

Tandem Group plc

Annual Report and Accounts

20
23



Year ended
31st December 2023

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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Financial calendar

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| Annual General Meeting | 26 June 2024 |
| Interim results for six months to 30 June 2024 | September 2024 |
| Annual results for year ending 31 December 2024 | March 2025 |

Directors and advisers

Directors

S J Grant

Non-Executive Chairman

J Crookall

Non-Executive Director

Company Secretary

D S Rock

P Kimberley

Chief Executive Officer

M A Taylor

Non-Executive Director

P Ratcliffe

Group Commercial Director

Nominated Adviser And Broker

Cavendish Financial plc
6 7 8 Tokenhouse Yard
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

Link Group
10th Floor, Central Square
29 Wellington Street, Leeds, LS1 4DL
Telephone 0371 664 0300

Registered office

35 Tameside Drive, Castle Bromwich
Birmingham, B35 7AG

Websites

www.tandemgroup.co.uk
www.mvsports.com
www.tgc.bike
www.squish.bike
www.bensayers.co.uk
www.jackstonehouse.com
www.proridermobility.com
www.snap-frames.net
www.electricle.com

Brands

Bicycles and accessories

Boss
British Eagle
Cannondale**
Claud Butler
Dawes
Elswick
Explorer
Falcon
Gocycle**
Orbea**
Pulse
Pure**
Squish
Townsend
Whyte**
Zombie

Wheeled toys

Baby Shark*
Barbie*
Batman*
Batwheels*
Bing*
Bluey*
Bored
CoComelon*
Disney Princess*
Disney Encanto*
Disney Frozen*
Gabby's Dollhouse*
Hey Duggee*

* Under licence/distribution

Football training

Kickmaster

Golf

Ben Sayers
Pro Rider

Garden and camping

Airwave
Airwave Four Seasons
Garden Trading
Greenhurst

Homewares and household

Jack Stonehouse
Snapframes

Li-Fe
L.O.L. Surprise!*
Marvel Avengers*
Marvel Eternals*
Disney Junior Mickey*
Disney Junior Minnie*
Minions*
Monster High
MoVe
My Little Pony*
Nerf*
Paw Patrol*
Peppa Pig*

**retail agreement

Mobility

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

Outdoor play

Airwave
Hedstrom

Snooker, pool and table sports

Pot Black

Rainbow High*
Sonic The Hedgehog*
Marvel Spider-Man*
Marvel Spidey and His Amazing Friends*
Squishles
Disney Stitch*
Stunted
Teenage Mutant Ninja Turtles*
Thomas & Friends*
Transformers*
Dreamworks Trolls*
Wired
Disney Wish*

Chairman's statement

Introduction

I hereby present the results of the Group for the year ended 31 December 2023, a year which we have exited in a strong position despite the challenges we faced in the year.

Results

The net assets of the Group have decreased by 11% from £26,788,000 at 31 December 2022, to £23,811,000 at 31 December 2023. Unlike in the previous year, the decrease in net assets was partly as a result of a material reduction in the valuation of the defined benefit pension schemes by £666,000, due largely to a strengthening of mortality assumptions. The Group also posted a net loss before tax for the year of £1,198,000, which is within our previously guided range.

Group revenue for the year ended 31 December 2023 reduced to £22,242,000 from £26,683,000 in the previous year.

In the first half of the year Group revenue decreased by approximately 24% with reductions in three of our four operating divisions. The exception was eMobility. In the second half of the year there was a decrease of approximately 9% in Group revenue, where eMobility was again the only division to outperform the prior year.

Toys, Sports & Leisure

Revenue in this division for 2023 was down on the prior year by approximately 32%. This was largely a result of the reduction of Freight on Board (FOB) sales, as retailers entered 2023 with overstocks from 2022. Widespread reports of tough trading conditions for retailers align with the suppression of sales experienced by the Group, as businesses continue to navigate tough market conditions.

In Golf turnover including electric golf trolleys (which form part of the eMobility category) was 8% behind the prior year, however turnover from electric golf trolleys more than doubled during the period.

eMobility

Part of our strategic focus continues to include eMobility products, and this division has achieved an increase in turnover of 44% over the prior year.

This is being driven by a significant increase in the sale of electric bikes and electric golf trolleys.

Our Electric Life shop and website have together made a significant contribution to turnover. We have also introduced a number of premium brands under new retail agreements such as Orbea, Whyte and Pure.

Bicycles

This division was again challenging across all customer types, from independents to national retailers, resulting in a reduction in revenue against the previous period.

However, bikes including electric bike sales (which are part of the eMobility category) increased on the prior year by 17%, against the backdrop of a market reporting declines across the industry. Also, turnover from our lightweight premium Squish bikes surpassed the prior year, as they continue to increase in popularity.

Home & Garden

A continued reduction in discretionary consumer spending continued to be widely reported in 2023, due to the ongoing cost of living crisis. This was coupled with adverse weather impacts prevailing throughout

2023 which affected both heating and cooling product sales. These factors contributed to a reduction in turnover in this division by 27% against the prior year.

Group operating profit

As in the prior year, we will not be alone in reporting that the operating environment remained challenging. Group operating loss before exceptional costs, finance costs and taxation decreased to £768,000 for the year ended 31 December 2023 compared to a profit of £1,312,000 for the year ended 31 December 2022. Gross margin was 27.0% against 29.2% in the prior year as a result of currency gains made on forward contracts in 2022, and an increase in operating expenses from £6,484,000 in the prior period to £6,768,000 in the year to 31 December 2023.

Group balance sheet

Following the completion of the construction of our new warehouse, property, plant and equipment increased from £14,700,000 at 31 December 2022 to £15,404,000 at 31 December 2023.

The business has continued to control its levels of inventory throughout the year, ending the period in a good stock position with new, innovative products being introduced, leading to a slight increase in levels held at the year end to £5,161,000 compared to £4,757,000 in the prior period. This is still well below the levels at the year ended 31 December 2021 where they were £8,064,000.

The property project continued to affect the net cash position. Cash and cash equivalents decreased to £447,000 at 31 December 2023 compared to £3,288,000 at 31 December 2022, with the Group moving from a net debt position as at 31 December 2022 of £1,551,000 to £3,568,000 at 31 December 2023 due to the losses incurred during the period and the final payments required to complete the new warehouse project.

Since the year end, we are pleased that the Group has now entered into a new five year bank facility with HSBC, which will refinance and replace all existing loans with HSBC on drawdown, ensuring stability for our future plans and growth.

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

Dividend

In previous years it has always been the Board's intention to maintain the progressive dividend as trading results and funds permit.

Due to the results of the Group, the Board is of view that no dividend should be paid this year (year ended 31 December 2022 - 6.57 pence per share).

This will also assist to preserve cash 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 Tandem Group Pension Plan. For the year ended 31 December 2023, an additional payment of approximately £188,000 was paid into the Tandem Group Pension Plan. Due to no dividend for 2023, no additional payment would be required during the year ending 31 December 2024.

Colleagues

Our colleagues continue to be a differentiator in building our future plans. We have attracted new talent to an already strong team during the year to support our strategy and growth opportunities.

Leadership

Peter continues to bring a positive and dynamic perspective to the business associated with a strong strategic vision and purpose and has further strengthened the team in critical areas in order to achieve our long-term growth plans.

Outlook

Despite facing various challenges and uncertainties, we are pleased to report that our sales for 2024 have commenced in line with our forecasts, marking a promising start to the year.

As anticipated, our FOB sales are trailing behind the previous year's figures, however domestic sales are exceeding prior year levels, demonstrating resilience and adaptability in the face of ever-changing market conditions. This outcome was well within our expectations, considering the strategic shifts and market dynamics that we have been closely monitoring.

Furthermore, we have been proactive in managing the potential disruptions arising from the developments in the Red Sea region. Despite the minimal impact on our operations, we have built in measures to mitigate any adverse effects, ensuring continuity and stability within our business operations.

Looking ahead, the strategic focus of the Group remains centred on innovation and the introduction of new product lines across all sectors of our business. Building upon the success of our existing offerings, we are committed to enhancing our product portfolio to meet evolving consumer needs and preferences.

We continue to expand our licensed toy range, which now features exciting new additions such as licensed bumper cars, along with Rollcases tailored specifically for children, which, with the booming holiday season approaching, we anticipate that these products will be in strong demand. I am delighted to announce that Disney's 'Stitch' brand has exceeded our expectations in 2023, demonstrating remarkable popularity among consumers. The sales figures we observed throughout 2023 reflect the strong affinity and enthusiasm for this brand. Building on this success, we anticipate an even more promising performance in 2024. We expect to release around 200 new products in the Toys, Sports and Leisure division this year, excluding golf.

Furthermore, we are proud to introduce our new proprietary product brand, MoVe, which we anticipate will resonate strongly with our customer base. We have also developed and introduced a new children's scooter brand 'Squishles', a brand-new concept across both licensed and non-licensed wheeled toys, the range combines the latest trend in squishy plush with practical onboard scooter storage.

As we look to continue building on the number of national retailer accounts we serve, we have recently onboarded 3 of Britain's best loved national retailers in the toy division. We expect these accounts to significantly contribute to domestic turnover in 2024.

In our eMobility segment, we continue to witness strong results, particularly in the sales of eBikes, reflecting a significant shift in consumer preferences towards sustainable and alternative modes of

transportation. The demand for eBikes continues to grow, resulting in a remarkable start to the year with turnover 65% higher compared to the same period last year.

We are excited to announce the launch of new ranges of both mechanical and electric bikes under our own brands such as Dawes, Claud Butler and Falcon in 2024, including 10 new electric bikes, 12 new hybrid bikes, 6 new mountain bikes, 7 new children's Squish bikes and 8 new children's bikes. Building on the positive reception of our Wrath and Spire electric bikes introduced in 2023, these new additions will further expand our offerings and cater to a wider range of customers seeking innovative and sustainable transportation solutions.

Sales of our lightweight children's bike brand, Squish, are significantly ahead against the equivalent period in 2023. Additionally, we are proud to unveil a new range of balance bikes, which aligns with our commitment to providing high-quality, safe, and enjoyable cycling experiences for young riders, fostering a lifelong love for cycling from an early age.

We are delighted to be partnering with premium brands Orbea, Whyte, Pure, Cannondale and Gocycle. These partnerships have strengthened our market position and expanded our reach to a wider customer base, enabling us to capitalise on the growing demand for electric bicycles in our retail proposition.

Furthermore, our integrated approach through our Electric Life shop and website has proven to be highly effective in driving sales growth. The seamless synergy between our physical retail presence and online platform has facilitated greater accessibility and convenience for customers such as the facility of being able to offer test rides, contributing significantly to the accelerated sales of electric bikes.

In our Home and Garden we are excited to introduce a fresh range of around 40 products already for this year including awnings, garden furniture, and home products such as innovative ceiling fans and air coolers. These new additions demonstrate our dedication to offering the latest trends and innovative solutions for enhancing outdoor and indoor living spaces, providing our customers with stylish and functional options to elevate their living environments.

Looking ahead into the remainder of 2024, we maintain a cautiously optimistic outlook on our position within the market. We are encouraged by the increasing positive indicators suggesting a recovery within the retail industry, coupled with favourable factors such as budget changes that will potentially put more disposable income in the hands of consumers. Additionally, the expected decline in interest rates later in the year bodes well for stimulating economic activity.

As we move forward, the Group is firmly positioned to capitalise on emerging opportunities and leverage our strengths to drive sustained growth. The Board maintains confidence in the strategic direction of the Group, grounded in our commitment to innovation, customer-centricity, and operational excellence.

