RNS Number : 0515I
Tandem Group PLC
25 March 2024

TANDEM GROUP PLC

(the "Company" or "Group")

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Tandem Group plc (AIM: TND), designers, developers, distributors and retailers of sports, leisure and mobility equipment, announces its audited results for the year ended 31 December 2023 ("FY23").

Summary

- Group revenue in FY23 of £22.2 million (FY22: £26.7 million) and loss before taxation of £1.2 million (FY22 profit before taxation: £0.9 million), in line with market expectations.

- Notwithstanding a 17% reduction in Group revenue, eMobility continued to outperform, with the Group's eMobility segment revenues 44% ahead of FY22 - driven by a significant increase in the sale of electric bikes and electric golf trolleys.

- Gross profit of £6.0 million (FY22: £7.8 million) at a gross profit margin of 27.0% (FY22: 29.2%), reflecting the prevailing trading environment and a weakened Sterling value against the US Dollar and a particularly strong gross margin in FY22 as a result of forward bought foreign exchange contracts where gains were realised on exchange.

- As signalled at the time of the Company's interim results published in September 2023, the Board will continue to not propose the resumption of dividend payments until such time as the Company's profits permit.

- Cash and cash equivalents of £0.4 million as at 31 December 2023 (31 December 2022: £3.3 million)

- Net assets at 31 December 2023 of £23.8 million (31 December 2022: £26.8 million)

- Net debt at 31 December 2023 of £3.6 million (31 December 2022: £1.6 million)

- Amidst a difficult economic environment, there have been encouraging signs. The Group has delivered resilient performance during a period in which multiple industry participants have become highly distressed. The continued success of our initiatives within eMobility and a strategic focus provide the Board with confidence for the future.

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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

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 Rollacases 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 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, the 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 of12.3 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.

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

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.

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 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 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.

P Kimberley
Chief Executive Officer

22 March 2024

Consolidated income statement

		31 December 2023			31 December 2022		
	Note	**Before non-underlying items £'000**	**Non-underlying items £'000**	**After non-underlying items £'000**	Before non-underlying items £'000	Non-underlying items £'000	After non-underlying items £'000
Revenue	3	**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		**(6,768)**	**-**	**(6,768)**	(6,484)	-	(6,484)
Operating (loss)/profit before exceptional costs		**(768)**	**-**	**(768)**	1,312	-	1,312
Exceptional costs		**-**	**(103)**	**(103)**	-	(223)	(223)
Operating (loss)/profit		**(768)**	**(103)**	**(871)**	1,312	(223)	1,089
Finance costs		**(254)**	**(73)**	**(327)**	(140)	(97)	(237)
(Loss)/profit before taxation		**(1,022)**	**(176)**	**(1,198)**	1,172	(320)	852
Tax expense		**91**	**(130)**	**(39)**	(39)	(139)	(178)
Net (loss)/profit for the year		**(931)**	**(306)**	**(1,237)**	1,133	(459)	674
(Loss)/earnings per share	4			**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:		
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange differences on translation of foreign operations	**(48)**	96
Cashflow hedging contracts	**(179)**	540
Items that will not be reclassified subsequently to profit or loss:		
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	[illegible]	(214)

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

Consolidated balance sheet

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

Consolidated statement of changes in equity

	Share capital	**Shares held in treasury**	**Share premium**	**Cash flow hedge reserve**	**Merger reserve**	**Capital redemption reserve**	**Revaluation reserve**	**Translation reserve**	**Profit and loss account**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'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	-	-	-	-	-	-	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	(179)	-	-	-	-	(341)	**(326)**
At 31 December 2023	**1,503**	**(135)**	**729**	**100**	**1,036**	**1,427**	**3,860**	**653**	**14,638**	**23,811**

Consolidated cash flow statement

	31 December 2023	31 December 2022
	£'000	£'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

Notes to the results

1. **General information**

The financial information set out in this announcement does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet at 31 December 2023, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the associated notes for the period then ended have been extracted from the Group's financial statements upon which the auditor's opinion is unqualified and does not include any statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

2. **Basis of preparation**

The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with UK adopted international accounting standards. The principal accounting policies adopted by the Group, which remain unchanged, are set out in the statutory financial statements for the year ended 31 December 2023.

Non-underlying items

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

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.

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. 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. At the year end 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.

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

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.

3. 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.

	2023	2022
	(£000s)	(£000s)
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**

4. 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	31 December 2022
	£'000	£'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.

5. Dividend

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).

6. Annual report and accounts and final results presentation

The annual report and accounts will be posted to shareholders shortly and, along with the final results presentation, will be available on the Company's website, **www.tandemgroup.co.uk**.

7. Annual General Meeting

The Annual General Meeting will be held at 11:00 on 26 June 2024 at 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG.

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

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