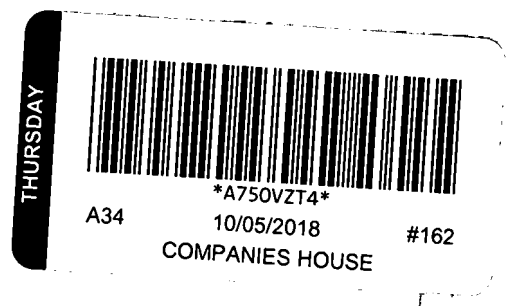


**TANDEM GROUP CYCLES LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2017**



# TANDEM GROUP CYCLES LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2017

<b>CONTENTS</b>	<b>Page</b>
Officers and professional advisers	1
Directors' report	2
Independent auditor's report	4
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the accounts	10

# **TANDEM GROUP CYCLES LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2017**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S J Grant  
J C Shears  
P Ratcliffe  
J Bellamy  
J Hayward  
G Kaur

#### **COMPANY SECRETARY**

J C Shears

#### **REGISTERED OFFICE**

35 Tameside Drive  
Castle Bromwich  
Birmingham  
United Kingdom  
B35 7AG

#### **INDEPENDENT AUDITOR**

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

# **TANDEM GROUP CYCLES LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2017**

The Directors present their annual report with the audited financial statements for the year ended 31 December 2017.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is the design, development and distribution of bicycles and accessories.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The Directors are satisfied with the period under review and are confident of future prospects.

### **RESULTS AND DIVIDENDS**

The results for the year ended 31 December 2017 are set out on page 7. The Directors do not recommend the payment of a dividend (2016 - £nil).

### **DIRECTORS**

The Directors of the company who served during the year were:

S J Grant  
J C Shears  
P Ratcliffe  
J Bellamy  
J Hayward  
G Kaur

### **GOING CONCERN**

The Company is a subsidiary of Tandem Group plc. The Group has agreed to support the Company for the foreseeable future. The Directors are satisfied with the period under review. After reviewing the Group's forecast and projections covering a period of at least 12 months from the date of signing the Directors' Report, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

# TANDEM GROUP CYCLES LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2017

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the 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 elected to prepare the 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 of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

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

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.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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 auditors are aware of that information.

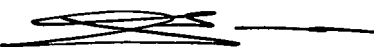
### AUDITOR

A resolution to reappoint PKF Cooper Parry Group Limited as the auditors of the company will be proposed at the next Annual General meeting of the company to be held on 28 June 2018.

### SMALL COMPANY PROVISION

In preparing this report, the Directors have taken advantage of the small companies exemption in Part 15 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board by:



**J C Shears**

Director and Company Secretary

11 April 2018

Company Registration No. 01704676

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TANDEM GROUP CYCLES LIMITED**

## **Opinion**

We have audited the financial statements of Tandem Group Cycles Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANDEM GROUP CYCLES LIMITED (CONTINUED)**

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANDEM GROUP CYCLES LIMITED (CONTINUED)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 3, 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 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.

### **Auditors' responsibilities for the audit of the financial statements**

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

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

*PKF Cooper Parry Group Limited*

Katharine Warrington (senior statutory auditor)

for and on behalf of

**PKF Cooper Parry Group Limited**

Chartered Accountants  
Statutory Auditor

One Central Boulevard  
Sky View, Argosy Road  
East Midlands Airport  
Castle Donington  
Derby  
DE74 2SA

Date: 11 April 2018



# TANDEM GROUP CYCLES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Turnover</b>	2	<b>7,953</b>	7,474
Cost of sales		<b>(5,847)</b>	(5,503)
<b>Gross profit</b>		<b>2,106</b>	1,971
Operating expenses	3	<b>(1,541)</b>	(2,598)
<b>Operating profit/(loss) before exceptional costs</b>		<b>565</b>	(627)
Exceptional costs	3	-	(154)
<b>Operating profit/(loss) after exceptional costs</b>		<b>565</b>	(781)
Finance costs	5	<b>(24)</b>	(43)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>541</b>	(824)
Taxation	6	<b>220</b>	(14)
<b>Profit/(loss) on ordinary activities after taxation and for the year</b>		<b>761</b>	(838)
Other comprehensive income for the financial year, net of tax		-	-
<b>Total comprehensive income/(loss)</b>		<b>761</b>	(838)

All activities are derived from continuing operations.