S J Grant
Chairman

22 March 2024

Strategic report

Operating and Financial Review

Revenue

Group revenue for the year ended 31 December 2023 was £22,242,000 compared to £26,683,000 in the prior year. As we have previously reported, revenue is split into four main segments.

| | 2023 (£000s) | 2022 (£000s) | 2021 (£000s) |
|------------------------|-----------------|-----------------|-----------------|
| Toys, Sports & Leisure | 10,107 | 14,758 | 16,492 |
| eMobility | 5,452 | 3,788 | 6,990 |
| Bicycles | 4,266 | 4,846 | 10,191 |
| Home & Garden | 2,417 | 3,291 | 7,244 |
| | 22,242 | 26,683 | 40,917 |

Gross profit

Gross profit of £7,796,000 in 2022 decreased by 23.0% to £6,000,000 in 2023.

The gross profit margin percentage decreased from 29.2% to 27.0%. This was mainly as a result of a challenging trading environment and a weakened Sterling value against the US Dollar. In 2022, margin benefitted from forward bought foreign exchange contracts where gains were realised on exchange. The Group has again continued to work hard on negotiating cost reductions.

Operating expenses

Group operating expenses increased by 4.4% to £6,768,000 in the year (year ended 31 December 2022 - £6,484,000). This was driven by increases in depreciation costs following the completion of the new warehouse build, and increases in advertising expenses. This was partly offset by a reduction of costs in rent and rates following the end for need of additional third party storage and the rental of the Northampton premises.

Operating result

Operating loss before exceptional costs was £768,000 for the year ended 31 December 2023 compared to an operating profit of £1,312,000 in the prior year.

Non-underlying items

Non-underlying items comprised:

- Exceptional costs of £103,000 (year ended 31 December 2022 - £223,000) in respect of employment costs relating to the resignation of the former Supply Chain and E-Commerce Director, and shunting costs relating to the relocation of a warehouse and distribution facility.
- Pension finance costs under IAS19 of £73,000 (year ended 31 December 2022 - £97,000); and
- A deferred tax charge of £130,000 (year ended 31 December 2022 - £139,000) in respect of pension schemes.

Finance costs

Total net finance costs increased to £327,000 in the year ended 31 December 2023 compared to £237,000 in the year ended 31 December 2022.

There was an increase in total interest payable on bank loans, overdrafts, hire purchase and invoice finance facilities from £144,000 in the prior year to £324,000 in 2023 due to the increased borrowing to fund the new warehouse construction. This was offset by an increase in the income received for the interest rate hedge from £8,000 in 2022 to £70,000 in 2023.

Interest payable on lease arrangements was £nil compared to £4,000 in 2022.

Finance costs in respect of the pension schemes provided in line with IAS19 were £73,000 compared to £97,000 for the year ended 31 December 2022.

Taxation

The tax expense for the year ended 31 December 2023 was £39,000 compared to £178,000 in the prior year.

The current tax credit, which comprised corporation tax from the overseas Hong Kong operation, net of a refund of the corporation tax charge in 2022, was £155,000 (year ended 31 December 2022 - £77,000).

There was a deferred tax charge of £194,000 compared to £255,000 in the prior year.

Net loss/profit

Net loss for the year ended 31 December 2023, after non-underlying items, finance costs and taxation charges was £1,237,000 compared to a profit of £674,000 for the year ended 31 December 2022.

Adjusted EBITDA

Adjusted EBITDA (Earnings Before Interest, Taxation, Depreciation, Amortisation and Exceptional Costs) was (£461,000) for the year ended 31 December 2023, compared to £1,475,000 in the prior year.

Capital expenditure

Total expenditure on property, plant and equipment incurred during the year was £985,000 (year ended 31 December 2022 - £4,880,000). This was mainly in relation to the construction of the new warehouse in Birmingham and new racking within that facility.

Cash flows, working capital and net cash

Net cash outflow from operating activities before movements in working capital for the year ended 31 December 2023 was £1,146,000 compared to an inflow of £611,000 in the year ended 31 December 2022.

Cash outflow from operations was £358,000 compared to cash generated of £1,395,000 last year.

Net cash outflows from investing activities were £1,009,000 in 2023, against £4,960,000 in the previous year due to the capital expenditure referred to above.

There was a net cash outflow from financing activities of £1,170,000 in 2023, which compared to an inflow of £555,000 in 2022. The net outflow was mainly due to loan repayments in 2023, with new loans received in 2022.

As a result of these movements the closing cash position at 31 December 2023 was £447,000 compared to £3,288,000 at 31 December 2022.

Net debt, comprising cash and cash equivalents less invoice financing liabilities and borrowings, was £3,568,000 at 31 December 2023, compared to £1,551,000 at the end of the previous year.

Dividends

Due to the current year results, no final dividend will be paid for the year ended 31 December 2023 (year ended 31 December 2022 - 6.57 pence per share).

Total dividends paid and proposed for the year ended 31 December 2023 are nil pence per share (year ended 31 December 2022 - 10.00 pence per share). As the total dividend will not exceed the deficit repair contributions paid to the Tandem Group Pension Plan, in accordance with a previous agreement with the pension scheme trustees, there will be no requirement to pay an additional contribution equal to the excess into the scheme.

The dividend cover ratio is not applicable for the year ended 31 December 2023 (year ended 31 December 2022 - 1.3).

(Loss)/earnings per share

Basic loss per share was 22.6 pence per share for the year ended 31 December 2023 compared to a basic earnings per share of 12.5 pence per share in the year ended 31 December 2022. Diluted loss per share was 22.6 pence per share compared to a diluted earnings per share of 12.3 pence per share in the prior year.

Product range overview

As in the previous year, 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.

Revenue in this division has seen a decline of approximately 32% in 2023 compared to the previous year. This decrease was primarily attributed to a reduction in Freight on Board (FOB) sales, as retailers began the year with excess inventory from 2022. The prevalent reports of challenging trading conditions within the retail sector were in line with the downturn in sales experienced by the Group, reflecting the broader market challenges faced by businesses in navigating these tough market conditions.

In our Golf brands, overall turnover, including electric golf trolleys falling under the eMobility category, reduced by 8% compared to the prior year. However, the turnover from electric golf trolleys more than doubled during the period, showcasing notable growth within this specific product category.

eMobility

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

Our strategic focus on eMobility products remains, and we are pleased to announce a significant increase in turnover of 44% over the previous year within this division. This growth is primarily driven by a substantial increase in the sales of electric bikes and electric golf trolleys.

We are excited to unveil more new and innovative ranges of eBikes, designed in the UK and marketed under our established brands Dawes and Claud Butler. With the continued rise in demand for eBikes, we are well positioned to capitalise on this trend and further enhance our market presence in the eMobility sector.

The combined efforts of our Electric Life shop and website have played a pivotal role in driving this increased turnover. Through these platforms, alongside our own brands and products we have successfully introduced several premium brands under new retail agreements, including Orbea, Whyte, and Pure, which have resonated strongly with our customer base.

Bicycles

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

Once again, this division presented challenges across various customer segments, spanning from independent retailers to national chains, leading to a decline in revenue compared to the previous period.

However, amidst a market grappling with declines, there was a notable 17% increase in bike sales, including electric bikes categorised under eMobility. This growth stands out against the backdrop of an industry facing downward trends. Additionally, turnover from our lightweight premium Squish bikes exceeded the previous year's figures, reflecting their growing popularity.

Furthermore, amidst market challenges, we have seen some of our competitors in this segment face notable setbacks, with some exiting the market entirely or encountering financial distress leading to administration. In light of these developments, we will seek opportunities presented, leveraging our strengths to further solidify our position within the industry.

Home & Garden

Our Home & Garden segment includes sales of outdoor living products and homeware items, mostly sold from our online platform and third-party marketplaces.

Throughout 2023, there was a trend of diminishing discretionary consumer spending, largely attributed to the cost of living crisis. Additionally, adverse weather conditions persisted, adversely affecting sales of heating and cooling products. These combined factors resulted in a 27% decrease in turnover within this division compared to the prior year.

Despite these challenges, our commitment to innovation and product development remains steadfast. We continue to focus on introducing new and compelling offerings into this segment, ensuring we stay responsive to evolving consumer needs and market dynamics.

Property

A valuation of the Castle Bromwich property, including the new warehouse, was carried out by JLL Ltd in February 2023 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 2022. The Directors are of the opinion that the value after costs to complete the property incurred during the year is correctly reflected in the accounts at £14,299,000.

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.

Strategic report continued

The collective deficit of the schemes at 31 December 2023 increased to £726,000 compared to £60,000 at 31 December 2022. Whilst gilt yields were unchanged at 4.8%, a strengthening of the mortality assumptions was the driver of the increase in the deficit.

The pension schemes continued to utilise the Group's cash resources with payments in respect of the schemes totalling £723,000 (year ended 31 December 2022 - £682,000). The total comprised deficit contributions of £563,000 and £34,000 in respect of the Tandem and Casket schemes respectively (year ended 31 December 2022 - £550,000 and £101,000) and government levies and administration costs of £126,000 (year ended 31 December 2022 - £31,000).

The latest triennial valuation date for the Tandem scheme was 1 October 2022 and the Casket scheme 5 April 2022.

The Tandem scheme 1 October 2022 triennial valuation was finalised in November 2023 and showed a deficit of £2,774,000 (1 October 2019-£3,553,000). The deficit reduced due to a significant increase in the gilt rate offset by a strengthening of the assumptions, particularly in respect of the discount rate, to reflect the significant maturity of the scheme. A schedule of contributions has been put in place such that the deficit will be eliminated by September 2028. Contributions for the year to 30 September 2024 will be £388,962, increasing year on year up to £530,524 by the year to 30 September 2028. In addition, all the expenses of the scheme will be paid by the Group. There is an agreed provision that in any calendar year should dividend payments by the Company exceed the deficit contributions paid an additional contribution equal to the excess will be made. As a consequence an

additional contribution of £188,000, included in the total contributions above, was paid on 30 September 2023, in relation to the 2022 dividends.

The Casket scheme 5 April 2022 triennial valuation was finalised in April 2023 and showed a surplus of £109,000 (5 April 2019-deficit of £314,000). The surplus has arisen due to the significant increase in the gilt rate leading to an increase in the discount rate assumed. As a consequence, no further contributions are payable to the scheme. The Group will contribute up to £20,000 of scheme expenses per annum.

Colleagues

We currently employ 72 colleagues in the Group, they are still our most important asset.

We continue to offer a Group wide cost saving solution for colleagues and their families, along with access to a discounted range of our clean energy transportation offerings..

Annual General Meeting

The 2024 Annual General Meeting will be held on 26 June 2024 at our Castle Bromwich offices.

Strategy

Our strategic objective is to grow our eMobility division more rapidly as the sector continues to evolve, offering exciting new ranges and continuing to grow our customer base; invest further in our direct-to-consumer offering (particularly home & garden categories) through improved website marketing and content, product innovation and stronger sourcing; whilst continuing to generate strong and solid

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 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Gross profit margin | 27.0% | 29.2% |
| The ratio of gross profit to sales expressed as a percentage | | |
| Turnover per employee | £309,000 | £361,000 |
| The total of sales invoiced to customers, excluding value added tax, divided by the average number of employees during the period | | |
| Net operating expenses before exceptional costs % of sales | 30.4% | 24.3% |
| The ratio of net operating expenses before exceptional costs to the total of sales invoiced to customers, excluding value added tax, expressed as a percentage | | |
| Interest cover | (3.0) | 9.6 |
| The ratio of operating profit before exceptional costs to net interest payable on bank loans, overdrafts and invoice finance facilities | | |
| Shareholders' return | (3.0%) | 3.0% |
| The ratio of (loss) / net profit to shareholders' funds at the start of the year expressed as a percentage | | |
| Basic (loss) / earnings per share – pence | (22.6) | 12.5 |
| The (loss) / net profit divided by the weighted average number of ordinary shares in issue during the year | | |

profits in our Toys, Sports & Leisure and Bicycle divisions. We will achieve this by continuing to enter into new 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 as follows:

Economic conditions

The current economic conditions in the UK are very challenging and this could have a detrimental impact on the Group's turnover and performance.

