, whereby it is revalued periodically and held at its revalued amount. 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
Assets under the course of construction	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.

Governance

Financials

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Notes to the Consolidated financial statements continued

2. Accounting policies continued

Segment reporting

Due to the integration of a number of functions across the Group it is not possible to accurately report operating segments in full, however for the year ended 31 December 2021, turnover has been analysed into four key segments being Toys, Sports & Leisure, eMobility, Bicycles and Home & Garden.

Leases

Under IFRS 16 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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.

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.

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2. Accounting policies continued

Forward exchange contracts may be financial assets held at fair value.

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 cash flow hedge reserve was created following the adoption of hedge accounting.

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

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

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

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

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

Forward exchange contracts may also be financial liabilities held at fair value in accordance with the policy below.

Foreign exchange forward and option contracts

The Group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations, 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.

Such derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The effective portion of changes in the fair value which are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated income statement as a finance cost.

Amounts accumulated in equity are reclassified to the Consolidated income statement in the periods when the hedged item affects profit or loss, matching when the hedged transaction occurs.

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Notes to the Consolidated financial statements continued

2. Accounting policies continued

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in finance costs within the Consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated income statement.

The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Significant accounting estimates and judgements

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

Key areas of estimation uncertainty

Impairment of goodwill

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

Financial instruments valuation

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

Pension scheme valuation

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

Inventory provisioning

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

Bad debt provision

At each reporting period, the Directors review outstanding debts and determine appropriate provision levels. The recovery of certain debts is dependent on the individual circumstances of customers. As disclosed in note 11 there are a number of debts which remain outstanding past their due date, which the Directors believe to be recoverable.

Intangible asset valuation

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

Going Concern

The accounts are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Group has significant cash reserves and the Board continually monitor a rolling cashflow forecast for the business as a whole. The construction of the new warehouse will be financed by a mix of cash and new facilities. Given the Group's low fixed cost base and the facilities available to it, the Board therefore considers the Group will continue to be able to meet its liabilities as they fall due.

On that basis, the Directors are confident that they will be able to manage the business in such a way that it will continue to operate and trade for at least 12 months from the date of the signing of the accounts and have therefore prepared these financial statements on a going concern basis.

Freehold property revaluation

In ascertaining an accurate estimate of the value of freehold property, the Directors utilise the latest professional valuation conducted along with available information on local property value movements since the valuation date.

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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.

Cash flow hedging

In determining the proportion of forward foreign exchange contracts that are effective hedges against currency fluctuations, the Directors produce detailed forward forecasts to carefully determine the requirements of a particular foreign currency to match future planned supplier payments.

Standards and interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS Practice Statement 2 Making Materiality Judgements
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IAS 12 Income Taxes

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Segmental analysis and Operating expenses

Segmental analysis

Due to the integration of a number of functions across the Group it is not possible to accurately report operating segments in full, however for the year ended 31 December 2021, turnover has been analysed into four key segments being Toys, Sports & Leisure, eMobility, Bicycles and Home & Garden.

	31 December 2021 £'000	31 December 2020 £'000
Toys, Sports & Leisure	**16,492**	14,372
eMobility	**6,990**	4,493
Bicycles	**10,191**	11,576
Home & Garden	**7,244**	6,615
	40,917	37,056

Operating expenses

	31 December 2021 £'000	31 December 2020 (restated) £'000
Distribution costs	**4,813**	3,613
Administrative expenses	**2,299**	3,310
Total operating expenses as shown in the Consolidated income statement	**7,112**	6,923
The operating expenses disclosed above include the following charges/(credits):		
Employee benefits expense (note 5)	**3,910**	3,706
Depreciation – owned assets	**112**	98
Depreciation – right of use assets	**118**	147
Profit on sale of tangible fixed assets	**–**	(1)
Intangible amortisation	**30**	65
Operating lease costs	**147**	149
Other expenses	**2,795**	2,759
	7,112	6,923

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Notes to the Consolidated financial statements continued

3. Segmental analysis and Operating expenses continued

Carriage outward costs of £1,105,000 have been included in cost of sales for the year ended 31 December 2021. The comparative year has also been restated to reflect the same for costs of £1,174,000.

Auditor's remuneration in the capacity as auditor of the parent Company was £3,000 (year ended 31 December 2020 – £3,000) and in the capacity as auditor of the subsidiary companies was £45,000 (year ended 31 December 2020 – £44,000). Non audit remuneration in respect of tax compliance services totalled £13,000 (year ended 31 December 2020 – £13,000).

Rental income received of £423,000 in the year ended 31 December 2021 has been offset against rent paid in administrative expenses (year ended 31 December 2020 - £350,000).

4. Finance costs

	31 December 2021 £'000	31 December 2020 £'000
Interest payable on bank loans, overdrafts and invoice finance facilities	**63**	26
Interest payable on lease arrangements	**17**	39
Expected return on pension scheme assets less interest on liabilities	**127**	132
Fair value adjustment in respect of derivative financial liabilities held at fair value through profit and loss	**–**	(106)
Total finance costs	**207**	91

5. Directors´ and employees´ remuneration

Employee benefits expense

	31 December 2021 £'000	31 December 2020 £'000
Wages and salaries	**3,402**	3,168
Social security costs	**319**	296
Share-based employee remuneration	**33**	19
Pension scheme contributions – defined contribution schemes	**156**	223
	3,910	3,706

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

	Number	Number
Selling and distribution	**40**	38
Management and administration	**38**	38
	78	76

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5. Directors´ and employees´ remuneration continued

Directors´ remuneration

	31 December 2021					31 December 2020
	Salary/Fee £'000	Performance bonus £'000	Benefits in kind £'000	Pension contribution £'000	Total £'000	Total £'000
M P J Keene	–	–	–	–	–	31
S J Grant	53	–	2	–	55	220
J C Shears	176	97	5	1	279	257
P Ratcliffe	161	90	7	15	273	269
P Kimberley (appointed 8 November 2021)	3	–	–	–	3	–-
A Q Bestwick	–	–	–	–	–	21
M A Taylor	23	–	–	–	23	21
J E Barratt (resigned 1 June 2021)	9	–	–	–	9	6
	425	187	14	16	642	825

In addition to the above the total charge for Employer's National Insurance for the period was £126,000 (year ended 31 December 2020 – £99,000).

During the year and in the previous year the Group contributed to defined contribution pension schemes for J C Shears and P Ratcliffe.

The share based remuneration charge was £20,000 (year ended 31 December 2020 – £13,000) of which £4,000 (year ended 31 December 2020 – £5,000) related to S J Grant, £9,000 (year ended 31 December 2020 – £4,000) related to J C Shears and £7,000 (year ended 31 December 2020 – £4,000) related to P Ratcliffe.