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

# TANDEM GROUP CYCLES LIMITED

## BALANCE SHEET

As at 31 December 2017

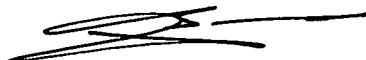
	Note	2017 £'000	2016 £'000
<b>Non current assets</b>			
Goodwill	7	338	338
Investments	8	-	-
Property, plant and equipment	9	2	30
Deferred taxation	14	1,038	818
		<u>1,378</u>	<u>1,186</u>
<b>Current assets</b>			
Inventories	10	960	3,099
Trade and other receivables	11	1,831	1,197
Cash at bank		961	-
		<u>3,752</u>	<u>4,296</u>
<b>Total assets</b>		<u><u>5,130</u></u>	<u><u>5,482</u></u>
<b>Current liabilities</b>			
Trade and other payables	12	(4,581)	(4,977)
Other liabilities	13	(939)	(1,656)
<b>Total liabilities</b>		<u><u>(5,520)</u></u>	<u><u>(6,633)</u></u>
<b>Net liabilities</b>		<u><u>(390)</u></u>	<u><u>(1,151)</u></u>
<b>Equity</b>			
Share capital	15	1,800	1,800
Profit and loss account		(2,190)	(2,951)
<b>Total equity</b>		<u><u>(390)</u></u>	<u><u>(1,151)</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 11 April 2018 and signed on its behalf by:



**S J Grant**

Director



**J C Shears**

Director

Company Registration No. 01704676

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

# TANDEM GROUP CYCLES LIMITED

## STATEMENT OF CHANGES IN EQUITY For the year 31 December 2017

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2016	1,800	(2,113)	(449)
Loss for the year	-	(838)	(838)
Total comprehensive loss for the year attributable to equity shareholders	-	(838)	(838)
Balance at 1 January 2017	1,800	(2,951)	(1,151)
Profit for the year	-	761	761
Total comprehensive income for the year attributable to equity shareholders	-	761	761
<b>Balance at 31 December 2017</b>	<b>1,800</b>	<b>(2,190)</b>	<b>(390)</b>

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

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2017

### 1. ACCOUNTING POLICIES

#### General information

Tandem Group Cycles Limited is a limited liability company incorporated in England and Wales. The registered office is 35 Tameside Drive, Castle Bromwich, Birmingham, B35 7AG. The principal activity can be found in the Directors' Report. The financial statements cover the year ending 31 December 2017.

#### 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.

The financial statements are presented in Sterling in round thousands (£'000).

#### Going concern

The company's business activities are set out in the Directors Report. The company is expected to generate positive cash flows on its own account for the foreseeable future and the Group has agreed to support the Company for the foreseeable future. The company participates in the Group's centralised treasury arrangements and shares banking arrangements with its parent and fellow subsidiaries. On the basis of their assessment of the company's financial position and of the enquiries made of the Directors of the company's ultimate parent Tandem Group plc, the company's Directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Parent Company

The Company is a wholly owned subsidiary of Tandem Group plc which prepared publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements for the year ended 31 December 2017. These accounts are available from Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham B35 7AG.

#### Exemption from the preparation of consolidated financial statements

The financial statements contain information about Tandem Group Cycles Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the Tandem Group plc accounts.

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

**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.
- 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); and
- Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value).

**Turnover**

Revenue is measured by reference to the fair value of consideration receivable by the company 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 company 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 company 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 company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2017

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Short leasehold property	Over the term of the lease
Motor vehicles	3-10 years
Plant and equipment	3-10 years
Office equipment	3-10 years

Gains or losses on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in operating expenses.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the cost of direct materials and labour and includes a proportion of related overhead expenditure. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

#### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### Deferred taxation

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 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. In addition, tax losses available to be carried forward as well as other income tax credits to the company 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 Statement of comprehensive income. 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.

#### Investments

Investments held as fixed assets are stated at cost less any provisions for impairment.

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Operating lease contracts**

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

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred. The Company does not act as a lessor.

**Foreign exchange**

Transactions denominated in foreign currencies are translated at the rate of exchange applicable on the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the Statement of comprehensive income.

**Financial assets**

The company's financial assets comprise cash and trade and other receivables.

Trade receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of comprehensive income where there is objective evidence that the asset is impaired. Trade receivables are financial assets and classified as loans and receivables.

**Financial liabilities**

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

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 Statement of comprehensive income.

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

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

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

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Pension costs**

Pensions to employees are provided through contributions to individual personal pension plans. The Company 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.

**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 the Statement of comprehensive income.

The Companies Act 2006 requires acquired goodwill to be reduced by provisions for amortisation 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 however would be equal to the amortisation charge which would be based on the useful economic life of the goodwill.

**Impairment**

The Company'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 Company 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.



**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

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.