Suppliers

In order to achieve competitively priced products, the Group has outsourced production, mainly to countries in Asia. Risks and uncertainties of this strategy include management issues at the factories, the possibility of changes in import duties and 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 whilst also sourcing ranges from UK and Europe.

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.

Interest rates

If interest rates increase, this could have an impact on the Group's finance costs. However, the Group has entered into an interest rate cap mechanism for £3 million on a depreciating basis of borrowings capped at 2%.

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 Group operates 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 rates, liquidity, credit and foreign currency. The Board reviews and agrees policies for managing each of these risks. A summary is disclosed in note 15.

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 22 March 2024 and signed on its behalf by:

P Kimberley
Chief Executive Officer

Directors' report

The Directors submit their annual report with the audited financial statements for the year ended 31 December 2023.

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 2023 are set out in the Consolidated income statement on page 16. No interim dividend was paid in respect of the six month period to 30 June 2023 (period ended 30 June 2022 – 3.43 pence per share). The Directors are not proposing to pay a final dividend this year (year ended 31 December 2022 – 6.57 pence per share).

Significant shareholders

As at 22 March 2024 the Directors have been notified of the following interests representing 3% or more of the issued ordinary share capital. The percentage holdings exclude 541,521 shares held in treasury.

| | Ordinary Shares of 25p | % |
|------------|---------------------------|-------|
| S Bragg | 822,471 | 15.0% |
| D Waldron | 358,400 | 6.5% |
| J C Shears | 286,050 | 5.2% |
| S J Grant | 285,000 | 5.2% |
| B Geary | 217,363 | 4.0% |
| D Barry | 173,500 | 3.2% |

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.

P Kimberley

Peter joined the Board in November 2021 and was appointed as CEO in May 2022. 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.

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 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 a non-executive director and chair of the audit committee of another AIM company.

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.

J Crookall

Jonathan joined the Board in October 2022. He has over 30 years' experience in human resources (HR) and people strategy, across a range of large organisations and sectors. Jonathan's current role is Chief People Officer at Costa Coffee, a position held since March 2020.

Jonathan brings to the Board a wealth of experience across industry, including franchise businesses, with a skillset focused on commercial leadership, people management and governance.

M P Fisher resigned as director on 8 February 2023.

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

Held beneficially and fully paid

| | 24 March 2024 25p ordinary shares | 31 December 2023 25p ordinary shares | 1 January 2023 25p ordinary shares |
|-------------|--|---|---|
| S J Grant | 285,000 | 285,000 | 285,000 |
| P Kimberley | 49,668 | 40,500 | – |
| P Ratcliffe | 127,500 | 127,500 | 127,500 |
| J Crookall | 3,916 | – | – |

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

Directors' and officers' liability insurance

Directors' and officers' liability insurance was in place throughout 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, in light of the difficult market conditions, 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 collect 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 UK adopted international accounting standards, 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

| | 2023 | 2022 |
|---|----------------|---------|
| Energy consumption used to calculate (kWh) | 300,894 | 349,290 |
| Energy consumption breakdown (kWh): | | |
| -gas | – | 30,767 |
| -electricity | 164,213 | 196,966 |
| -transport fuel | 136,681 | 121,556 |
| Scope 1 emissions in metric tonnes CO ₂ e | | |
| Gas consumption | – | 5.64 |
| Owned transport | 26.68 | 24.58 |
| Total Scope 1 | 26.68 | 30.22 |
| Scope 2 emissions in metric tonnes CO ₂ e | | |
| Purchased electricity | 33.66 | 41.82 |
| Scope 3 emissions in metric tonnes CO ₂ e | | |
| Business travel in employee owned vehicles | 7.97 | 6.07 |
| Total gross emissions in metric tonnes CO ₂ e | 68.31 | 78.11 |
| Intensity ratio Tonnes CO ₂ e per employee | 0.95 | 1.06 |

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 2023 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e 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 6 EV charge points. There are also 6 fully electric company vehicles.

The new warehouse also includes a solar panel installation on the roof. The Company also promotes electric vehicles as part of the company's fleet.

The intensity ratio has decreased for the year ended 31 December 2023 compared to the prior year as we vacated Northampton at the end of 2022, and the new warehouse is more energy efficient and there is no gas used. More business travel was conducted during the whole of 2023 compared to 2022 following restrictions easing in respect of COVID-19.

Auditor

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

Annual General Meeting

The notice of the Annual General Meeting includes resolution 5 proposed as special business which seeks the authority from shareholders for the Company to make market purchases of shares.

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

22 March 2024

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>.

The Directors note that a revised QCA Corporate Governance Code was issued on 13 November 2023, which will apply to financial years commencing on or after 1 April 2024. The Directors will consider the implication it has on the Group's corporate governance over the coming year.

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 and Group Commercial 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 pages 6 and 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 two 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 two 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 J Crookall are members. Executive remuneration packages are subject to an annual review and are designed to attract, motivate and retain Directors and senior managers of a high calibre.

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

Corporate governance statement continued

The Board has established three committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the 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, M A Taylor (Chairman – Audit, Remuneration and Nominations Committee) and J Crookall are members of these committees and take independent external advice when appropriate.

In the year ended 31 December 2023 there were twelve formal board meetings held. All Directors were in attendance for all meetings except for P Ratcliffe who was in attendance for ten meetings, and M P Fisher who attended no 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. The Group prepares monthly results with a comparison against budget. Towards the end of each financial year the Group prepares 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.

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 2023 which comprise the Consolidated income statement and Statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, 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 2023 and of the Group's loss 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:

The group consists of the parent company, one trading entity and a number of non-trading entities. We subjected the parent company and Tandem Group Trading Limited to full scope audit procedures, with remaining components subjected to analytical procedures only. The components subject to full scope audit procedures covered 100% of group revenue and group loss 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.

Our application of materiality

The materiality for the Group financial statements as a whole was set at £222,000. 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 £200,000.

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 £200,000. 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 £180,000.

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 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 the knowledge and understanding of the Group and parent Company and their 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 pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 Group and parent company have 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, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (UK GAAP), 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.

Melanie Hopwell (Senior Statutory Auditor)

for and on behalf of Cooper Parry Group Limited
Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

22 March 2024

Consolidated income statement

| | Note | 31 December 2023 | | | 31 December 2022 | | |
|--|------|--------------------------------------|-------------------------------|-------------------------------------|--------------------------------------|-------------------------------|-------------------------------------|
| | | 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 | 22,242 | – | 22,242 | 26,683 | – | 26,683 |
| Cost of sales | | (16,242) | – | (16,242) | (18,887) | – | (18,887) |
| Gross profit | | 6,000 | – | 6,000 | 7,796 | – | 7,796 |
| Operating expenses | 3 | (6,768) | – | (6,768) | (6,484) | – | (6,484) |
| Operating (loss)/profit before exceptional costs | | (768) | – | (768) | 1,312 | – | 1,312 |
| Exceptional costs | 3 | – | (103) | (103) | – | (223) | (223) |
| Operating (loss)/profit | | (768) | (103) | (871) | 1,312 | (223) | 1,089 |
| Finance costs | 4 | (254) | (73) | (327) | (140) | (97) | (237) |
| (Loss)/profit before taxation | | (1,022) | (176) | (1,198) | 1,172 | (320) | 852 |
| Tax expense | 6 | 91 | (130) | (39) | (39) | (139) | (178) |
| Net (loss)/profit for the year | | (931) | (306) | (1,237) | 1,133 | (459) | 674 |
| (Loss)/earnings per share | 7 | | | Pence | | | Pence |
| Basic | | | | (22.6) | | | 12.5 |
| Diluted | | | | (22.6) | | | 12.3 |

Consolidated statement of comprehensive income

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Net (loss)/profit for the year | (1,237) | 674 |
| Other comprehensive income: | | |
| <i>Items that will be reclassified subsequently to profit and loss:</i> | | |
| Foreign exchange differences on translation of foreign operations | (48) | 96 |
| Cashflow hedging contracts | (179) | 540 |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Revaluation of property, plant and equipment | – | 2,189 |
| Actuarial (loss)/gain on pension schemes | (1,190) | 1,472 |
| Movement in pension schemes' deferred tax provision | 3 | (214) |
| Other comprehensive (loss)/profit for the year, net of tax | (1,414) | 4,083 |
| Total comprehensive (expense)/income for the year attributable to equity shareholders | (2,651) | 4,757 |

All figures relate to continuing operations.

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

Consolidated balance sheet

| | Note | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------|------------------------------|------------------------------|
| Non current assets | | | |
| Intangible fixed assets | 8 | 5,527 | 5,525 |
| Property, plant and equipment | 9 | 15,404 | 14,700 |
| Deferred taxation | 16 | 663 | 854 |
| | | 21,594 | 21,079 |
| Current assets | | | |
| Inventories | 10 | 5,161 | 4,757 |
| Trade and other receivables | 11 | 5,176 | 6,633 |
| Derivative financial asset held at fair value | 15 | 173 | 279 |
| Current tax assets | 15 | 10 | – |
| Cash and cash equivalents | 12 | 447 | 3,288 |
| | | 10,967 | 14,957 |
| Total assets | | 32,561 | 36,036 |
| Current liabilities | | | |
| Trade and other payables | 13 | (3,935) | (4,200) |
| Borrowings | 14 | (4,015) | (1,085) |
| Derivative financial liability held at fair value | 15 | (74) | – |
| Current tax liabilities | 15 | – | (149) |
| | | (8,024) | (5,434) |
| Non current liabilities | | | |
| Borrowings | 14 | – | (3,754) |
| Pension schemes' deficit | 17 | (726) | (60) |
| | | (726) | (3,814) |
| Total liabilities | | (8,750) | (9,248) |
| Net assets | | 23,811 | 26,788 |
| Equity | | | |
| Share capital | 18 | 1,503 | 1,503 |
| Shares held in treasury | 18 | (135) | (137) |
| Share premium | | 729 | 716 |
| Other reserves | | 7,076 | 7,303 |
| Profit and loss account | | 14,638 | 17,403 |
| Total equity | | 23,811 | 26,788 |

The financial statements were approved by the Board on 22 March 2024 and signed on its behalf by:

S J Grant
Director

P Kimberley
Director

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

Company number 00616818

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 2022 | 1,503 | (192) | 474 | 225 | 1,036 | 1,427 | 1,671 | 605 | 15,990 | 22,739 |
| Net profit for the year | – | – | – | – | – | – | – | – | 674 | 674 |
| Re-translation of overseas subsidiaries | – | – | – | – | – | – | – | 96 | – | 96 |
| Revaluation of property, plant and equipment | – | – | – | – | – | – | 2,189 | – | – | 2,189 |
| Forward contracts | – | – | – | 540 | – | – | – | – | – | 540 |
| Net actuarial gain on pension schemes | – | – | – | – | – | – | – | – | 1,258 | 1,258 |
| Total comprehensive income for the year attributable to equity shareholders | – | – | – | 540 | – | – | 2,189 | 96 | 1,932 | 4,757 |
| Exercise of share options | – | 55 | 242 | – | – | – | – | – | – | 297 |
| Share based payments | – | – | – | – | – | – | – | – | 21 | 21 |
| Reclassified to cost of inventory | – | – | – | (486) | – | – | – | – | – | (486) |
| Dividends paid | – | – | – | – | – | – | – | – | (540) | (540) |
| Total transactions with owners | – | 55 | 242 | (486) | – | – | – | – | (519) | (708) |
| At 1 January 2023 | 1,503 | (137) | 716 | 279 | 1,036 | 1,427 | 3,860 | 701 | 17,403 | 26,788 |
| Net loss for the year | – | – | – | – | – | – | – | – | (1,237) | (1,237) |
| Re-translation of overseas subsidiaries | – | – | – | – | – | – | – | (48) | – | (48) |
| Forward contracts | – | – | – | (179) | – | – | – | – | – | (179) |
| Net actuarial loss on pension schemes | – | – | – | – | – | – | – | – | (1,187) | (1,187) |
| Total comprehensive income for the year attributable to equity shareholders | – | – | – | (179) | – | – | – | (48) | (2,424) | (2,651) |
| Exercise of share options | – | 2 | 13 | – | – | – | – | – | – | 15 |
| Share based payments | – | – | – | – | – | – | – | – | 20 | 20 |
| Dividends paid | – | – | – | – | – | – | – | – | (361) | (361) |
| Total transactions with owners | – | 2 | 13 | – | – | – | – | – | (341) | (326) |
| At 31 December 2023 | 1,503 | (135) | 729 | 100 | 1,036 | 1,427 | 3,860 | 653 | 14,638 | 23,811 |