Key management personnel

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

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Notes to the Consolidated financial statements continued

5. Directors´ and employees´ remuneration continued

Share based employee remuneration

The following options were held at 31 December 2021 under the Group's share option schemes:

Number of shares	1 January 2021	Granted during year	Exercised/ lapsed during year	**31 December 2021**	Option price per 25p ordinary share	Exercise period
2007 and 2019 Employee Share Option Schemes						
Directors						
S J Grant	27,475	–	(27,475)	**–**	107.0p	31/01/14–14/06/21
	22,525	–	(22,525)	**–**	79.0p	31/12/15–29/10/23
	75,000	–	–	**75,000**	127.5p	31/12/18–20/04/26
	50,000	–	–	**50,000**	190.0p	31/12/21–24/05/29
J C Shears	22,500	–	(22,500)	**–**	107.0p	31/01/14–14/06/21
	53,222	–	(53,222)	**–**	127.5p	31/12/18–20/04/26
	44,278	–	–	**44,278**	190.0p	31/12/21–24/05/29
	–	24,000	–	**24,000**	665.0p	31/12/23–28/04/31
P Ratcliffe	14,000	–	(14,000)	**–**	107.0p	31/01/14–14/06/21
	17,103	–	(17,103)	**–**	79.0p	31/12/15–29/10/23
	58,897	–	–	**58,897**	127.5p	31/12/18–20/04/26
	45,000	–	–	**45,000**	190.0p	31/12/21–24/05/29
	–	13,000	–	**13,000**	665.0p	31/12/23–28/04/31
Other employees	23,400	–	(23,400)	**–**	107.0p	31/01/14–14/06/21
	15,400	–	(15,400)	**–**	127.5p	31/12/18–20/04/26
	103,200	–	–	**103,200**	190.0p	31/12/21–24/05/29
	–	40,000	–	**40,000**	665.0p	31/12/23–28/04/31
	572,000	77,000	(195,625)	**453,375**		

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

	31 December 2021			31 December 2020		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2014 (up to 2021)	**–**	**107.00**	**–**	87,375	107.0	0.5
2015 (up to 2023)	**–**	**79.00**	**1.8**	39,628	79.0	2.8
2018 (up to 2026)	**133,897**	**127.50**	**4.3**	202,519	127.5	5.3
2021 (up to 2029)	**242,478**	**190.00**	**7.4**	242,478	190.0	8.4
2023 (up to 2031)	**77,000**	**665.00**	**9.3**	–	–	–
	453,375			572,000		

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5. Directors' and employees' remuneration continued

The ordinary share mid-market price on 31 December 2021 was 575.0p (31 December 2020 – 515.0p). During the period, the highest mid-market price was 705.0p (31 December 2020 – 585.0p) and the lowest was 470.0p (31 December 2020 – 115.0p). The weighted average exercise price of the options in issue was 252.2p (31 December 2020 – 147.5p).

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

- exercise prices of 79.0p (31 December 2020 – 79.0p) to 665.0p (31 December 2020 – 190.0p);
- 44.7% (31 December 2020 – 37.3%) to 62.5% (31 December 2020 – 45.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2020 – 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 2.30% to 4.03%.

In total, £33,000 (31 December 2020 – £19,000) of share-based employee remuneration has been included in the Consolidated income statement.

6. Tax expense

The relationship between the expected tax expense at 19% (year ended 31 December 2020 – 19%) and the actual tax expense recognised in the Consolidated income statement can be reconciled as follows:

	31 December 2021		31 December 2020	
	£'000	**%**	£'000	%
Profit before taxation	**4,732**		4,004	
Tax rate	**19%**		19%	
Expected tax expense	**899**	**19.0%**	761	19.0%
Expenses not deductible for tax purposes	**25**	**0.5%**	16	0.4%
Fixed asset timing differences	**9**	**0.2%**	8	0.2%
Movement in unrecognised deferred tax asset	**(122)**	**(2.6)%**	(162)	(4.0)%
Deferred tax charged to the Consolidated statement of comprehensive income	**248**	**5.2%**	474	11.8%
Amounts charged/(credited) directly to equity or otherwise transferred	**313**	**6.6%**	(336)	(8.4)%
Foreign tax suffered	**5**	**0.1%**	(57)	(1.4)%
Remeasurement of deferred tax for changes in tax rates	**(471)**	**(10.0)%**	(114)	(2.8)%
Adjustments in respect of prior periods	**-**	**0.0%**	(44)	(1.1)%
Actual tax expense	**906**	**19.1%**	546	13.6%
Actual tax expense comprises:				
Current tax expense/(credit)	**220**		(98)	
Deferred expense	**686**		644	
	906		546	

At 31 December 2021 there are trading losses and loan relationship deficits of approximately £3,889,000 (31 December 2020 – £7,350,000) available for carry forward against future profits of the same trade.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates of 25% at 31 December 2021 (19% at 31 December 2020) and reflected in these financial statements.

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Notes to the Consolidated financial statements continued

7. Earnings per share

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

	31 December 2021 £'000	31 December 2020 £'000
Net profit for the year	**3,826**	3,458
Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share	**5,187,776**	5,048,453
Weighted average dilutive shares under option	**267,988**	296,085
Average number of shares used for diluted earnings per share	**5,455,764**	5,344,538

	Pence	Pence
Basic earnings per share	**73.8**	68.5
Diluted earnings per share	**70.1**	64.7

8. Intangible fixed assets

	Goodwill £'000	Software £'000	Brand names £'000	Total £'000
Gross carrying amount				
At 1 January 2020	10,109	125	441	10,675
Additions	–	4	–	4
At 1 January 2021	10,109	129	441	10,679
Additions	–	3	–	3
At 31 December 2021	**10,109**	**132**	**441**	**10,682**
Amortisation				
At 1 January 2020	4,957	76	100	5,133
Provided in the year	–	44	21	65
At 1 January 2021	4,957	120	121	5,198
Provided in the year	–	9	21	30
At 31 December 2021	**4,957**	**129**	**142**	**5,228**
Net book value				
At 31 December 2021	**5,152**	**3**	**299**	**5,454**
At 31 December 2020	5,152	9	320	5,481

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

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8. Intangible fixed assets continued

Goodwill above relates to the following cash generating units:

	Date of acquisition	Goodwill on acquisition £'000	Carrying value of goodwill £'000
Pot Black	28 September 2000	1,906	965
Dawes Cycles	26 June 2001	895	695
Ben Sayers	25 February 2002	715	576
Pro Rider	01 August 2014	1,695	1,695
ESC	01 September 2015	1,221	1,221
Others (fully impaired)		3,677	–
		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 10.34%, 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.