**Exceptional costs**

Administrative expenses, including restructuring costs, not relating to normal trading activities have been classified as exceptional on the face of the Statement of comprehensive income for the year.

**Key areas of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

**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.

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**1. ACCOUNTING POLICIES (CONTINUED)**

***Inventory provisioning***

The Company 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 Company'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.

**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.

**2. TURNOVER**

Turnover is wholly attributable to the principal activity of the company. All activities relate to continuing operations. An analysis of turnover by geographic destination is as follows:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
United Kingdom	<b>7,689</b>	7,204
Europe	<b>264</b>	270
	<b>7,953</b>	7,474

Analysis by geographical origin has not been given as, in the opinion of the Directors, its disclosure would be prejudicial to the interests of the company.

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**3. OPERATING EXPENSES AND EXCEPTIONAL COSTS**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Distribution costs	<b>929</b>	1,585
Administration expenses	<b>612</b>	1,013
	<b>1,541</b>	2,598
<b>Operating expenses include the following charges:</b>		
Depreciation - owned assets	<b>28</b>	63
Contracts under operating leases:		
Hire of plant and machinery	<b>8</b>	24
Land & buildings	<b>106</b>	130
Other	<b>31</b>	115
Auditor's remuneration	<b>13</b>	28

Fees payable to the Company's auditor for services other than the statutory audit of the company are not disclosed in the company's financial statements because the Group financial statements of the company's parent, Tandem Group plc, are required by the Companies (Disclosure of Auditor Remuneration) Regulations 2008, regulation 5 (1) to disclose non – audit fees on a consolidated basis.

There were no exceptional costs of incurred during the year (2016 - £154,000).

# TANDEM GROUP CYCLES LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2017

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2017 £'000	2016 £'000
<b>Staff costs incurred during the year</b>		
Wages and salaries	492	874
Social security costs	46	87
Other pension costs	8	20
	<u>546</u>	<u>981</u>

	2017 Number	2016 Number
<b>The average number of persons employed by the company during the year</b>		
Sales and distribution	11	17
Administration	4	13
	<u>15</u>	<u>30</u>

	2017 £'000	2016 £'000
<b>Directors' remuneration</b>		
Salaries and fees	71	133
Benefits	9	28
Pension scheme contributions	4	7
	<u>84</u>	<u>168</u>

### 5. FINANCE COSTS

	2017 £'000	2016 £'000
Interest on bank overdrafts and invoice finance facilities	<u>24</u>	<u>43</u>

# TANDEM GROUP CYCLES LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2017

### 6. TAXATION

	2017 £'000	2016 £'000
Current taxation		
- tax charge on profit/(loss) for the year	-	-
Deferred taxation (credit)/charge	(220)	14
	<u>(220)</u>	<u>14</u>
<b>Tax on profit/(loss) on ordinary activities</b>	<b>(220)</b>	<b>14</b>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19.25% (2016 – 20.0%). The actual tax charge for the current year and the previous year differs from the standard rate for the reasons set out below:

	2017 £'000	2016 £'000
Profit/(loss) on ordinary activities before taxation	541	(824)
Tax on loss on ordinary activities at the standard rate	104	(165)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	2
Group relief surrendered	-	27
Change in tax rate	(10)	101
Deferred tax losses not previously recognised	(314)	49
	<u>(220)</u>	<u>14</u>
<b>Tax on loss on ordinary activities</b>	<b>(220)</b>	<b>14</b>

#### Tax rate changes

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

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

# TANDEM GROUP CYCLES LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2017

### 7. GOODWILL

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January 2017 and 31 December 2017	338
<b>Amortisation</b>	
At 1 January 2017 and 31 December 2017	-
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>338</b>
At 31 December 2016	338

Goodwill above relates to the Dawes Cycles cash generating unit. It represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, and is capitalised and reviewed for impairment in accordance with the company's accounting policies.

### 8. INVESTMENTS

	<b>Investment in subsidiary undertakings £'000</b>
<b>Cost</b>	
At 1 January 2017 and 31 December 2017	2,743
<b>Amortisation and impairment</b>	
At 1 January 2017 and 31 December 2017	2,743
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>-</b>
At 31 December 2016	-

The above investment in subsidiary undertakings principally represents investment in 100% of the issued ordinary share capital of Casket Leisure Products Limited, a dormant subsidiary. Casket Leisure Products Limited is incorporated within the United Kingdom.