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

Consolidated cash flow statement

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Net (loss)/profit for the year | (1,237) | 674 |
| Adjustments: | | |
| Depreciation of property, plant and equipment | 272 | 141 |
| Amortisation of intangible fixed assets | 35 | 22 |
| Profit on sale of property, plant and equipment | (5) | (11) |
| Contribution to defined benefit pension plans | (597) | (651) |
| Finance costs | 327 | 237 |
| Tax expense | 39 | 178 |
| Share based payments | 20 | 21 |
| Net cash flow from operating activities before movements in working capital | (1,146) | 611 |
| Change in inventories | (404) | 3,307 |
| Change in trade and other receivables | 1,457 | 3,610 |
| Change in trade and other payables | (265) | (6,133) |
| Cash (used in)/generated from operations | (358) | 1,395 |
| Interest paid | (254) | (139) |
| Tax paid | (2) | (26) |
| Net cash flows from operating activities | (614) | 1,230 |
| Cash flows from investing activities | | |
| Purchases of intangible fixed assets | (37) | (93) |
| Purchases of property, plant and equipment | (985) | (4,880) |
| Sale of property, plant and equipment | 13 | 13 |
| Net cash flows from investing activities | (1,009) | (4,960) |
| Cash flows from financing activities | | |
| Loan repayments / new loans | (500) | 2,013 |
| Finance lease repayments | – | (54) |
| Movement in invoice financing | (324) | (1,161) |
| Exercise of share options | 15 | 297 |
| Dividends paid | (361) | (540) |
| Net cash flows from financing activities | (1,170) | 555 |
| Net change in cash and cash equivalents | (2,793) | (3,175) |
| Cash and cash equivalents at beginning of year | 3,288 | 6,367 |
| Effect of foreign exchange rate changes | (48) | 96 |
| Cash and cash equivalents at end of year | 447 | 3,288 |

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

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 2023 (including the comparatives for the year ended 31 December 2022) were approved by the Board of Directors on 22 March 2024.

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 exceptional costs, 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.

Overall considerations

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards 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 and 25.

Going concern

The Directors have concluded that, based on current and forecast trading, the annual cash flow forecasts and the available sources of finance, that it is appropriate to prepare these financial statements on a going concern basis.

The Directors have prepared detailed trading and cash flow forecasts through to 31 December 2024, extrapolated through to 31 March 2025. The trading forecasts take into account the expected turnover levels from the Group's businesses and the current and expected cost structure of the Group. The key sensitivity in the trading forecasts is turnover levels of each business unit, which have been factored into the forecasts.

The cash flow forecasts are derived from the trading forecasts and include the repayment of the HSBC Bank plc loan in accordance with the agreement with HSBC Bank plc. The facilities available to the Group comprise an overdraft of £2 million, an invoice finance facility of up to £2.5 million and import loans of £2 million. The cash flow forecast shows that there is significant headroom available to the Group to trade within these finance facilities.

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.

2. Accounting policies continued

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.

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.

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 and website development 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 |

Notes to the Consolidated financial statements

continued

2. Accounting policies continued

Inventories

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

Segment reporting

Due to the integration of a number of functions across the Group it is not possible to accurately report operating segments in full, however 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, forward exchange contracts and interest rate hedge contracts.

All financial assets are recognised when the entity becomes party to the contractual provisions of an instrument. All financial assets except interest rate hedge contracts and 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.

2. Accounting policies continued

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.

Interest rate hedge contracts and 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.

Interest rate hedge contracts and forward exchange contracts may also be financial liabilities held at fair value.

Derivatives

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.

The Group also uses interest rate hedge contracts to hedge its risks associated with interest rate fluctuations, linked to the level of borrowings in the Group. The Company's policy is to reduce the impact on profitability and cashflow associated with base interest rate movements, by utilising interest rate hedge contracts.

Notes to the Consolidated financial statements

continued

2. Accounting policies continued

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. Similarly, interest rate hedge fair value is calculated by reference to current interest rate hedge contracts with similar depreciating 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.

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

Derivatives are used to minimise the impact of foreign exchange and interest rate 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 interest rates and historical movements in foreign currency exchange and interest 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.

2. Accounting policies continued

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 up to the valuation date.

Key judgements

Going Concern

The financial statements are prepared on the going concern basis.

The Group has cash reserves and finance facilities available and the Board continually monitor a rolling cashflow forecast for the business as a whole. 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 financial statements and have therefore prepared these financial statements on a going concern basis.

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.

In determining the proportion of the interest rate hedge contracts that are effective against base interest rate fluctuations, the Directors measure the level of borrowing against the remaining value of the contracts.

New standards adopted for the year ended 31 December 2023

The following amendments to standards were applicable during the year but did not have a material impact on the Group:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Notes to the Consolidated financial statements

continued

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, turnover has been analysed into four key segments being Toys, Sports & Leisure, eMobility, Bicycles and Home & Garden.

| | 31 December 2023 | 31 December 2022 |
|------------------------|---------------------|---------------------|
| | £'000 | £'000 |
| Toys, sports & leisure | 10,107 | 14,758 |
| eMobility | 5,452 | 3,788 |
| Bicycles | 4,266 | 4,846 |
| Home & Garden | 2,417 | 3,291 |
| | 22,242 | 26,683 |

Operating expenses and Exceptional costs

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| | £'000 | £'000 |
| Distribution costs | 4,882 | 4,260 |
| Administrative expenses (before exceptional costs) | 1,886 | 2,224 |
| Total operating expenses (before exceptional costs) as shown in the Consolidated income statement | 6,768 | 6,484 |

The operating expenses (before exceptional costs) disclosed above include the following charges/(credits):

| | | |
|---|--------------|--------------|
| Employee benefits expense (note 5) | 3,482 | 3,521 |
| Depreciation – owned assets | 272 | 106 |
| Depreciation – right of use assets | – | 35 |
| Profit on sale of tangible fixed assets | (5) | (11) |
| Intangible amortisation | 35 | 22 |
| Operating lease costs | 82 | 148 |
| Other expenses | 2,902 | 2,663 |
| | 6,768 | 6,484 |

Exceptional costs of £103,000 (year ended 31 December 2022 - £223,000) were incurred in respect of employment costs relating to the resignation of the former Supply Chain and E-commerce Director, and shunting costs relating to the relocation of a warehouse and distribution facility. In the prior year they were in respect of employment and legal costs relating to the resignation of the former Chief Executive, redundancy costs relating to the relocation of a warehouse and distribution facility, and shunting costs relating to the same.

Auditor's remuneration in the capacity as auditor of the parent Company was £5,000 (year ended 31 December 2022 - £4,000) and in the capacity as auditor of the subsidiary companies was £54,000 (year ended 31 December 2022 - £49,000). Non audit remuneration in respect of tax compliance services totalled £13,000 (year ended 31 December 2022 - £16,000).

Rental income received of £45,000 in the year ended 31 December 2023 has been offset against rent paid in administrative expenses (year ended 31 December 2022 - £46,000).

4. Finance costs

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Interest payable on bank loans, overdrafts and invoice finance facilities | 324 | 144 |
| Interest payable on lease arrangements | – | 4 |
| Expected return on pension scheme assets less interest on liabilities | 73 | 97 |
| Interest receivable from derivatives | (70) | (8) |
| Total finance costs | 327 | 237 |

5. Directors' and employees' remuneration

Employee benefits expense

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Wages and salaries | 3,024 | 2,987 |
| Social security costs | 277 | 320 |
| Share-based employee remuneration | 20 | 21 |
| Pension scheme contributions – defined contribution schemes | 161 | 193 |
| | 3,482 | 3,521 |

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

| | Number | Number |
|-------------------------------|-----------|-----------|
| Selling and distribution | 44 | 44 |
| Management and administration | 28 | 30 |
| | 72 | 74 |

Directors' remuneration

| | 31 December 2023 | | | | 31 December 2022 | |
|--|---------------------|-------------------------------|------------------------------|----------------------------------|---------------------|----------------|
| | Salary/Fee £'000 | Performance bonus £'000 | Benefits in kind £'000 | Pension contribution £'000 | Total £'000 | Total £'000 |
| S J Grant | 57 | – | – | – | 57 | 83 |
| J C Shears (resigned 6 May 2022) | – | – | – | – | – | 172 |
| P Ratcliffe | 173 | – | 5 | 16 | 194 | 187 |
| P Kimberley | 194 | 58 | 3 | 19 | 274 | 180 |
| M A Taylor | 32 | – | – | – | 32 | 26 |
| J Crookall (appointed 20 October 2022) | 24 | – | – | – | 24 | 5 |
| M P Fisher (resigned 8 February 2023) | 73 | – | 5 | 7 | 85 | 125 |
| | 553 | 58 | 13 | 42 | 666 | 778 |

Notes to the Consolidated financial statements

continued

5. Directors' and employees' remuneration continued

In addition to the above the total charge for Employer's National Insurance for the period was £75,000 (year ended 31 December 2022 - £130,000).

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

The share based remuneration charge was £13,000 (year ended 31 December 2022 - £19,000) of which £nil (year ended 31 December 2022 - £2,000) related to S J Grant, £nil (year ended 31 December 2022 - £4,000) related to J C Shears, £4,000 (year ended 31 December 2022 - £5,000) related to P Ratcliffe, £9,000 (year ended 31 December 2022 - £5,000) related to P Kimberley and £nil (year ended 31 December 2022 - £3,000) related to M Fisher.