The Directors have considered sensitivities in respect of the goodwill impairment calculation. If the sales growth rate were assumed to be £nil, no provision for impairment would be required with the exception of Pot Black and Pro Rider. If the sales growth rate was £nil for Pot Black, any impairment would be immaterial to the Group's results, whereas a provision of £0.6m would be required against Pro Rider. In the Directors opinion, no impairment is required in respect of these two CGUs as there is sufficient evidence to support the growth assumptions used for these CGUs in the Group's impairment model.

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

Notes to the Consolidated financial statements continued

9. Property, plant and equipment

	Assets in the course of construction £'000	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 2020	–	3,150	659	83	1,762	5,654
Additions	10	–	92	30	32	164
Revaluation	–	1,050	–	–	–	1,050
Disposals	–	–	–	(49)	–	(49)
Foreign exchange adjustments	–	–	(2)	–	(4)	(6)
At 1 January 2021	10	4,200	749	64	1,790	6,813
Additions	3,250	–	–	25	111	3,386
Disposals	–	–	–	(9)	–	(9)
Foreign exchange adjustments	–	–	1	–	1	2
At 31 December 2021	**3,260**	**4,200**	**750**	**80**	**1,902**	**10,192**
Depreciation						
At 1 January 2020	–	64	466	30	1,504	2,064
Provided in the year	–	34	142	18	51	245
Revaluation	–	(91)	–	–	–	(91)
Eliminated on disposals		–	–	(23)	–	(23)
Foreign exchange adjustments	–	–	(2)	–	(4)	(6)
At 1 January 2021	–	7	606	25	1,551	2,189
Provided in the year	–	43	114	22	51	230
Eliminated on disposals	–	–	–	(4)	–	(4)
Foreign exchange adjustments	–	–	1	–	1	2
At 31 December 2021	**–**	**50**	**721**	**43**	**1,603**	**2,417**
Net book value						
At 31 December 2021	**3,260**	**4,150**	**29**	**37**	**299**	**7,775**
At 31 December 2020	10	4,193	143	39	239	4,624

A valuation of the property was carried out by CBRE Limited in October 2020 in accordance with the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book") current as at the valuation date. The value placed on the property at that date was £4,200,000. The Directors of the Company consider this to materially represent the fair value at 31 December 2021.

The net book value of right of use assets held under leasing arrangements was £173,000 (31 December 2020 – £291,000).

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

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10. Inventories

	31 December 2021 £'000	31 December 2020 £'000
Finished goods for resale	**8,064**	4,512

Cost of sales includes material costs of £25,281,000 (year ended 31 December 2020 – £21,987,000), carriage costs of £1,105,000 (year ended 31 December 2020 – £1,174,000) and other costs of £2,480,000 (year ended 31 December 2020 – £2,877,000).

11. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Amounts falling due within one year:		
Trade receivables	**7,549**	6,658
Prepayments and accrued income	**244**	201
Other receivables	**2,450**	3,112
	10,243	9,971

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

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

All of the Group's trade and other receivables have been reviewed for expected credit loss and a loss allowance of £17,000 (year ended 31 December 2020 – £21,000) has been made. The movement in the loss allowance can be reconciled as follows:

	31 December 2021 £'000	31 December 2020 £'000
Amounts brought forward	**21**	25
Amounts written off	**(4)**	(13)
Loss allowance charge	**–**	9
At year end	**17**	21

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

	31 December 2021 £'000	31 December 2020 £'000
Not past due	**6,093**	5,424
Past due 0 – 90 days	**1,456**	1,234
Past due 91 – 180 days	**–**	–
	7,549	6,658

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Notes to the Consolidated financial statements continued

12. Cash and cash equivalents

	31 December 2021 £'000	31 December 2020 £'000
Cash and cash equivalents per Consolidated cash flow statement	**6,367**	6,076

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

13. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Amounts falling due within one year:		
Trade payables	**(6,815)**	(5,835)
Taxation and social security	**(547)**	(276)
Other payables	**(2,971)**	(2,841)
	(10,333)	(8,952)

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

14. Borrowings

	31 December 2021 £'000	31 December 2020 £'000
Invoice finance liability	**(1,737)**	(1,257)
Current borrowings with contractual maturities in less than one year		
– other borrowings	**(219)**	(86)
– assets held under leasing arrangements	**(54)**	(219)
Total current borrowings	**(2,010)**	(1,562)
Non current borrowings with contractual maturities one to two years		
– other borrowings	**(284)**	(407)
– assets held under leasing arrangements	**–**	(34)
Non current borrowings with contractual maturities between two to five years		
– other borrowings	**(1,747)**	(294)
Total non current borrowings	**(2,031)**	(735)
Total borrowings	**(4,041)**	(2,297)

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 and assets under construction of the Group to which it relates.

Lease liabilities are secured on the assets to which the liabilities relate.

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15. Financial assets and liabilities

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

	31 December 2021 Loans and receivables £'000	31 December 2021 Financial assets held at fair value through profit and loss £'000	31 December 2021 Assets not within the scope of IFRS9 £'000	31 December 2021 Total £'000	31 December 2020 Loans and receivables £'000	31 December 2020 Financial assets held at fair value through profit and loss £'000	31 December 2020 Assets not within the scope of IFRS9 £'000	31 December 2020 Total £'000
Cash and cash equivalents:								
Sterling	**4,236**	**–**	**–**	**4,236**	5,274	–	–	5,274
US Dollars	**2,053**	**–**	**–**	**2,053**	692	–	–	692
Euro	**47**	**–**	**–**	**47**	92	–	–	92
Others	**31**	**–**	**–**	**31**	18	–	–	18
	6,367	**–**	**–**	**6,367**	6,076	–	–	6,076
Foreign exchange derivatives	**–**	**225**	**–**	**225**	–	–	–	–
Trade and other receivables	**9,999**	**–**	**244**	**10,243**	9,770	–	201	9,971
Inventories	**–**	**–**	**8,064**	**8,064**	–	–	4,512	4,512
Current assets	**16,366**	**225**	**8,308**	**24,899**	15,846	–	4,713	20,559

The financial liabilities of the Group comprised:

