

The Tanfield Group Plc

("Tanfield", "Group", or "the Company")

Preliminary Results for the year ending 31 December 2009

7 May 2010

Tanfield Group Plc, the leading manufacturer of aerial work platforms and commercial electric vehicles, announces its unaudited preliminary results for the year ending 31 December 2009.

Summary

- **Turnover of £58m (2008: £146m)**
- **Operating loss of £21.4m (2008: Operating profit £1.3m)**
- **Net cash at 31 December of £5.4m (2008: £11.1m)**
- **Staff costs reduced by 42% during 2009**

Jon Pither, Chairman of Tanfield, said: "As we predicted, 2009 was a tough year for the Group and we expect 2010 will also be challenging.

"The management team has executed a plan to sustain the business during the economic recession and to prepare it for the eventual upturn. We continue to prudently manage cash and implement cost reduction programmes, while retaining core employee skills and competencies.

"Discussions with SEVUS are continuing and we understand that progress is being made in line with the proposed offer timelines. Nevertheless, with a stable balance sheet and clear strategies to manage the downturn, I believe the Group is well positioned for long term success."

For further information:

**The Tanfield Group Plc
Darren Kell, CEO
Charles Brooks, FD**

+44 (0) 845 155 7755

**Arbuthnot Securities Limited (Nominated Adviser & Broker)
James Steel / Andrew Fairclough**

+44(0) 207 012 2000

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CHAIRMAN'S STATEMENT

Trading throughout 2009 was in line with our expectations, with no improvement in the significant depression in global demand for aerial work platforms and muted sales of electric commercial vehicles, caused by lack of credit.

Towards the end of the year, we began to see signs of improvement in the Zero Emission Vehicles division and I am delighted to report that this business has continued to gain traction in early 2010. We see little or no expectation of improvement in the Powered Access division until 2011 at the earliest and continue to manage the business accordingly.

As we predicted, 2009 was a tough year for the Group and we expect 2010 will also be challenging.

The management team has executed a plan to sustain the business during the economic recession and to prepare it for the eventual upturn. We continue to prudently manage cash and implement cost reduction programmes, while retaining core employee skills and competencies.

With a stable balance sheet and clear strategies to manage the downturn, I believe Tanfield is well positioned for long term success.

I would like to thank all of our people for their efforts during a demanding year. The team really pulled together to overcome the challenges faced by the Group and is focused on preparing Tanfield for a brighter future.

CHIEF EXECUTIVE'S REVIEW

Throughout 2009, both our core business units continued to be adversely impacted by the global economic downturn. In particular, the lack of access to credit continued to inhibit our customers in the Zero Emission Vehicles and Powered Access divisions. Turnover declined 60% to £58m, resulting in a loss of £21m for the year.

We acted decisively at the start of 2009, implementing headcount reductions coupled with initiatives including shorter working weeks and periods of unpaid leave. This resulted in a reduction of staff costs by 42%, while preserving the core skills base of the workforce.

Our strategy remains to focus on cash generation ahead of profitability and to retain the employees and skills that we will need to build for future success.

Powered Access: Turnover of £42m (2008: £114m)

Tanfield succeeded in selling excess inventory during 2009 and machine stocks are now within our target levels. Our overall performance was in line with that of the wider market and our peers.

However, market pricing in the aerial lift industry remained artificially low during the period, as major equipment rental houses off-loaded excess stock and competitors offered heavy discounts to reduce their own inventory levels.

During 2009, Tanfield further expanded and enhanced its global dealer network, with the appointment of new distributors in Latin America, North Africa and Europe. The Company also appointed a national network of sales agents in North America, to target smaller, family-owned equipment rental companies.

Throughout the year, our design engineers have focused on developing new aerial lifts and updating existing models, taking cost out and enhancing machine performance. The full benefit of these enhancements however will only be derived when the market recovers and production runs increase.

Furthermore, a significant amount of the industry's stock overhang was utilised during the period, depleting stock at a market level and improving order transparency.

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The overall sector outlook remains challenging, with no sign of any industry improvement in 2010. Depressed demand continues, particularly in North America and Europe.

However, we are hopeful of increased interest within the newly developing markets – sales in these areas will only replace some of the lost demand from mature markets. It is only once these core markets start to substantially recover however that we will be able to increase production volumes to an economically attractive level.

Zero Emission Vehicles: Turnover of £15m (2008: £25m)

Through its Smith Electric Vehicles brand, this division is now acknowledged worldwide as the leading manufacturer of electric commercial vehicles. Despite the tough trading environment, the division stretched its lead over its nearest competitors during the period, growing UK market share and making inroads into export markets.

Sales throughout 2009 continued to be disadvantaged by the global recession. The lack of funding available for leasing or contract hire as the means of financing for the majority of our customers, was a major issue and impacted adversely on product sales.

Tanfield continues to focus on export sales into countries that offer incentives to stimulate the demand for electric vehicles. The company has appointed new distributors in Hong Kong, Southern China and France, adding to existing dealers in The Netherlands and the Republic of Ireland. We are also supplying an initial 10 Smith Edison vans to Ford of Europe, which is a partner in a major trial of electric vehicles in Germany.