Key management personnel

The Group considers the key management of the business to be the current Board of Tandem Group plc, together with the heads of the various business departments. Total remuneration for the key management personnel was £1,338,000 (31 December 2022 - £1,322,000)

Share based employee remuneration

The following options were held at 31 December 2023 under the Group's share option schemes:

| Number of shares | 1 January 2023 | Granted during year | Exercised/ lapsed during year | 31 December 2023 | Option price per 25p ordinary share | Exercise period |
|--|----------------|---------------------|-------------------------------|------------------|-------------------------------------|-------------------|
| <i>2007 and 2019 Employee Share Option Schemes</i> | | | | | | |
| Directors | | | | | | |
| S J Grant | 50,000 | – | – | 50,000 | 190.0p | 31/12/21–24/05/29 |
| P Ratcliffe | 54,232 | – | – | 54,232 | 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 |
| | – | 2,500 | – | 2,500 | 240.0p | 31/12/25–28/03/33 |
| P Kimberley | 37,500 | – | – | 37,500 | 325.0p | 31/12/24–28/04/32 |
| | – | 45,000 | – | 45,000 | 240.0p | 31/12/25–28/03/33 |
| M P Fisher | 7,500 | – | (7,500) | – | 190.0p | 31/12/21–24/05/29 |
| | 10,000 | – | (10,000) | – | 665.0p | 31/12/23–28/04/31 |
| Other employees | 32,400 | – | – | 32,400 | 190.0p | 31/12/21–24/05/29 |
| | 30,000 | – | (10,000) | 20,000 | 665.0p | 31/12/23–28/04/31 |
| | – | 57,500 | – | 57,500 | 240.0p | 31/12/25–28/03/33 |
| | 279,632 | 105,000 | (27,500) | 357,132 | | |

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

| | 31 December 2023 | | | 31 December 2022 | | |
|---------------------------------|------------------|------------------------|------------------------------------|------------------|------------------------|------------------------------------|
| | Number | Exercise price (pence) | Remaining contractual life (years) | Number | Exercise price (pence) | Remaining contractual life (years) |
| Date exercisable (option life): | | | | | | |
| 2018 (up to 2026) | 54,232 | 127.50 | 2.3 | 54,232 | 127.5 | 3.3 |
| 2021 (up to 2029) | 127,400 | 190.00 | 5.4 | 134,900 | 190.0 | 6.4 |
| 2023 (up to 2031) | 33,000 | 665.00 | 7.3 | 53,000 | 665.0 | 8.3 |
| 2024 (up to 2032) | 37,500 | 325.00 | 8.3 | 37,500 | 325.0 | 9.3 |
| 2025 (up to 2033) | 105,000 | 240.00 | 9.2 | – | – | – |
| | 357,132 | | | 279,632 | | |

5. Directors' and employees' remuneration continued

The ordinary share mid-market price on 31 December 2023 was 142.5p (31 December 2022 – 257.5p). During the period, the highest mid-market price was 302.5p (31 December 2022 – 600.0p) and the lowest was 115.0p (31 December 2022 – 235.0p). The weighted average exercise price of the options in issue was 253.3p (31 December 2022 – 286.0p).

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

- exercise prices of 127.5p (31 December 2022 – 79.0p) to 665.0p (31 December 2022 – 665.0p);
- 60.7% (31 December 2022 - 44.7%) to 62.5% (31 December 2022 – 62.5%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2022 – 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%

In total, £20,000 (31 December 2022 – £21,000) of share-based employee remuneration has been included in the Consolidated income statement.

6. Tax expense

The relationship between the expected tax expense at 23.5% (year ended 31 December 2022 – 19%) and the actual tax expense recognised in the Consolidated income statement can be reconciled as follows:

| | 31 December 2023 | | 31 December 2022 | |
|--|------------------|---------------|------------------|--------------|
| | £'000 | % | £'000 | % |
| (Loss)/profit before taxation | (1,198) | | 852 | |
| Tax rate | 23.5% | | 19% | |
| Expected tax (credit)/expense | (282) | 23.5% | 162 | 19.0% |
| Expenses not deductible for tax purposes | 36 | (3.0)% | 13 | 1.5% |
| Movement in unrecognised deferred tax asset | 432 | (36.1)% | 205 | 24.1% |
| Deferred tax charged to the Consolidated statement of comprehensive income | – | 0.0% | (54) | (6.3)% |
| Amounts credited directly to equity or otherwise transferred | – | 0.0% | (35) | (4.1)% |
| Foreign tax suffered | – | 0.0% | (17) | (2.0)% |
| Remeasurement of deferred tax for changes in tax rates | 2 | (0.2)% | (36) | (4.2)% |
| Adjustments in respect of prior periods | (149) | 12.4% | (60) | (7.0)% |
| Actual tax expense | 39 | (3.3)% | 178 | 20.9% |
| Actual tax (credit)/expense comprises: | | | | |
| Current tax charge | (155) | | (77) | |
| Deferred expense | 194 | | 255 | |
| | 39 | | 178 | |

At 31 December 2023 there are trading losses and loan relationship deficits of approximately £6,360,000 (31 December 2022 – £3,684,000) 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 2023 (25% at 31 December 2022) and reflected in these financial statements.

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 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Net (loss)/profit for the year | (1,237) | 674 |
| Weighted average shares in issue (excluding shares held in treasury) used for basic earnings per share | 5,470,829 | 5,375,128 |
| Weighted average dilutive shares under option | 41,217 | 100,733 |
| Average number of shares used for diluted earnings per share | 5,512,046 | 5,475,861 |
| | Pence | Pence |
| Basic (loss)/earnings per share | (22.6) | 12.5 |
| Diluted (loss)/earnings per share | (22.6) | 12.3 |

The impact on the loss per share of the share options for the year ended 31 December 2023 is anti-dilutive.

8. Intangible fixed assets

| | Goodwill £'000 | Software £'000 | Websites £'000 | Brand names £'000 | Total £'000 |
|------------------------------|-------------------|-------------------|-------------------|-------------------------|----------------|
| Gross carrying amount | | | | | |
| At 1 January 2022 | 10,109 | 132 | – | 441 | 10,682 |
| Additions | – | – | 93 | – | 93 |
| At 1 January 2023 | 10,109 | 132 | 93 | 441 | 10,775 |
| Additions | – | – | 37 | – | 37 |
| At 31 December 2023 | 10,109 | 132 | 130 | 441 | 10,812 |
| Amortisation | | | | | |
| At 1 January 2022 | 4,957 | 129 | – | 142 | 5,228 |
| Provided in the year | – | 1 | – | 21 | 22 |
| At 1 January 2023 | 4,957 | 130 | – | 163 | 5,250 |
| Provided in the year | – | 2 | 12 | 21 | 35 |
| At 31 December 2023 | 4,957 | 132 | 12 | 184 | 5,285 |
| Net book value | | | | | |
| At 31 December 2023 | 5,152 | – | 118 | 257 | 5,527 |
| At 31 December 2022 | 5,152 | 2 | 93 | 278 | 5,525 |

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

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 | 1 August 2014 | 1,695 | 1,695 |
| ESC | 1 September 2015 | 1,221 | 1,221 |
| Others (fully impaired) | | 3,677 | – |
| | | 10,109 | 5,152 |

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

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

The recoverable amounts were determined based on a value-in-use calculation, covering a detailed one year conservative forecast, followed by an extrapolation of expected cash flow over the next four years at growth rates of between 4% and 5% 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 8.60%, 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 growth rates were assumed to be nil, no provision for impairment would be required. The Directors believe that there are no reasonably possible changes in assumptions which would cause recoverable amounts to equal carrying amounts. No further sensitivities have been applied to the calculation.

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

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 2022 | 3,260 | 4,200 | 750 | 80 | 1,902 | 10,192 |
| Additions | – | 4,215 | – | 30 | 635 | 4,880 |
| Transfer | (3,260) | 3,260 | – | – | – | – |
| Revaluation | – | 2,087 | – | – | – | 2,087 |
| Disposals | – | – | – | (18) | (525) | (543) |
| Foreign exchange adjustments | – | – | 7 | – | 13 | 20 |
| At 1 January 2023 | – | 13,762 | 757 | 92 | 2,025 | 16,636 |
| Additions | – | 701 | – | – | 284 | 985 |
| Disposals | – | – | (369) | (24) | (1) | (394) |
| Foreign exchange adjustments | – | – | (3) | – | (7) | (10) |
| At 31 December 2023 | – | 14,463 | 385 | 68 | 2,301 | 17,217 |
| Depreciation | | | | | | |
| At 1 January 2022 | – | 50 | 721 | 43 | 1,603 | 2,417 |
| Provided in the year | – | 51 | 29 | 17 | 44 | 141 |
| Revaluation | – | (101) | – | – | – | (101) |
| Eliminated on disposals | – | – | – | (18) | (523) | (541) |
| Foreign exchange adjustments | – | – | 7 | – | 13 | 20 |
| At 1 January 2023 | – | – | 757 | 42 | 1,137 | 1,936 |
| Provided in the year | – | 164 | – | 19 | 89 | 272 |
| Eliminated on disposals | – | – | (369) | (16) | (1) | (386) |
| Foreign exchange adjustments | – | – | (3) | – | (6) | (9) |
| At 31 December 2023 | – | 164 | 385 | 45 | 1,219 | 1,813 |
| Net book value | | | | | | |
| At 31 December 2023 | – | 14,299 | – | 23 | 1,082 | 15,404 |
| At 31 December 2022 | – | 13,762 | – | 50 | 888 | 14,700 |

A valuation of the property was carried out by Jones Lang LaSalle Limited in February 2023 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 £14,200,000. The Directors of the Company have adjusted this valuation for capital expenditure between the year end and valuation date and consider this to materially represent the fair value at 31 December 2023.

The net book value of right of use assets held under leasing arrangements was £nil (31 December 2022 - £137,000).

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

10. Inventories

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---------------------------|------------------------------|------------------------------|
| Finished goods for resale | 5,161 | 4,757 |

Cost of sales includes material costs of £13,687,000 (year ended 31 December 2022 - £15,885,000), carriage costs of £991,000 (year ended 31 December 2022 - £833,000) and other costs of £1,564,000 (year ended 31 December 2022 - £2,169,000).

11. Trade and other receivables

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Amounts falling due within one year: | | |
| Trade receivables | 4,387 | 4,877 |
| Prepayments and accrued income | 279 | 391 |
| Other receivables | 510 | 1,365 |
| | 5,176 | 6,633 |

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 £43,000 (year ended 31 December 2022 - £14,000) has been made. The movement in the loss allowance can be reconciled as follows:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|-------------------------|------------------------------|------------------------------|
| Amounts brought forward | 14 | 17 |
| Amounts written off | – | (3) |
| Provided in year | 29 | – |
| At year end | 43 | 14 |

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 2023 £'000 | 31 December 2022 £'000 |
|-----------------------------|------------------------------|------------------------------|
| Not past due | 3,633 | 3,609 |
| Past due 0 – 90 days | 605 | 1,268 |
| Past due 91 – 180 days | 88 | – |
| Past due more than 180 days | 61 | – |
| | 4,387 | 4,877 |

Notes to the Consolidated financial statements

continued

12. Cash and cash equivalents

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Cash and cash equivalents per Consolidated cash flow statement | 447 | 3,288 |

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 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Amounts falling due within one year: | | |
| Trade payables | (1,825) | (2,095) |
| Taxation and social security | (585) | (466) |
| Other payables | (1,525) | (1,639) |
| | (3,935) | (4,200) |

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 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Invoice finance liability | (252) | (576) |
| Current borrowings with contractual maturities in less than one year | | |
| – other borrowings | (3,763) | (509) |
| Total current borrowings | (4,015) | (1,085) |
| Non current borrowings with contractual maturities one to two years | | |
| – other borrowings | – | (3,141) |
| Non current borrowings with contractual maturities between two to five years | | |
| – other borrowings | – | (613) |
| Total non current borrowings | – | (3,754) |
| Total borrowings | (4,015) | (4,839) |

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. The interest rate on other borrowings is between 1.99% and 2.35% over Base Rate.

The three loans due to HSBC Bank plc amounting to £3,763,000 were all classified as due within 1 year as the financial covenants in the loan agreements were not complied with at 31 December 2023 and no waivers had been received from HSBC Bank plc. Of this amount £3,315,000 was repayable within one year under the terms of the loan agreement. On 31 January 2024 the existing loans were repaid and a new loan for £3,900,000 was received from HSBC Bank plc which is repayable over 5 years at 2.50% over Base Rate. This loan does not include any financial covenants.