	31 December 2021 Other financial liabilities at amortised cost £'000	31 December 2021 Financial liabilities held at fair value through profit and loss £'000	31 December 2021 Liabilities not within the scope of IFRS9 £'000	31 December 2021 Total £'000	31 December 2020 Other financial liabilities at amortised cost £'000	31 December 2020 Financial liabilities held at fair value through profit and loss £'000	31 December 2020 Liabilities not within the scope of IFRS9 £'000	31 December 2020 Total £'000
Trade and other payables	**(9,786)**	**–**	**(547)**	**(10,333)**	(8,676)	–	(276)	(8,952)
Invoice finance liability	**(1,737)**	**–**	**–**	**(1,737)**	(1,257)	–	–	(1,257)
Current borrowings	**(219)**	**–**	**–**	**(219)**	(86)	–	–	(86)
Assets held under leasing arrangements	**(54)**	**–**	**–**	**(54)**	(219)	–	–	(219)
Foreign exchange derivatives	**–**	**–**	**–**	**–**	–	(410)	–	(410)
Current tax liabilities	**–**	**–**	**(252)**	**(252)**	–	–	(1)	(1)
Current liabilities	**(11,796)**	**–**	**(799)**	**(12,595)**	(10,238)	(410)	(277)	(10,925)
Non current liabilities	**(2,031)**	**–**	**–**	**(2,031)**	(735)	–	–	(735)

15. Financial assets and liabilities continued

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

Interest rate risk

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

Liquidity risk

Liquidity risk is managed centrally on a Group basis. Bank and invoice finance facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and capital expenditure. The Group has an overdraft facility and invoicing financing facility which are due for renewal in October 2022 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 and are formally designated as such.

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

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

	31 December 2021				31 December 2020			
	USD £'000	**GBP £'000**	**Other £'000**	**Total £'000**	USD £'000	GBP £'000	Other £'000	Total £'000
Current assets	**2,053**	**22,768**	**78**	**24,899**	692	19,756	111	20,559
Current liabilities	**(3,304)**	**(9,279)**	**(12)**	**(12,595)**	(3,757)	(7,184)	16	(10,925)
Total exposure	**(1,251)**	**13,489**	**66**	**12,304**	(3,065)	12,572	127	9,634

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 £225,000 at 31 December 2021 (year ended 31 December 2020 – £410,000) are financial instruments held at fair value and are disclosed as an asset (year ended 31 December 2020 – liability) at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2021. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2021 or 2020.

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15. Financial assets and liabilities continued

Measurement of financial instruments

The Group has relied upon valuations performed by a 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 brand assets held by the Group, as disclosed in note 8, are classified as Level 3 within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2021. The fair value of the intangibles as at 31 December 2021 are included in the Consolidated balance sheet as £299,000 (year ended 31 December 2020 – £320,000).

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 10.34%.

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

16. Deferred taxation

	31 December 2019 £'000	Movement in the year £'000	31 December 2020 £'000	Movement in the year £'000	**31 December 2021 £'000**
Provided					
Pension obligations	(455)	(331)	(786)	127	**(659)**
Property, plant and equipment	(216)	-	(216)	24	**(192)**
Short term temporary differences	–	-	-	5	**5**
Unused tax losses	(1,260)	501	(759)	282	**(477)**
Total	(1,931)	170	(1,761)	438	**(1,323)**
Presented as:					
Deferred tax asset	(1,931)	170	(1,761)	438	**(1,323)**
Unprovided					
Property, plant and equipment	–	(22)	(22)	15	**(7)**
Short term temporary differences	(2)	(19)	(21)	(14)	**(35)**
Unused tax losses	(605)	(54)	(659)	164	**(495)**
Capital losses	(1,133)	67	(1,066)	(339)	**(1,405)**
ACT	(89)	–	(89)	(42)	**(131)**
Total	(1,829)	(28)	(1,857)	(216)	**(2,073)**

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.

Unprovided capital losses is net of the notional gain realised on revaluation.

Of the deferred tax movement in the year, a decrease of £438,000 (31 December 2020 – £170,000), and a charge of £686,000 (31 December 2020 – £644,000) has been recognised in the Consolidated income statement and a credit of £248,000 (31 December 2020 – £474,000) in other comprehensive income.

Notes to the Consolidated financial statements continued

17. Pension scheme arrangements

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

For both funded 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 2019.

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

	31 December 2021 £'000	31 December 2020 £'000
Defined benefit obligation at the beginning of the year	**10,704**	9,608
Interest cost	**167**	212
Actuarial (gain)/loss due to scheme experience	**(169)**	806
Actuarial loss due to changes in demographic assumptions	**–**	50
Actuarial (gain)/loss due to changes in financial assumptions	**(495)**	785
Benefits paid	**(628)**	(757)
Defined benefit obligation at the end of the year	**9,579**	10,704

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

	31 December 2021	31 December 2020
Discount rate	**2.10%**	1.60%
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	**4.05%**	2.85%
Mortality assumption table	**S3PxA (YOB)**	S3PxA (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 now aged 65	19.4
Female now aged 65	21.8
Male now aged 45	20.1
Female now aged 45	22.7

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17. Pension scheme arrangements continued

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

	31 December 2021 £'000	31 December 2020 £'000
Fair value of scheme assets at the beginning of the year	**6,763**	6,917
Interest income	**55**	96
Return on plan assets	**293**	171
Contributions	**449**	336
Benefits paid	**(628)**	(757)
Fair value of scheme assets at the end of the year	**6,932**	6,763

The value of assets in the scheme were:

	31 December 2021 £'000	31 December 2020 £'000
Equities	**1,389**	1,545
Property	**1,233**	1,074
Alternatives	**261**	987
Gilts	**1,074**	678
Corporate Bonds	**2,595**	2,147
Cash and other	**380**	332
Total fair value of assets	**6,932**	6,763

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 assets other than real estate properties have quoted prices in active markets (Level one). Fair values of real estate properties do not have quoted prices and have been determined based on professional appraisals that would be classed as Level three of the fair value hierarchy as defined in IFRS13 'Fair value measurements'.

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

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.5% per annum	Increase by 6.0%
Inflation	Increase of 0.5% per annum	Increase by 0.4%
Rate of mortality	Increase in life expectancy by 1 year	Increase by 4.8%

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 2021 is 11 years.

Notes to the Consolidated financial statements continued

17. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2021 £'000	31 December 2020 £'000
Deficit at the beginning of the year	(3,941)	(2,691)
Movement in year:		
Contributions	449	336
Finance cost	(112)	(116)
Actuarial gain/(loss)	957	(1,470)
Deficit at the end of the year	(2,647)	(3,941)
Related deferred tax asset	659	746
Net deficit at the end of the year	(1,988)	(3,195)

The expected contributions in the year ending 31 December 2022 are £352,000 in accordance with the agreed schedule of contributions. Subject to the final 2021 dividend being approved by shareholders at the Company's Annual General Meeting an additional contribution of approximately £175,000 will be paid to the scheme. The trustees and employer have agreed a schedule of contributions covering the period to December 2029.

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

	31 December 2021 £'000	31 December 2020 £'000
Net interest cost	112	116
Defined benefit costs recognised in profit or loss	112	116

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

	31 December 2021 £'000	31 December 2020 £'000
Return on plan assets (excluding amounts included in net interest cost)	293	171
Experience gain/(loss) arising on the defined benefit obligation	169	(806)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	–	(50)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	495	(785)
Total actuarial gains and losses and total amount recognised in other comprehensive income – gain/(loss)	957	(1,470)

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.