In the UK, Tanfield was one of four producers of low carbon vans to be selected for the Government's Low Carbon Vehicle Procurement Programme. Tanfield has been commissioned to supply 67% of the electric vans required for Phase One; more than double the numbers supplied by its two main competitors combined. We remain on schedule with the supply of 51 Smith Edison vans to Sainsbury's, for its online shopping delivery service in London.

We are now fully engaged in three research and development projects, part-funded by the Technology Strategy Board, to improve electric vehicle efficiencies. Tanfield is also working on a prototype electric vehicle that incorporates a hydrogen fuel cell range extender.

Tanfield's associate company, Smith Electric Vehicles US Corp, is now established as the leading supplier of electric commercial vehicles in the North American market. SEV US Corp continues to secure both private and public sector interest in commercial electric vehicles, while winning substantial support from US Federal agencies.

Other: Turnover of £1.4m (2008: £6.3m)

Tanfield's Engineering business supplies sub-assemblies and fabrications to the construction equipment sector. These customers continued to experience a decline in sales during 2009, reflected in lower turnover for this business unit.

Outlook

On the 10th of March the company announced that it had received a non-binding, conditional offer from Smith Electric Vehicles US Inc ("SEVUS") for the Company's Smith Electric Vehicle division. The Board granted a 4 month period of exclusivity to SEVUS to finalise this offer and understands that progress is being made in line with the proposed offer timeline and key milestones.

The Board believes that 2010 will signal the return of growth in the sales of commercial electric vehicles. Worldwide demand for these products continues to increase and the division entered 2010 with a healthy order book that is now full through to the end of the summer.

The outlook for the Powered Access division remains challenging. As we predicted, the major equipment rental companies have confirmed they are unlikely to lift their moratorium on spend during 2010. Given that these customers account for an estimated two-thirds of all global sales of aerial lifts, we expect the entire aerial work platform market to remain depressed and highly competitive.

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As we continue to focus on cash preservation, Tanfield is not proposing to pay a dividend for the period. The directors believe the business remains well positioned with a stable balance sheet and zero debt.

FINANCE DIRECTOR'S REPORT

The Revenue for the year of £58.2m (down by £87.5m or 60% on 2008's revenue of £145.7m) reflected the ongoing poor market conditions suffered throughout 2009.

Whilst cost base reductions have been implemented wherever possible, the low level of pricing, particularly in the middle of the year, resulted in a Loss from Operations of £22.1m (2008 £88.3m).

Post tax losses of associate

In the year, Smith Electric Vehicles US (SEV US) was incorporated. As yet, SEV US has not been profitable. The loss reported is limited to the costs of Tanfield's investment.

Operating expenses

Whilst the Other operating expenses total reported at £12m remains the same as 2008, the 2008 figure benefited from foreign exchange movements and a profit on the sale of property plant and equipment. The net reduction excluding those items is £4m.

Restructuring costs

The majority of the restructuring costs were carried out during 2008. No significant one off costs were incurred in the period.

Impairment of Assets

A further review of the carrying values of the assets was undertaken. A further impairment of £600k was believed to be necessary. Impairments in 2008 totalled £89.6m.

Loss from Operations

The Loss from Operations in the period was £22.1m (2008 £88.3). This was a trading loss, whereas the loss in 2008 arose from the impairments.

Finance Expenses

The increased interest cost of the period, excluding the interest rate collar, of £567k (2008: £397k) was offset by the increase in the value of the interest rate collar of £127k (2008 cost of £516k)

Loss before tax

Given the Operating Loss, the Loss before Taxation was £22.4m (2008 £88.8m)

Taxation

Given the losses there was little tax payable. The deferred tax asset assumptions remain the same so tax impact in the income statement arising from adjustments to the deferred tax asset.

Earnings per share

Earnings per share were (28.9)p (2008: (119.5)p). No dividend has been declared. (2008: nil)

Net Cash

At 31 December 2009, the Group had cash of £5.4m (2008 £11.1). Although the business has reported a loss in the period the operating cash flow was neutral. The cash movement of £5.7m resulted from the payment of £2.9m deferred consideration for the Snorkel acquisition and £2.9m fully settling an Invoice Discounting facility in Australia. The cash allows the business to trade without exposure to financial covenants from banks or other institutions.