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

15. Financial assets and liabilities

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

| | 31 December 2023 | | | | 31 December 2022 | | | |
|-----------------------------|--------------------------------|--|---|----------------|--------------------------------|--|---|----------------|
| | Loans and receivables £'000 | Financial assets held at fair value through profit and loss £'000 | Assets not within the scope of IFRS9 £'000 | Total £'000 | Loans and receivables £'000 | Financial assets held at fair value through profit and loss £'000 | Assets not within the scope of IFRS9 £'000 | Total £'000 |
| Cash and cash equivalents: | | | | | | | | |
| Sterling | 109 | – | – | 109 | (1,264) | – | – | (1,264) |
| US Dollars | 330 | – | – | 330 | 4,462 | – | – | 4,462 |
| Euro | 2 | – | – | 2 | 55 | – | – | 55 |
| Others | 6 | – | – | 6 | 35 | – | – | 35 |
| | 447 | – | – | 447 | 3,288 | – | – | 3,288 |
| Cashflow derivatives | – | 173 | – | 173 | – | 279 | – | 279 |
| Trade and other receivables | 4,898 | – | 278 | 5,176 | 5,602 | – | 1,031 | 6,633 |
| Inventories | – | – | 5,161 | 5,161 | – | – | 4,757 | 4,757 |
| Current tax assets | – | – | 10 | 10 | – | – | – | – |
| Current assets | 5,345 | 173 | 5,449 | 10,967 | 8,890 | 279 | 5,788 | 14,957 |

The financial liabilities of the Group comprised:

| | 31 December 2023 | | | | 31 December 2022 | | | |
|----------------------------|--|---|--|----------------|--|---|--|----------------|
| | Other financial liabilities at amortised cost £'000 | Financial liabilities held at fair value through profit and loss £'000 | Liabilities not within the scope of IFRS9 £'000 | Total £'000 | Other financial liabilities at amortised cost £'000 | Financial liabilities held at fair value through profit and loss £'000 | Liabilities not within the scope of IFRS9 £'000 | Total £'000 |
| Trade and other payables | (3,350) | – | (585) | (3,935) | (3,734) | – | (466) | (4,200) |
| Invoice finance liability | (252) | – | – | (252) | (576) | – | – | (576) |
| Current borrowings | (3,763) | – | – | (3,763) | (509) | – | – | (509) |
| Cashflow hedges | – | (74) | – | (74) | – | – | – | – |
| Current tax liabilities | – | – | – | – | – | – | (149) | (149) |
| Current liabilities | (7,365) | (74) | (585) | (8,024) | (4,819) | – | (615) | (5,434) |
| Non current liabilities | – | – | – | – | (3,754) | – | – | (3,754) |

The cashflow derivatives at 31 December 2023 comprise the interest rate hedge and foreign exchange hedges (31 December 2022 - interest rate hedge).

Notes to the Consolidated financial statements

continued

15. Financial assets and liabilities continued

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

Interest rate risk

The Group's banking and invoice finance facilities are subject to variable interest rates. As a result, changes in interest rates could have an impact on the net result for the year and to equity. The Group has entered into a interest rate hedge contract over £3 million on a depreciating basis of its bank loans with a cap of 2%. The fair value for this contract has been estimated using relative market interest rates. Net 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 2024.

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 2023 | | | | 31 December 2022 | | | |
|-------------------------|------------------|--------------|----------------|----------------|------------------|--------------|----------------|----------------|
| | USD £'000 | GBP £'000 | Other £'000 | Total £'000 | USD £'000 | GBP £'000 | Other £'000 | Total £'000 |
| Current assets | 330 | 10,629 | 8 | 10,967 | 4,462 | 10,406 | 89 | 14,957 |
| Current liabilities | (846) | (7,178) | – | (8,024) | (1,075) | (4,359) | – | (5,434) |
| Non-current liabilities | – | – | – | – | – | (3,754) | – | (3,754) |
| Total exposure | (516) | 3,451 | 8 | 2,943 | 3,387 | 2,293 | 89 | 5,769 |

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

An Interest rate hedge contract which has a value of £173,000 at 31 December 2023 (year ended 31 December 2022 – £279,000) is a financial instrument held at fair value and is disclosed as an asset at the year end. This contract is a Level two financial asset and will expire within 6 years from 31 December 2023 (year ended 31 December 2022 - expire within 7 years of 31 December 2022). Forward exchange contracts which have a value of £74,000 at 31 December 2023 (year ended 31 December 2022 - £nil) are financial instruments held at fair value and are disclosed as a liability at the year end. These contracts are Level two financial liabilities and all expire within 12 months from 31 December 2023, none of which matured in 2023 but will all mature within 12 months from 31 December 2023. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2023 or 2022.

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 and interest rate hedge 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 2023. The fair value of the intangibles as at 31 December 2023 are included in the Consolidated balance sheet as £257,000 (year ended 31 December 2022 - £278,000).

The fair value of the brands within 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 8.60%.

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 2021 £'000 | Movement in the year £'000 | 31 December 2022 £'000 | Movement in the year £'000 | 31 December 2023 £'000 |
|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
| Provided | | | | | |
| Pension obligations | (659) | 353 | (306) | 127 | (179) |
| Property, plant and equipment | (192) | 230 | 38 | 64 | 102 |
| Short term temporary differences | 5 | – | 5 | – | 5 |
| Unused tax losses | (477) | (114) | (591) | – | (591) |
| Total | (1,323) | 469 | (854) | 191 | (663) |
| Presented as: | | | | | |
| Deferred tax asset | (1,323) | 469 | (854) | 191 | (663) |
| Unprovided | | | | | |
| Property, plant and equipment | (7) | – | (7) | – | (7) |
| Short term temporary differences | (35) | – | (35) | – | (35) |
| Unused tax losses | (495) | 370 | (125) | (874) | (999) |
| Capital losses | (1,405) | – | (1,405) | – | (1,405) |
| ACT | (131) | – | (131) | – | (131) |
| Total | (2,073) | 370 | (1,703) | (874) | (2,577) |

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, an decrease of £191,000 (31 December 2022 - decrease of £469,000), a charge of £194,000 (31 December 2022 - £255,000) has been recognised in the Consolidated income statement and a credit of £3,000 (31 December 2022 - charge of £214,000) 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 2022.

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

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| | £'000 | £'000 |
| Defined benefit obligation at the beginning of the year | 7,337 | 9,579 |
| Interest cost | 333 | 194 |
| Actuarial loss due to scheme experience | 365 | 27 |
| Actuarial loss/(gain) due to changes in financial assumptions | 496 | (1,725) |
| Benefits paid | (791) | (738) |
| Defined benefit obligation at the end of the year | 7,740 | 7,337 |

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

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|---------------------|---------------------|
| Discount rate | 4.80% | 4.80% |
| Increase in pensionable salaries* | –% | –% |
| Increase in pensions in payment | Up to 5.00% | Up to 5.00% |
| Increase in deferred pensions | 3.00 to 5.00% | 3.00 to 5.00% |
| Inflation assumption | 3.15% | 3.05% |
| Mortality assumption table | S3 PxA (YOB) | S3 PxA (YOB) |

* There are no members whose benefits are linked to salaries

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

| | Life expectancy at age 65 (years) |
|--------------------|--------------------------------------|
| Male now aged 65 | 20.8 |
| Female now aged 65 | 23.2 |
| Male now aged 45 | 21.5 |
| Female now aged 45 | 24.1 |

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 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Fair value of scheme assets at the beginning of the year | 6,104 | 6,932 |
| Interest income | 202 | 103 |
| Return on plan assets | 32 | (743) |
| Contributions | 563 | 550 |
| Benefits paid | (791) | (738) |
| Fair value of scheme assets at the end of the year | 6,110 | 6,104 |

The value of assets in the scheme were:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|-----------------------------------|------------------------------|------------------------------|
| Equities | 578 | 842 |
| Property | 1,033 | 1,047 |
| Alternatives | 226 | 485 |
| Gilts | 223 | 176 |
| Corporate Bonds | 2,016 | 2,655 |
| Cash and other | 2,034 | 899 |
| Total fair value of assets | 6,110 | 6,104 |

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 0.1% per annum | Increase by 0.9% |
| Inflation | Increase of 0.1% per annum | Increase by 0.1% |
| 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 2023 is 10 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 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Deficit at the beginning of the year | (1,233) | (2,647) |
| Movement in year: | | |
| Contributions | 563 | 550 |
| Finance cost | (131) | (91) |
| Actuarial (loss)/gain | (829) | 955 |
| Deficit at the end of the year | (1,630) | (1,233) |
| Related deferred tax asset | 405 | 306 |
| Net deficit at the end of the year | (1,225) | (927) |

The expected contributions in the year ending 31 December 2024 are £394,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to September 2028.

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Net interest cost | 131 | 91 |
| Defined benefit costs recognised in profit or loss | 131 | 91 |

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Return on plan assets (excluding amounts included in net interest cost) | 32 | (743) |
| Experience loss arising on the defined benefit obligation | (365) | (27) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain | (496) | 1,725 |
| Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain | (829) | 955 |

17. Pension scheme arrangements continued

The Casket Group Retirement and Death Benefit Scheme

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

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 5 April 2022.

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

| | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| | £'000 | £'000 |
| Defined benefit obligation at the beginning of the year | 1,780 | 2,656 |
| Interest cost | 80 | 51 |
| Actuarial loss due to scheme experience | 531 | 78 |
| Actuarial gain due to changes in financial assumptions | (44) | (449) |
| Benefits paid | (202) | (556) |
| Defined benefit obligation at the end of the year | 2,145 | 1,780 |

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

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|---------------------|---------------------|
| Discount rate | 4.80% | 4.80% |
| Increase in pensionable salaries* | –% | –% |
| Increase in pensions in payment | –% | –% |
| Increase in deferred pensions | 3.05% | 3.05% |
| Inflation assumption | 3.05% | 3.05% |
| Mortality assumption table | S3 PxA (YOB) | S3 PxA (YOB) |

* There are no members whose benefits are linked to salaries

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

| | Life expectancy at age 65 (years) |
|--------------------|--------------------------------------|
| Male now aged 65 | 19.1 |
| Female now aged 65 | 21.4 |
| Male now aged 45 | 19.8 |
| Female now aged 45 | 22.3 |

Notes to the Consolidated financial statements

continued

17. Pension scheme arrangements continued

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Fair value of scheme assets at the beginning of the year | 2,953 | 3,217 |
| Interest income | 138 | 45 |
| Return on plan assets | 126 | 146 |
| Contributions | 34 | 101 |
| Benefits paid | (202) | (556) |
| Fair value of scheme assets at the end of the year | 3,049 | 2,953 |

The value of assets in the scheme were:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|-----------------------------------|------------------------------|------------------------------|
| Equities | 1,826 | 1,649 |
| Property | 285 | 326 |
| Gilts | 185 | 203 |
| Corporate Bonds | 592 | 629 |
| Cash and other | 161 | 146 |
| Total fair value of assets | 3,049 | 2,953 |

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

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

| | Change in assumptions | Change in liabilities |
|-------------------|---------------------------------------|------------------------------|
| Discount rate | Decrease of 0.5% per annum | Increase by 5.8% |
| Rate of inflation | Increase of 0.5% per annum | Increase by 3.0% |
| Rate of mortality | Increase in life expectancy by 1 year | Increase by 3.9% |

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 2023 is 10 years.

17. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Deficit at the beginning of the year | 1,173 | 561 |
| Movement in year: | | |
| Contributions | 34 | 101 |
| Finance income/(cost) | 58 | (6) |
| Actuarial (loss)/gain | (361) | 517 |
| Surplus at the end of the year | 904 | 1,173 |
| Related deferred tax asset | (226) | – |
| Net surplus at the end of the year | 678 | 1,173 |

The expected contributions in the year ending 31 December 2024 are £nil in accordance with the agreed schedule of contributions, as the scheme is in surplus. The surplus can under the Trust Deed rules be recovered by the Group.