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 2019.

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17. Pension scheme arrangements continued

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

	31 December 2021 £'000	31 December 2020 £'000
Defined benefit obligation at the beginning of the year	**3,209**	2,997
Interest cost	**47**	66
Actuarial (gain)/loss due to scheme experience	**(72)**	144
Actuarial loss due to changes in demographic assumptions	**–**	15
Actuarial (gain)/loss due to changes in financial assumptions	**(55)**	237
Benefits paid	**(473)**	(250)
Defined benefit obligation at the end of the year	**2,656**	3,209

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

	31 December 2021	31 December 2020
Discount rate	**2.10%**	1.60%
Increase in pensionable salaries*	**–%**	–%
Increase in pensions in payment	**–%**	–%
Increase in deferred pensions	**3.75%**	2.90%
Inflation assumption	**3.65% to 3.70%**	2.90% to 3.20%
Mortality assumption table	**S3PxA(YOB)**	S3PxA(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 now aged 65	19.4
Female now aged 65	21.8
Male now aged 45	20.1
Female now aged 45	22.7

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

	31 December 2021 £'000	31 December 2020 £'000
Fair value of scheme assets at the beginning of the year	**2,993**	3,208
Interest income	**32**	50
Return on plan assets	**564**	(116)
Contributions	**101**	101
Benefits paid	**(473)**	(250)
Fair value of scheme assets at the end of the year	**3,217**	2,993

Notes to the Consolidated financial statements continued

17. Pension scheme arrangements continued

The value of assets in the scheme were:

	31 December 2021 £'000	31 December 2020 £'000
Equities	**1,806**	1,611
Property	**382**	382
Gilts	**55**	117
Corporate Bonds	**760**	526
Cash and other	**214**	357
Total fair value of assets	**3,217**	2,993

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

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

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.5% per annum	Increase by 6.0%
Rate of inflation	Increase of 0.5% per annum	Increase by 3.5%
Rate of mortality	Increase in life expectancy by 1 year	Increase by 3.5%

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

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

The average duration of the defined benefit obligation at 31 December 2021 is 15 years.

The reconciliation of movements in the year were as follows:

	31 December 2021 £'000	31 December 2020 £'000
Deficit at the beginning of the year	**(216)**	211
Movement in year:		
Contributions	**101**	101
Finance cost	**(15)**	(16)
Actuarial gain/(loss)	**691**	(512)
Surplus/(deficit) at the end of the year	**561**	(216)
Related deferred tax asset	**–**	40
Net surplus/(deficit) at the end of the year	**561**	(176)

The expected contributions in the year ending 31 December 2022 are £101,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to April 2028.

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17. Pension scheme arrangements continued

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

	31 December 2021 £'000	31 December 2020 £'000
Net interest cost	15	16
Defined benefit costs recognised in profit or loss	15	16

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

	31 December 2021 £'000	31 December 2020 £'000
Return on plan assets (excluding amounts included in net interest cost)	564	(116)
Experience gain/(loss) arising on the defined benefit obligation	72	(144)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	–	(15)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	55	(237)
Total actuarial gains and losses and total amount recognised in other comprehensive income – gain/(loss)	**691**	(512)

Group pension scheme deficit

	31 December 2021 £'000	31 December 2020 £'000
Deficit		
The Tandem Group Pension Plan	(2,647)	(3,941)
The Casket Group Retirement and Death Benefit Scheme	561	(216)
	(2,086)	(4,157)
Related deferred tax asset		
The Tandem Group Pension Plan	659	746
The Casket Group Retirement and Death Benefit Scheme	–	40
Net deficit at the end of the year	**(1,427)**	(3,371)

The amounts recognised in the Consolidated statement of comprehensive income in the year ended 31 December 2021 are a gain of £957,000 in respect of the Tandem Group Pension Plan and a gain of £691,000 in respect of the Casket Group Retirement and Death Benefit Scheme. The net cumulative actuarial loss taken directly to the Consolidated statement of comprehensive income since the date of transition to IFRS on 1 February 2006 is £3,321,000 net of deferred tax 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.

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Notes to the Consolidated financial statements continued

18. Equity

	Number of shares	£'000
Allotted, called up and fully paid		
At 1 January 2020 – ordinary shares 25p each	5,026,091	1,256
Exercise of share options	28,000	7
At 1 January 2021 – ordinary shares 25p each	5,054,091	1,263
Exercise of share options	190,025	48
At 31 December 2021 – ordinary shares 25p each	**5,244,116**	**1,311**

19. Related parties

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

	31 December 2021 £'000	31 December 2020 £'000
M P J Keene	–	20
S J Grant	**22**	20
J C Shears	**22**	14
P Ratcliffe	**11**	7
	55	61

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

20. 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 loans 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.

21. Capital Commitments

At 31 December 2021 the Group had committed to spend £850,000 on construction works in relation to the new warehouse facility (31 December 2020 – £nil).

22. Post Balance Sheet Events

On 1 January 2022 the trade and assets of Expressco Direct Limited was hived up into MV Sports & Leisure Limited.

On 1 March 2022, MV Sports & Leisure Limited was renamed to Tandem Group Trading Limited.

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Five year history

	31 December 2021 £'000	31 December 2020 (restated) £'000	31 December 2019 (restated) £'000	31 December 2018 (restated) £'000	31 December 2017 (restated) £'000
Revenue	**40,917**	37,056	38,837	32,511	36,837
Cost of sales*	**(28,866)**	(26,038)	(28,086)	(23,295)	(26,928)
Gross profit	**12,051**	11,018	10,751	9,216	9,909
Operating expenses*	**(7,112)**	(6,923)	(7,718)	(6,969)	(7,508)
Operating profit before exceptional costs	**4,939**	4,095	3,033	2,247	2,401
Exceptional costs	**–**	-	(29)	(218)	–
Operating profit after exceptional costs	**4,939**	4,095	3,004	2,029	2,401
Finance costs	**(207)**	(91)	(497)	(157)	(511)
Profit before taxation	**4,732**	4,004	2,507	1,872	1,890
Tax expense	**(906)**	(546)	(473)	(250)	(146)
Net profit for the year	**3,826**	3,458	2,034	1,622	1,744

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

* Cost of sales has been restated to include carriage outwards, and operating expenses has been restated to exclude carriage outwards. This has no impact upon operating profit.