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 2017**

**9. PROPERTY, PLANT AND EQUIPMENT**

	Short leasehold property £'000	Motor vehicles £'000	Plant and equipment £'000	Office equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2017	8	8	155	122	293
Disposals	-	(8)	-	-	(8)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	8	8	155	122	285
<b>Depreciation</b>					
At 1 January 2017	5	8	147	103	263
Charge for the year	3	-	7	18	28
Disposals	-	(8)	-	-	(8)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	8	-	154	121	283
<b>Net book value</b>					
<b>At 31 December 2017</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	-	-	1	1	2
At 31 December 2016	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	3	-	8	19	30

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

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**10. INVENTORIES**

	<b>2017</b> <b>£'000</b>	2016 £'000
Finished goods held for resale	<b>960</b>	3,099

Cost of sales includes material costs of £5,847,000 (2016 - £5,503,000)

**11. TRADE AND OTHER RECEIVABLES**

	<b>2017</b> <b>£'000</b>	2016 £'000
Trade debtors	<b>1,751</b>	1,114
Amounts due from group undertakings	<b>14</b>	5
Other debtors and prepayments	<b>66</b>	78
	<b>1,831</b>	1,197

Amounts due from group undertakings are non-interest bearing and repayable on demand.

**12. TRADE AND OTHER PAYABLES**

	<b>2017</b> <b>£'000</b>	2016 £'000
Trade creditors	<b>366</b>	732
Amounts due to group undertakings	<b>4,022</b>	3,975
Other creditors	<b>-</b>	13
Accruals and deferred income	<b>193</b>	257
	<b>4,581</b>	4,977

Amounts due to group undertakings are non-interest bearing and repayable on demand. Bank overdrafts secured by a fixed charge on the company's debts and a floating charge on the undertaking and assets of the company.

**13. OTHER LIABILITIES**

	<b>2017</b> <b>£'000</b>	2016 £'000
Invoice finance liability	<b>939</b>	959
<i>Current borrowings with contractual maturities in less than one year</i>		
– other borrowings	<b>-</b>	697
<b>Total current other liabilities</b>	<b>939</b>	1,656

The invoice finance liability is secured by a charge on the trade debtors of the company.



**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**14. DEFERRED TAXATION**

The movements in deferred taxation as calculated at 19.25% (2016 - 20.0%) are set out below:

	<b>2017</b> <b>£'000</b>	2016 £'000
At beginning of year	<b>(818)</b>	(832)
Current year (credit)/charge	<b>(220)</b>	14
At end of year	<b><u>(1,038)</u></b>	<u>(818)</u>

The amount of deferred tax provided and not provided in these financial statements is as follows:

	<b>Provided</b> <b>2017</b> <b>£'000</b>	<b>Not</b> <b>provided</b> <b>2017</b> <b>£'000</b>	Provided 2016 £'000	Not provided 2016 £'000
Property, plant and equipment	<b>(135)</b>	-	(168)	-
Short term temporary differences	-	<b>(2)</b>	-	-
Unused tax losses	<b>(903)</b>	<b>(401)</b>	(650)	(662)
Capital losses	-	<b>(177)</b>	-	(177)
	<b><u>(1,038)</u></b>	<b><u>(580)</u></b>	<u>(818)</u>	<u>(839)</u>

Based upon forecasts for the next 12 months the Directors anticipate that the trading losses will be recovered, although only those losses anticipated to be utilised in the short term have been recognised in the balance sheet.

**15. EQUITY**

	<b>2017</b> <b>£</b>	2016 £
<b>Allotted, called up and fully paid</b>		
At 1 January 2017 and 31 December 2017 – 1,800,002 ordinary shares of £1 each	<b><u>1,800,002</u></b>	<u>1,800,002</u>

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2017**

**16. FINANCIAL COMMITMENTS**

There was no capital expenditure contracted for but not provided for in the financial statements of the company as at 31 December 2017 or 31 December 2016.

At 31 December 2017, the company has total future minimum payments under non-cancellable operating leases as set out below:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Operating lease commitments:</b>				
Within one year	106	30	93	43
Within two to five years	-	14	91	82
	<u>106</u>	<u>44</u>	<u>184</u>	<u>125</u>

**17. CONTINGENT LIABILITIES**

The company has given guarantees in respect of the bank overdrafts of certain other group undertakings which amounted to £2,185,000 (2016 - £4,203,000).

**18. RELATED PARTY TRANSACTIONS**

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

**19. ULTIMATE CONTROLLING PARTY**

The company's immediate and ultimate parent undertaking and controlling party is Tandem Group plc, a company incorporated within the United Kingdom. The consolidated accounts of Tandem Group plc are available to the public and may be obtained from the Company Secretary, Tandem Group plc, 35 Tameside Drive, Castle Bromwich, Birmingham B35 7AG.