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Net interest cost | (58) | 6 |
| Defined benefit costs recognised in profit or loss | (58) | 6 |

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Return on plan assets (excluding amounts included in net interest cost) | 126 | 146 |
| Experience loss arising on the defined benefit obligation | (531) | (78) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain | 44 | 449 |
| Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain | (361) | 517 |

Group pension scheme deficit

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Deficit | | |
| The Tandem Group Pension Plan | (1,630) | (1,233) |
| The Casket Group Retirement and Death Benefit Scheme | 904 | 1,173 |
| | (726) | (60) |
| Related deferred tax asset | | |
| The Tandem Group Pension Plan | 405 | 306 |
| The Casket Group Retirement and Death Benefit Scheme | (226) | – |
| Net (deficit)/surplus at the end of the year | (547) | 246 |

Notes to the Consolidated financial statements

continued

17. Pension scheme arrangements continued

The amounts recognised in the Consolidated statement of comprehensive income in the year ended 31 December 2023 are a loss of £829,000 in respect of the Tandem Group Pension Plan and a loss of £361,000 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 £3,294,000 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.

18. Equity

| | Number of shares | £'000 |
|---|---------------------|--------------|
| Allotted, called up and fully paid | | |
| At 1 January 2022 – ordinary shares 25p each | 5,244,116 | 1,311 |
| Exercise of share options | 220,343 | 55 |
| At 1 January 2023 - ordinary shares 25p each | 5,464,459 | 1,366 |
| Exercise of share options | 7,500 | 2 |
| At 31 December 2023 – ordinary shares 25p each | 5,471,959 | 1,368 |

19. Related parties

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---------------------------------------|------------------------------|------------------------------|
| S J Grant | 16 | 25 |
| P Ratcliffe | 8 | 13 |
| M P Fisher (resigned 8 February 2023) | – | 1 |
| P Kimberley | 3 | 4 |
| | 27 | 43 |

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 2023 the Group had committed to spend £nil on construction works in relation to the new warehouse facility (31 December 2022 - £259,000), £nil in relation to the solar panel installation (31 December 2022 - £41,000), £nil in relation to racking (31 December 2022 - £84,000) and £nil on the security system (31 December 2022 - £25,000).

22. Post balance sheet events

On 31 January 2024, the Group entered into a new loan agreement with HSBC Bank plc. All previous loans were then repaid and replaced with a single loan facility for £3,900,000 over 5 years.

Five year history

| | 31 December 2023 £'000 | 31 December 2022 £'000 | 31 December 2021 £'000 | 31 December 2020 £'000 | 31 December 2019 £'000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Revenue | 22,242 | 26,683 | 40,917 | 37,056 | 38,837 |
| Cost of sales | (16,242) | (18,887) | (28,866) | (26,038) | (28,086) |
| Gross profit | 6,000 | 7,796 | 12,051 | 11,018 | 10,751 |
| Operating expenses | (6,768) | (6,484) | (7,112) | (6,923) | (7,718) |
| Operating (loss)/profit before exceptional costs | (768) | 1,312 | 4,939 | 4,095 | 3,033 |
| Exceptional costs | (103) | (223) | – | – | (29) |
| Operating (loss)/profit after exceptional costs | (871) | 1,089 | 4,939 | 4,095 | 3,004 |
| Finance costs | (327) | (237) | (207) | (91) | (497) |
| (Loss)/profit before taxation | (1,198) | 852 | 4,732 | 4,004 | 2,507 |
| Tax expense | (39) | (178) | (906) | (546) | (473) |
| Net (loss)/profit for the year | (1,237) | 674 | 3,826 | 3,458 | 2,034 |

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

Company balance sheet

| | Note | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------|------------------------------|------------------------------|
| Non current assets | | | |
| Intangible fixed assets | 4 | 331 | 306 |
| Investments | 5 | 8,590 | 8,590 |
| Property, plant and equipment | 6 | 15,258 | 14,579 |
| Deferred taxation | 10 | 333 | 306 |
| | | 24,512 | 23,781 |
| Current assets | | | |
| Trade and other receivables | 7 | 3,660 | 4,101 |
| Derivative financial asset held at fair value | 8 | 173 | 279 |
| | | 3,833 | 4,380 |
| Total assets | | 28,345 | 28,161 |
| Current liabilities | | | |
| Trade and other payables | 8 | (8,902) | (5,273) |
| Borrowings | 9 | (3,825) | (2,026) |
| Derivative financial liability held at fair value | 8 | (74) | – |
| | | (12,801) | (7,299) |
| Non current liabilities | | | |
| Borrowings | 9 | – | (3,754) |
| Pension scheme deficit | 13 | (1,630) | (1,233) |
| | | (1,630) | (4,987) |
| Total liabilities | | (14,431) | (12,286) |
| Net assets | | 13,914 | 15,875 |
| Equity | | | |
| Share capital | 11 | 1,503 | 1,503 |
| Shares held in treasury | 11 | (135) | (137) |
| Share premium | | 729 | 716 |
| Other reserves | | 6,423 | 6,602 |
| Profit and loss account | | 5,394 | 7,191 |
| Total equity | | 13,914 | 15,875 |

The loss of the company for the year was £833,000 (31 December 2022 - £486,000).

The financial statements were approved by the Board on 22 March 2024 and signed on its behalf by:

S J Grant
Director

P Kimberley
Director

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

Company statement of changes in equity

| | Share capital £'000 | Shares held in treasury £'000 | Share premium £'000 | 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 2022 | 1,503 | (192) | 474 | 225 | 1,036 | 1,427 | 1,671 | 7,479 | 13,623 |
| Net loss for the year | – | – | – | – | – | – | – | (486) | (486) |
| Revaluation of property | – | – | – | – | – | – | 2,189 | – | 2,189 |
| Forward contracts | – | – | – | 540 | – | – | – | – | 540 |
| Net actuarial gain on pension scheme | – | – | – | – | – | – | – | 717 | 717 |
| Total comprehensive income for the year attributable to equity shareholders | – | – | – | 540 | – | – | 2,189 | 231 | 2,960 |
| Share based payments | – | – | – | – | – | – | – | 21 | 21 |
| Exercise of share options | – | 55 | 242 | – | – | – | – | – | 297 |
| Reclassified to intercompany | – | – | – | (486) | – | – | – | – | (486) |
| Dividends paid | – | – | – | – | – | – | – | (540) | (540) |
| Total transactions with owners | – | 55 | 242 | (486) | – | – | – | (519) | (708) |
| Balance at 1 January 2023 | 1,503 | (137) | 716 | 279 | 1,036 | 1,427 | 3,860 | 7,191 | 15,875 |
| Net loss for the year | – | – | – | – | – | – | – | (833) | (833) |
| Forward contracts | – | – | – | (179) | – | – | – | – | (179) |
| Net actuarial loss on pension scheme | – | – | – | – | – | – | – | (623) | (623) |
| Total comprehensive income for the year attributable to equity shareholders | – | – | – | (179) | – | – | – | (1,456) | (1,635) |
| Share based payments | – | – | – | – | – | – | – | 20 | 20 |
| Exercise of share options | – | 2 | 13 | – | – | – | – | – | 15 |
| Dividends paid | – | – | – | – | – | – | – | (361) | (361) |
| Total transactions with owners | – | 2 | 13 | – | – | – | – | (341) | (326) |
| At 31 December 2023 | 1,503 | (135) | 729 | 100 | 1,036 | 1,427 | 3,860 | 5,394 | 13,914 |

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.

The profit and loss account includes all current and prior period results and share based payments.

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 UK adopted international accounting standards. This Company is included in the consolidated financial statements of Tandem Group plc for the year ended 31 December 2023. No individual profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

Going concern

The Directors have concluded, based on current and forecast trading, the annual cash flow forecasts and the available sources of finance, that it is appropriate to prepare these financial statements on a going concern basis.

The Directors have prepared detailed trading and cash flow forecasts through to 31 December 2024, extrapolated through to 31 March 2025. The trading forecasts take into account the expected turnover levels from the Group’s businesses and the current and expected cost structure of the Group. The key sensitivity in the trading forecasts is turnover levels of each business unit, which have been factored into the forecasts.

The cash flow forecasts are derived from the trading forecasts and include the repayment of the HSBC Bank plc loan in accordance with the agreement with HSBC Bank plc. The facilities available to the Group comprise an overdraft of £2 million, an invoice finance facility of up to £2.5 million and import loans of £2 million. The cash flow forecast shows that there is significant headroom available to the Group to trade within these finance facilities.

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.

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 website development are capitalised at cost and amortised on a straight line basis over their useful economic life of 10 years.

1. Accounting policies continued

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 |

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, an interest rate hedge 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 and the interest rate hedge 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.

Interest rate hedge contracts and forward exchange rate contracts may be financial assets held at fair value.

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.

Notes to the Company financial statements

continued

1. Accounting policies continued

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.

Interest rate hedge contracts and forward exchange rate contracts may also be financial liabilities held at fair value.

Foreign exchange and interest rate 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.

The Company also uses interest rate hedge contracts to hedge its risks associated with interest rate fluctuations, linked to the level of borrowings in the Company. The Company's policy is to reduce the impact on profitability and cashflow associated with base interest rate movements, by utilising interest rate hedge contracts.

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. Similarly, interest rate hedge fair value is calculated by reference to current interest rate hedge contracts with similar depreciating 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.

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 13.

Equity

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

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

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

1. Accounting policies continued

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.

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

Derivatives are used to minimise the impact of foreign exchange and interest rate 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 interest rates and historical movements in foreign currency exchange and interest 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 13. 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. Auditor's remuneration

Auditor's remuneration incurred by the Company during the period for audit services totalled £5,000 (year ended 31 December 2022 - £4,000), and for tax compliance services totalled £1,000 (year ended 31 December 2022 - £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 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Salaries | 802 | 867 |
| Benefits in kind | 24 | 18 |
| Social Security costs | 103 | 131 |
| Share based employee remuneration | 20 | 20 |
| Pension scheme contributions - defined contribution schemes | 49 | 25 |
| | 998 | 1,061 |

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

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

Share based employees' remuneration

The following options were held at 31 December 2023 under the Company's share option schemes:

| Number of shares | 1 January 2023 | Granted during year | Exercised/ lapsed during year | 31 December 2023 | Option price per 25p ordinary share | Exercise period |
|--|-------------------|------------------------|-------------------------------------|---------------------|--|-------------------|
| <i>2007 and 2019 Employee Share Option Schemes</i> | | | | | | |
| Directors | | | | | | |
| S J Grant | 50,000 | – | – | 50,000 | 190.0p | 31/12/21–24/05/29 |
| P Ratcliffe | 54,232 | – | – | 54,232 | 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 |
| | – | 2,500 | – | 2,500 | 240.0p | 31/12/25–28/03/33 |
| P Kimberley | 37,500 | – | – | 37,500 | 325.0p | 31/12/24–28/04/32 |
| | – | 45,000 | – | 45,000 | 240.0p | 31/12/25–28/03/33 |
| M P Fisher | 7,500 | – | (7,500) | – | 190.0p | 31/12/21–24/05/29 |
| | 10,000 | – | (10,000) | – | 665.0p | 31/12/23–28/04/31 |
| Other employees | 32,400 | – | – | 32,400 | 190.0p | 31/12/21–24/05/29 |
| | 30,000 | – | (10,000) | 20,000 | 665.0p | 31/12/23–28/04/31 |
| | – | 57,500 | – | 57,500 | 240.0p | 31/12/25–28/03/33 |
| | 279,632 | 105,000 | (27,500) | 357,132 | | |

3. Directors' and employees' remuneration continued

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

| | 31 December 2023 | | | 31 December 2022 | | |
|---------------------------------|------------------|------------------------|------------------------------------|------------------|------------------------|------------------------------------|
| | Number | Exercise price (pence) | Remaining contractual life (years) | Number | Exercise price (pence) | Remaining contractual life (years) |
| Date exercisable (option life): | | | | | | |
| 2018 (up to 2026) | 54,232 | 127.50 | 2.3 | 54,232 | 127.5 | 3.3 |
| 2021 (up to 2029) | 127,400 | 190.00 | 5.4 | 134,900 | 190.0 | 6.4 |
| 2023 (up to 2031) | 33,000 | 665.00 | 7.3 | 53,000 | 665.0 | 8.3 |
| 2024 (up to 2032) | 37,500 | 325.00 | 8.3 | 37,500 | 325.0 | 9.3 |
| 2025 (up to 2033) | 105,000 | 240.00 | 9.2 | – | – | – |
| | 357,132 | | | 279,632 | | |

The ordinary share mid-market price on 31 December 2023 was 142.5p (31 December 2022 – 257.5p). During the period, the highest mid-market price was 302.5p (31 December 2022 – 600.0p) and the lowest was 115.0p (31 December 2022 – 235.0p). The weighted average exercise price of the options in issue was 253.3p (31 December 2022 – 286.0p).