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Company balance sheet

	Note	31 December 2021 £'000	31 December 2020 £'000
Non current assets			
Goodwill	4	**213**	213
Investments	5	**8,590**	8,590
Property, plant and equipment	6	**7,633**	4,369
Deferred taxation	11	**641**	728
		17,077	13,900
Current assets			
Trade and other receivables	7	**3,377**	3,290
Derivative financial asset held at fair value	9	**225**	–
Cash and cash equivalents	8	**147**	183
		3,749	3,473
Total assets		**20,826**	17,373
Current liabilities			
Trade and other payables	9	**(2,272)**	(1,656)
Borrowings	10	**(253)**	(119)
Derivative financial liability held at fair value	9	**–**	(410)
		(2,525)	(2,185)
Non current liabilities			
Borrowings	10	**(2,031)**	(735)
Pension scheme deficit	14	**(2,647)**	(3,941)
		(4,678)	(4,676)
Total liabilities		**(7,203)**	(6,861)
Net assets		**13,623**	10,512
Equity			
Share capital	12	**1,503**	1,503
Shares held in treasury	12	**(192)**	(240)
Share premium		**474**	315
Other reserves		**4,359**	3,724
Profit and loss account		**7,479**	5,210
Total equity		**13,623**	10,512

The profit of the company for the year was £1,562,000 (31 December 2020 – £829,000).

The financial statements were approved by the Board on 28 March 2022 and signed on its behalf by:

S J Grant
Director

J C Shears
Director

The accompanying notes form an integral 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	Cash flow hedge reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	1,503	(247)	286	–	1,036	1,427	530	5,850	10,385
Net profit for the year	–	–	–	–	–	–	–	829	829
Revaluation of property							1,141		1,141
Forward contracts	–	–	–	(410)	–	–	–	–	(410)
Net actuarial loss on pension scheme	–	–	–	–	–	–	–	(1,077)	(1,077)
Total comprehensive income for the year attributable to equity shareholders	–	–	–	(410)	–	–	1,141	(248)	483
Share based payments	–	–	–	–	–	–	–	19	19
Exercise of share options	–	7	29		–	–	–	–	36
Dividends paid	–	–	–	–	–	–	–	(411)	(411)
Total transactions with owners	–	7	29	–	–	–	–	(392)	(356)
Balance at 1 January 2021	1,503	(240)	315	(410)	1,036	1,427	1,671	5,210	10,512
Net profit for the year	–	–	–	–	–	–	–	1,562	1,562
Forward contracts	–	–	–	236	–	–	–	–	236
Net actuarial gain on pension scheme	–	–	–	–	–	–	–	1,146	1,146
Total comprehensive income for the year attributable to equity shareholders	–	–	–	236	–	–	–	2,708	2,944
Share based payments	–	–	–	–	–	–	–	33	33
Exercise of share options	–	48	159	–	–	–	–	–	207
Reclassified to intercompany	–	–	–	399	–	–	–	–	399
Dividends paid	–	–	–	–	–	–	–	(472)	(472)
Total transactions with owners	–	48	159	399	–	–	–	(439)	167
At 31 December 2021	**1,503**	**(192)**	**474**	**225**	**1,036**	**1,427**	**1,671**	**7,479**	**13,623**

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

The cash flow hedge reserve comprises of gains and losses arising on the effective portion of hedging instruments and is carried at fair value in a qualifying cash flow hedge.

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

The capital redemption reserve is non-distributable.

The revaluation reserve was created following the revaluation of property.

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 International Financial Reporting Standards. This Company is included in the consolidated financial statements of Tandem Group plc for the year ended 31 December 2021. These accounts are available from Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham B35 7AG. No individual profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

Disclosure exemptions adopted

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

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

Investments

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

Goodwill

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

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

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

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

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 cash flows 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.

Property, plant and equipment

Freehold property is held under the revaluation model, whereby it is revalued periodically and held at its revalued amount. 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
Assets under the course of construction	not depreciated
Freehold building	50 years
Plant and equipment	3 – 20 years

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1. Accounting policies continued

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.

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.

Financial assets

The Company'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 using the effective interest rate method, regardless of how the related carrying amount of financial assets is measured.

Receivables are provided against when objective evidence is received that the Company 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 may be financial assets held at fair value in accordance with the policy below.

Financial Liabilities

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

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.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

Forward exchange contracts may also be financial liabilities held at fair value in accordance with the policy below.

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Notes to the Company financial statements continued

1. Accounting policies continued

Foreign exchange forward and option contracts

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations, 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.

Such derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The effective portion of changes in the fair value are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated income statement as a finance cost.

Amounts accumulated in equity are reclassified to the Consolidated income statement in the periods when the hedged item affects profit or loss, matching when the hedged transaction occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in finance costs within the Consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated income statement.

The Company documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

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 defined contribution schemes but also 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 14.

Equity

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

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

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

The revaluation reserve was created following the revaluation of property.

The cash flow hedge reserve was created following the adoption of hedge accounting.

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

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

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1. Accounting policies continued

Share based employee remuneration

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

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

All share based remuneration is ultimately recognised as an expense in the 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.

Significant accounting estimates and judgements

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

Key areas of estimation uncertainty

Impairment of goodwill

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

Financial instruments valuation

Forward contracts and options are used to minimise the impact of foreign exchange fluctuations on the Company. 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.

Pension scheme valuation

The liabilities in respect of the defined benefit pension scheme 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 14. 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.

Freehold property revaluation

In ascertaining an accurate estimate of the value of freehold property, the Directors utilise the latest professional valuation conducted along with available information on local property value movements since the valuation date.

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 Company'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.

Cash flow hedging

In determining the proportion of forward foreign exchange contracts that are effective hedges against currency fluctuations, the Directors produce detailed forward forecasts to carefully determine the requirements of a particular foreign currency to match future planned supplier payments.

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 2020 – £3,000), and for tax compliance services totalled £1,000 (year ended 31 December 2020 – £1,000).

Notes to the Company financial statements continued

3. Directors´ and employees´ remuneration

Expenses recognised for employee benefits is analysed as follows:

	31 December 2021 £'000	31 December 2020 £'000
Salaries	**867**	968
Benefits in kind	**18**	27
Social Security costs	**131**	112
Share based employee remuneration	**20**	13
Pension scheme contributions – defined contribution schemes	**25**	52
	1,061	1,172

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

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

Share based employee remuneration

The following options were held at 31 December 2021 under the Company's share option schemes:

Number of shares	1 January 2021	Granted during year	Exercised/ lapsed during year	31 December 2021	Option price per 25p ordinary share	Exercise period
2007 and 2019 Employee Share Option Schemes						
Directors						
S J Grant	27,475	–	(27,475)	**–**	107.0p	31/01/14–14/06/21
	22,525	–	(22,525)	**–**	79.0p	31/12/15–29/10/23
	75,000	–	–	**75,000**	127.5p	31/12/18–20/04/26
	50,000	–	–	**50,000**	190.0p	31/12/21–24/05/29
J C Shears	22,500	–	(22,500)	**–**	107.0p	31/01/14–14/06/21
	53,222	–	(53,222)	**–**	127.5p	31/12/18–20/04/26
	44,278	–	–	**44,278**	190.0p	31/12/21–24/05/29
	–	24,000	–	**24,000**	665.0p	31/12/23–28/04/31
P Ratcliffe	14,000	–	(14,000)	**–**	107.0p	31/01/14–14/06/21
	17,103	–	(17,103)	**–**	79.0p	31/12/15–29/10/23
	58,897	–	–	**58,897**	127.5p	31/12/18–20/04/26
	45,000	–	–	**45,000**	190.0p	31/12/21–24/05/29
	–	13,000	–	**13,000**	665.0p	31/12/23–28/04/31
Other employees	23,400	–	(23,400)	**–**	107.0p	31/01/14–14/06/21
	15,400	–	(15,400)	**–**	127.5p	31/12/18–20/04/26
	103,200	–	–	**103,200**	190.0p	31/12/21–24/05/29
	–	40,000	–	**40,000**	665.0p	31/12/23–28/04/31
	572,000	77,000	(195,625)	**453,375**		

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3. Directors´ and employees´ remuneration continued

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

	31 December 2021			31 December 2020		
	Number	**Exercise price (pence)**	**Remaining contractual life (years)**	Number	Exercise price (pence)	Remaining contractual life (years)
Date exercisable (option life):						
2014 (up to 2021)	**–**	**107.00**	**–**	87,375	107.0	0.5
2015 (up to 2023)	**–**	**79.00**	**1.8**	39,628	79.0	2.8
2018 (up to 2026)	**133,897**	**127.50**	**4.3**	202,519	127.5	5.3
2021 (up to 2029)	**242,478**	**190.00**	**7.4**	242,478	190.0	8.4
2023 (up to 2031)	**77,000**	**665.00**	**9.3**	–	–	–
	453,375			572,000		

The ordinary share mid-market price on 31 December 2021 was 575.0p (31 December 2020 – 515.0p). During the period, the highest mid-market price was 705.0p (31 December 2020 – 585.0p) and the lowest was 470.0p (31 December 2020 – 115.0p). The weighted average exercise price of the options in issue was 252.2p (31 December 2020 – 147.5p).

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

- exercise prices of 79.0p (31 December 2020 – 79.0p) to 665.0p (31 December 2020 – 190.0p);
- 44.7% (31 December 2020 – 37.3%) to 62.5% (31 December 2020 – 45.0%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2020 – 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 2.30% to 4.03%.

In total, £33,000 (31 December 2020 – £19,000) of share-based employee remuneration has been included in the Consolidated income statement.

4. Goodwill

	Goodwill £'000
Gross carrying amount	
At 1 January 2021 and 31 December 2021	**2,506**
Amortisation	
At 1 January 2021 and 31 December 2021	**2,293**
Net book value	
At 31 December 2021	**213**
At 31 December 2020	213

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Notes to the Company financial statements continued

5. Investments

	Unlisted investments in subsidiary undertakings £'000
Gross carrying amount	
At 1 January 2021 and 31 December 2021	**17,824**
Impairment	
At 1 January 2021 and 31 December 2021	**9,234**
Net book value	
At 31 December 2021	**8,590**
At 31 December 2020	8,590

The principal wholly owned subsidiary undertakings of the Company at the year end are listed below. M.V. Sports (Hong Kong) Limited was incorporated in and operates in Hong Kong. The Registered Office address is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The other companies were incorporated in and operate in the United Kingdom. The Registered Office address of the other companies is the same as Tandem Group plc.

	Design, development, distribution and retail of:
Tandem Group Cycles Limited*	Dormant
MV Sports & Leisure Limited*	Sports, leisure and toy products, and bicycles and accessories hived up from Tandem Group Cycles Limited
M.V. Sports (Hong Kong) Limited#	Sports, leisure and toy products
Expressco Direct Limited*	Garden, home, leisure and mobility products

* denotes 100% of issued ordinary shares

# denotes 100% indirect ownership of issued ordinary shares

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6. Property, plant and equipment

	Assets in the course of construction £'000	Property £'000	Plant and equipment £'000	Total £'000
Gross carrying amount				
At 1 January 2021	10	4,200	262	4,472
Additions	3,250	-	71	3,321
At 31 December 2021	**3,260**	**4,200**	**333**	**7,793**
Depreciation				
At 1 January 2021	-	7	96	103
Provided in the year	-	43	14	57
At 31 December 2021	**-**	**50**	**110**	**160**
Net book value				
At 31 December 2021	**3,260**	**4,150**	**223**	**7,633**
At 31 December 2020	10	4,193	166	4,369

A valuation of the property was carried out in by CBRE Limited in October 2020 in accordance with the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book") current as at the valuation date. The value placed on the property at that date was £4,200,000. The Directors of the Company consider this to materially represent the fair value at 31 December 2021.

The net book value of right of use assets held under leasing arrangements was £150,000 (31 December 2020 – £162,000).

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

7. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Amounts falling due within one year:		
Prepayments and accrued income	**19**	5
Amounts due from group undertakings	**2,982**	3,167
Other receivables	**376**	118
	3,377	3,290

Governance

Financials

Notes to the Company financial statements continued

8. Cash and cash equivalents

	31 December 2021 £'000	31 December 2020 £'000
Cash and cash equivalents	**147**	183

Cash and cash equivalents consist of cash at bank and in hand.

9. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Amounts falling due within one year:		
Trade payables	**(287)**	(119)
Amounts due to group undertakings	**(1,470)**	(1,009)
Other payables	**(515)**	(528)
	(2,272)	(1,656)

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.

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

There were no transfers between Level one and Level two in 2021 or 2020.

Forward exchange contracts which have a value of £225,000 at 31 December 2021 (year ended 31 December 2020 – £410,000) are financial instruments held at fair value and are disclosed as an asset (year ended 31 December 2020 – liability) at the year end. These contracts are Level two financial assets and all expire with 12 months from 31 December 2021. All other financial assets and liabilities are Level one.

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10. Borrowings

	31 December 2021 £'000	31 December 2020 £'000
Current borrowings with contractual maturities in less than one year		
– other borrowings	**(219)**	(87)
– assets held under leasing arrangements	**(34)**	(32)
Total current borrowings	**(253)**	(119)
Non current borrowings with contractual maturities one to two years		
– other borrowings	**(284)**	(407)
– assets held under leasing arrangements	**–**	(35)
Non current borrowings with contractual maturities between two to five years		
– other borrowings	**(1,747)**	(293)
Total non current borrowings	**(2,031)**	(735)
Total borrowings	**(2,284)**	(854)

Borrowings are secured by a fixed and floating charge over the assets of the Company.