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

- exercise prices of 127.5p (31 December 2022 – 79.0p) to 665.0p (31 December 2022 – 665.0p);
- 60.7% (31 December 2022 - 44.7%) to 62.5% (31 December 2022 – 62.5%) volatility based on expected and historical share price;
- a risk-free interest rate of 0.86% (31 December 2022 – 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%

In total, £20,000 (31 December 2022 – £21,000) of share-based employee remuneration has been included in the Consolidated income statement.

4. Intangible fixed assets

| | Goodwill £'000 | Websites £'000 | Total £'000 |
|------------------------------|-------------------|-------------------|----------------|
| Gross carrying amount | | | |
| At 1 January 2023 | 2,506 | 93 | 2,599 |
| Additions | – | 37 | 37 |
| At 31 December 2023 | 2,506 | 130 | 2,636 |
| Amortisation | | | |
| At 1 January 2023 | 2,293 | – | 2,293 |
| Provided in the year | – | 12 | 12 |
| At 31 December 2023 | 2,293 | 12 | 2,305 |
| Net book value | | | |
| At 31 December 2023 | 213 | 118 | 331 |
| At 31 December 2022 | 213 | 93 | 306 |

Notes to the Company financial statements

continued

5. Investments

Unlisted
investments
in subsidiary
undertakings
£'000

| | |
|--|--------|
| Gross carrying amount | |
| At 1 January 2023 and 31 December 2023 | 17,824 |
| Impairment | |
| At 1 January 2023 and 31 December 2023 | 9,234 |
| Net book value | |
| At 31 December 2023 | 8,590 |
| At 31 December 2022 | 8,590 |

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

| | |
|--|---|
| Tandem Group Trading Limited* | Sports, leisure and toy products, bicycles and accessories, and garden, home, leisure and mobility products |
| M.V. Sports (Hong Kong) Limited [#] | Sports, leisure and toy products |
| Expressco Direct Limited [#] | Dormant |
| Tandem Group Cycles Limited [#] | Dormant |

* denotes 100% of issued ordinary shares

[#] denotes 100% indirect ownership of issued ordinary shares

6. Property, plant and equipment

| | Property £'000 | Plant and equipment £'000 | Total £'000 |
|------------------------------|-------------------|---------------------------------|----------------|
| Gross carrying amount | | | |
| At 1 January 2023 | 13,762 | 946 | 14,708 |
| Additions | 701 | 210 | 911 |
| At 31 December 2023 | 14,463 | 1,156 | 15,619 |
| Depreciation | | | |
| At 1 January 2023 | – | 129 | 129 |
| Provided in the year | 164 | 68 | 232 |
| At 31 December 2023 | 164 | 197 | 361 |
| Net book value | | | |
| At 31 December 2023 | 14,299 | 959 | 15,258 |
| At 31 December 2022 | 13,762 | 817 | 14,579 |

A valuation of the property was carried out by Jones Lang LaSalle Limited in February 2023 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 £14,200,000. The Directors of the Company have adjusted this valuation for capital expenditure between the year end and valuation date and consider this to materially represent the fair value at 31 December 2023.

The net book value of right of use assets held under leasing arrangements was £nil (31 December 2022 - £137,000).

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

7. Trade and other receivables

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Amounts falling due within one year: | | |
| Prepayments and accrued income | 141 | 169 |
| Amounts due from group undertakings | 3,293 | 3,187 |
| Other receivables | 226 | 745 |
| | 3,660 | 4,101 |

Notes to the Company financial statements

continued

8. Trade and other payables

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Amounts falling due within one year: | | |
| Trade payables | (113) | (386) |
| Amounts due to group undertakings | (8,506) | (4,574) |
| Other payables | (283) | (313) |
| | (8,902) | (5,273) |

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

An Interest rate hedge contract which has a value of £173,000 at 31 December 2023 (year ended 31 December 2022 – £279,000) is a financial instrument held at fair value and is disclosed as an asset at the year end. This contract is a Level two financial asset and will expire within 6 years from 31 December 2023 (year ended 31 December 2022 - expire within 7 years of 31 December 2022). Forward exchange contracts which have a value of £74,000 at 31 December 2023 (year ended 31 December 2022 - £nil) are financial instruments held at fair value and are disclosed as a liability at the year end. These contracts are Level two financial liabilities and all expire within 12 months from 31 December 2023, none of which matured in 2023 but will all mature within 12 months from 31 December 2023. All other financial assets and liabilities are Level one.

There were no transfers between Level one and Level two in 2023 or 2022.

9. Borrowings

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Current borrowings with contractual maturities in less than one year | | |
| – other borrowings | (3,825) | (2,026) |
| – assets held under leasing arrangements | – | – |
| Total current borrowings | (3,825) | (2,026) |
| Non current borrowings with contractual maturities one to two years | | |
| – other borrowings | – | (3,754) |
| Total non current borrowings | – | (3,754) |
| Total borrowings | (3,825) | (5,780) |

Borrowings are secured by a fixed and floating charge over the assets of the Company. The interest rates on borrowings is between 1.95% and 2.35% over Base Rate.

The three loans due to HSBC Bank plc amounting to £3,763,000 were all classified as due within 1 year as the financial covenants in the loan agreements were not complied with at 31 December 2023 and no waivers had been received from HSBC Bank plc. Of this amount £3,315,000 was repayable within one year under the terms of the loan agreement. On 31 January 2024 the existing loans were repaid and a new loan for £3,900,000 was received from HSBC Bank plc which is repayable over 5 years at 2.50% over Base Rate. This loan does not include any financial covenants.

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

10. Deferred taxation

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

| | 31 December 2021 £'000 | Movement in the year £'000 | 31 December 2022 £'000 | Movement in the year £'000 | 31 December 2023 £'000 |
|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
| Provided | | | | | |
| Pension obligations | 659 | (353) | 306 | 99 | 405 |
| Property, plant and equipment | (13) | (230) | (243) | (64) | (307) |
| Short term temporary differences | (5) | – | (5) | – | (5) |
| Tax losses | – | 248 | 248 | (8) | 240 |
| Total | 641 | (335) | 306 | 27 | 333 |
| Presented as: | | | | | |
| Deferred tax asset | 641 | (335) | 306 | 27 | 333 |
| Unprovided | | | | | |
| Unused tax losses | 153 | (28) | 125 | 470 | 595 |
| Capital losses | 691 | – | 691 | – | 691 |
| ACT | 76 | – | 76 | – | 76 |
| Total | 920 | (28) | 892 | 470 | 1,362 |

Notes to the Company financial statements

continued

11. Equity

| | Number of shares | £'000 |
|---|---------------------|--------------|
| Allotted, called up and fully paid | | |
| At 1 January 2022 – ordinary shares 25p each | 5,244,116 | 1,311 |
| Exercise of share options | 220,343 | 55 |
| At 1 January 2023 - ordinary shares 25p each | 5,464,459 | 1,366 |
| Exercise of share options | 7,500 | 2 |
| At 31 December 2023 – ordinary shares 25p each | 5,471,959 | 1,368 |

12. Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to HSBC Bank Plc. The maximum potential liability to the Company at the year end in respect of bank overdrafts was £62,000 (31 December 2022 - £1,517,000).

13. Pension scheme arrangements

The Tandem Group Pension Plan

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

The assets of the scheme are held separately from those of the 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 2022.

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Defined benefit obligation at the beginning of the year | 7,337 | 9,579 |
| Interest cost | 333 | 194 |
| Actuarial loss due to scheme experience | 365 | 27 |
| Actuarial loss/(gain) due to changes in financial assumptions | 496 | (1,725) |
| Benefits paid | (791) | (738) |
| Defined benefit obligation at the end of the year | 7,740 | 7,337 |

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

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|---------------------|---------------------|
| Discount rate | 4.80% | 4.80% |
| Increase in pensionable salaries* | –% | –% |
| Increase in pensions in payment | Up to 5.00% | Up to 5.00% |
| Increase in deferred pensions | 3.00 to 5.00% | 3.00 to 5.00% |
| Inflation assumption | 3.15% | 3.05% |
| Mortality assumption table | S3 PxA (YOB) | S3 PxA (YOB) |

* There are no members whose benefits are linked to salaries

13. 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 | 20.8 |
| Female now aged 65 | 23.2 |
| Male now aged 45 | 21.5 |
| Female now aged 45 | 24.1 |

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Fair value of scheme assets at the beginning of the year | 6,104 | 6,932 |
| Interest income | 202 | 103 |
| Return on plan assets | 32 | (743) |
| Contributions | 563 | 550 |
| Benefits paid | (791) | (738) |
| Fair value of scheme assets at the end of the year | 6,110 | 6,104 |

The value of assets in the scheme were:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|-----------------------------------|------------------------------|------------------------------|
| Equities | 578 | 842 |
| Property | 1,033 | 1,047 |
| Alternatives | 226 | 485 |
| Gilts | 223 | 176 |
| Corporate Bonds | 2,016 | 2,655 |
| Cash and other | 2,034 | 899 |
| Total fair value of assets | 6,110 | 6,104 |

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 0.1% per annum | Increase by 0.9% |
| Inflation | Increase of 0.1% per annum | Increase by 0.1% |
| 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 2023 is 10 years.

Notes to the Company financial statements

continued

13. Pension scheme arrangements continued

The reconciliation of movements in the year were as follows:

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|---|------------------------------|------------------------------|
| Deficit at the beginning of the year | (1,233) | (2,647) |
| Movement in year: | | |
| Contributions | 563 | 550 |
| Finance cost | (131) | (91) |
| Actuarial (loss)/gain | (829) | 955 |
| Deficit at the end of the year | (1,630) | (1,233) |
| Related deferred tax asset | 405 | 306 |
| Net deficit at the end of the year | (1,225) | (927) |

The expected contributions in the year ending 31 December 2024 are £394,000 in accordance with the agreed schedule of contributions. The trustees and employer have agreed a schedule of contributions covering the period to September 2028.

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Net interest cost | 131 | 91 |
| Defined benefit costs recognised in profit or loss | 131 | 91 |

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

| | 31 December 2023 £'000 | 31 December 2022 £'000 |
|--|------------------------------|------------------------------|
| Return on plan assets (excluding amounts included in net interest cost) | 32 | (743) |
| Experience loss arising on the defined benefit obligation | (365) | (27) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain | (496) | 1,725 |
| Total actuarial gains and losses and total amount recognised in other comprehensive income – (loss)/gain | (829) | 955 |

14. Related party transactions

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

15. Ultimate controlling party

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

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 confirmation.

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 confirmation.

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.

Shareholder Information 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/ips

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 www.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, 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 Charity 10528686).

Find out more at www.sharegift.org.uk or by telephoning **020 7930 3737**.

Share fraud warning

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

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

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

Protect Yourself

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

- Get the name of the person and organisation contacting you
- Check the Financial Services Register at 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**.



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.





Tandem Group plc

35 Tameside Drive
Castle Bromwich
Birmingham
B35 7AG

Telephone: +44 (0) 121 748 8075

Email: info@tandemgroup.co.uk

www.tandemgroup.co.uk