Leasing arrangements are secured on the assets to which the liabilities relate.

11. Deferred taxation

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

	31 December 2019 £'000	Movement in the year £'000	31 December 2020 £'000	Movement in the year £'000	31 December 2021 £'000
Provided					
Pension obligations	455	291	746	(87)	**659**
Property, plant and equipment	(8)	–	(8)	(5)	**(13)**
Short term temporary differences	(10)	–	(10)	5	**(5)**
Total	437	291	728	(87)	**641**
Presented as:					
Deferred tax asset	437	291	728	(87)	**641**
Unprovided					
Short term temporary differences	–	2	2	(2)	**–**
Unused tax losses	187	(22)	165	(12)	**153**
Capital losses	470	55	525	166	**691**
ACT	51	–	51	25	**76**
Total	708	35	743	177	**920**

Notes to the Company financial statements continued

12. Equity

	Number of shares	£'000
Allotted, called up and fully paid		
At 1 January 2020 – ordinary shares 25p each	5,026,091	1,256
Exercise of share options	28,000	7
At 1 January 2021 – ordinary shares 25p each	5,054,091	1,263
Exercise of share options	190,025	48
At 31 December 2021 – ordinary shares 25p each	**5,244,116**	**1,311**

13. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to HSBC Bank Plc. The maximum potential liability to the Company at the year end in respect of bank overdrafts was £nil (31 December 2020 – £nil).

14. 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 Company, 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 2019.

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

	31 December 2021 £'000	31 December 2020 £'000
Defined benefit obligation at the beginning of the year	**10,704**	9,608
Interest cost	**167**	212
Actuarial (gain)/loss due to scheme experience	**(169)**	806
Actuarial loss due to changes in demographic assumptions	**–**	50
Actuarial (gain)/loss due to changes in financial assumptions	**(495)**	785
Benefits paid	**(628)**	(757)
Defined benefit obligation at the end of the year	**9,579**	10,704

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

	31 December 2021	31 December 2020
Discount rate	**2.10%**	1.60%
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	**4.05%**	2.85%
Mortality assumption table	**S3PxA(YOB)**	S3PxA(YOB)

* There are no members whose benefits are linked to salaries

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14. Pension scheme arrangements continued

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

	Life expectancy at age 65 (years)
Male now aged 65	19.4
Female now aged 65	21.8
Male now aged 45	20.1
Female now aged 45	22.7

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

	31 December 2021 £'000	31 December 2020 £'000
Fair value of scheme assets at the beginning of the year	**6,763**	6,917
Interest income	**55**	96
Return on plan assets	**293**	171
Contributions	**449**	336
Benefits paid	**(628)**	(757)
Fair value of scheme assets at the end of the year	**6,932**	6,763

The value of assets in the scheme were:

	31 December 2021 £'000	31 December 2020 £'000
Equities	**1,389**	1,545
Property	**1,233**	1,074
Alternatives	**261**	987
Gilts	**1,074**	678
Corporate Bonds	**2,595**	2,147
Cash and other	**380**	332
Total fair value of assets	**6,932**	6,763

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 assets other than real estate properties have quoted prices in active markets (Level one). Fair values of real estate properties do not have quoted prices and have been determined based on professional appraisals that would be classed as Level three of the fair value hierarchy as defined in IFRS13 'Fair value measurements'.

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

	Change in assumptions	Change in liabilities
Discount rate	Decrease of 0.5% per annum	Increase by 6.0%
Inflation	Increase of 0.5% per annum	Increase by 0.4%
Rate of mortality	Increase in life expectancy by 1 year	Increase by 4.8%

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 2021 is 11 years.

Notes to the Consolidated financial statements continued

14. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

	31 December 2021 £'000	31 December 2020 £'000
Deficit at the beginning of the year	**(3,941)**	(2,691)
Movement in year:		
Contributions	**449**	336
Finance cost	**(112)**	(116)
Actuarial gain/(loss)	**957**	(1,470)
Deficit at the end of the year	**(2,647)**	(3,941)
Related deferred tax asset	**659**	746
Net deficit at the end of the year	**(1,988)**	(3,195)

The expected contributions in the year ending 31 December 2022 are £352,000 in accordance with the agreed schedule of contributions. Subject to the final 2021 dividend being approved by shareholders at the Company's Annual General Meeting an additional contribution of approximately £175,000 will be paid to the scheme. The trustees and employer have agreed a schedule of contributions covering the period to December 2029.

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

	31 December 2021 £'000	31 December 2020 £'000
Net interest cost	**112**	116
Defined benefit costs recognised in profit or loss	**112**	116

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

	31 December 2021 £'000	31 December 2020 £'000
Return on plan assets (excluding amounts included in net interest cost)	**293**	171
Experience gain/(loss) arising on the defined benefit obligation	**169**	(806)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – loss	**–**	(50)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	**495**	(785)
Total actuarial gains and losses and total amount recognised in other comprehensive income – gain/(loss)	**957**	(1,470)

15 Related party transactions

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

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

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

Signal Shares

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

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

To register for Signal Shares just visit **www.signalshares.com**. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Customer Support Centre

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

By phone – **0371 664 0300**. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

By email – **shareholderenquiries@linkgroup.co.uk**

By post – **Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL.**

Sign up to electronic communications

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

Registering for electronic communications is very straightforward. Just visit **www.signalshares.com**. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Dividend payment options

Re-invest your dividends

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

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

Alternatively you can email **shares@linkgroup.co.uk** or log on to **www.signalshares.com**.

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

Arrange to have your dividends paid direct into your bank account

This means that:

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

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

Choose to receive your next dividend in your local currency

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

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

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

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Shareholder Information continued

Dividend payment options continued

For further information contact Link Group:

By phone – **0371 664 0385**

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

By e-mail – **ips@linkgroup.co.uk**

Online – **www.linkgroup.eu**

Buy and sell shares

A simple and competitively priced service to buy and sell shares is provided by Link Group. There is no need to pre-register and there are no complicated application forms to fill in.

For further information on this service, or to buy and sell shares visit **ww2.linkgroup.eu/share-deal** or call 0371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 08:00 – 16:30, Monday to Friday (excluding public holidays in England and Wales).

This is not a recommendation to buy and sell shares and this service may not be suitable for all shareholders. The price of shares can go down as well as up and you are not guaranteed to get back the amount you originally invested. Terms, conditions and risks apply. This service is only available to private shareholders resident in the United Kingdom, the Channel Islands or the Isle of Man.

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

The registered office of each of these companies is Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL.

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 Charity10528686).

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 **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**.

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