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £000's	2008 £000's
Revenue	58,159	145,734
Changes in inventories of finished goods and WIP	(6,358)	4,808
Raw materials and consumables used	(39,945)	(102,724)
Staff costs	(18,645)	(32,197)
Depreciation and amortisation expense	(3,007)	(3,195)
Other operating income	-	500
Other operating expenses	(11,648)	(11,221)
Restructuring costs	-	(372)
(Loss) profit from operations before impairments	(21,444)	1,333
Share of results of associates	(51)	-
Impairment of goodwill	-	(31,895)
Impairment of intangible assets	-	(12,605)
Impairment of property, plant & equipment	-	(83)
Impairment of inventories	-	(22,185)
Impairment of receivables	(600)	(22,894)
Loss from operations after impairments	(22,095)	(88,329)
Finance expense	(567)	(913)
Finance income	207	457
Net finance expense	(360)	(456)
Loss before taxation	(22,455)	(88,785)
Taxation	1,066	239
Net Loss for the year	(21,389)	(88,546)
Attributable to:		
Owners of the parent	(21,388)	(88,546)
Non-controlling interest	(1)	-
Earnings per share		(Restated)
Basic	(28.9)p	(119.5)p
Diluted	(28.9)p	(119.5)p

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £000's	2008 £000's
Balance at 1 January	85,781	165,214
Net loss for the year	(21,388)	(88,546)
Foreign exchange differences on retranslation of subsidiaries	(367)	8,411
Fair value of share scheme charges	111	683
Exercise of Share options	-	19
	64,137	85,781

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BALANCE SHEET (Company registration number 04061965)

AS AT 31 DECEMBER 2009

	2009 £000's	2008 £000's
Non current assets		
Goodwill	356	356
Intangible assets	13,825	15,153
Property, plant and equipment	5,200	6,346
Deferred tax assets	1,915	1,779
Associate	-	-
Trade and other receivables	900	1,500
Investments	-	-
	22,196	25,134
Current assets		
Inventories	44,615	60,560
Trade and other receivables	11,878	20,595
Investments	275	251
Current tax assets	72	-
Cash and cash equivalents	5,414	11,130
	62,254	92,536
Total assets	84,450	117,670
Current liabilities		
Trade and other payables	16,178	19,807
Provisions	527	-
Tax liabilities	45	687
Obligations under finance leases	480	565
Other creditors	2,553	9,954
	19,783	31,013
Non-current liabilities		
Other creditors	-	-
Obligations under finance leases	156	569
Deferred tax liabilities	375	307
	531	876
Total liabilities	20,314	31,889
Equity		
Share capital	3,704	3,704
Share premium	-	138,511
Share option reserve	1,764	1,653
Special reserve	66,837	-
Merger reserve	1,534	1,534
Capital reduction reserve	-	7,228
Translation reserve	8,923	9,290
Profit and loss account	(18,625)	(76,139)
Total parent shareholders' equity	64,137	85,781
Minority interests	(1)	-
Total equity and total liabilities	84,450	117,670

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CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £000's	2008 £000's
Cash flow from operating activities		
(loss) profit before interest and taxation	(22,095)	(88,329)
Depreciation and amortisation	3,007	3,195
(Gain) on deferred consideration reassessment	(926)	-
(Gain) Loss on disposal of fixed assets	55	(587)
(Gain) Loss on disposal of Intangible assets	69	-
Impairment of goodwill	-	31,895
Impairment of intangible assets	-	12,605
Impairment of property, plant and equipment	-	83
Impairment of inventories	-	22,185
Impairment of receivables	600	22,894
Loss on intercompany loan write off	-	-
Loss on impairment of investments	51	-
Operating cash flows before movements in working capital	(19,239)	3,941
Decrease (Increase) in receivables	8,668	4,585
Increase (decrease) in payables	(2,981)	(8,140)
(Decrease) in provisions	(2,840)	2,612
(Increase) in inventories	14,821	(13,933)
Net cash used in operating activities	(1,571)	(10,935)
Interest paid	(567)	(913)
Income taxes received (paid)	241	510
Net cash outflow from operating activities	(1,897)	(11,338)
Cash flow from Investing Activities		
Purchase of investments in subsidiary undertakings	(51)	-
Purchase of property, plant and equipment	(243)	(1,087)
Payment of deferred consideration	(2,904)	(252)
Proceeds from sale of property, plant and equipment	58	623
Purchase of investments	(51)	(45)
Purchase of intangible fixed assets	(544)	(6,431)
Interest received	207	457
Net cash outflow from investing activities	(3,528)	(6,735)
Cash flow from financing activities		
(Costs) Proceeds from issuance of ordinary shares	-	19
Repayments of obligations under finance leases	(504)	(693)
Net cash used in financing activities	(504)	(674)
Effect of exchange rate changes on cash and cash equivalents	213	1,925
Net (decrease) increase in cash and cash equivalents	(5,716)	(16,822)
Cash and cash equivalents at the start of year	11,130	27,952
Cash and cash equivalents at the end of the year	5,414	11,130

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Business segments

Operating results by line of business

	2009		2008	
	Revenue £000's	Loss £000's	Revenue £000's	Loss £000's
Powered Access Platforms	41,708	(15,457)	114,388	(82,689)
Zero Emission Vehicles	15,057	(5,427)	25,087	(1,389)
Other	1,394	(1,160)	6,259	(3,879)
Segment revenue / loss	58,159	(22,040)	145,734	(87,957)
Share of post tax loss of associate		(51)		-
Restructuring costs		-		(372)
Finance income		207		457
Finance costs		(567)		(913)
Taxation		1,066		239
Loss for the year		(21,369)		(88,546)

Assets and liabilities by line of business¹

	2009 £000's	2008 £000's
Assets		
Powered Access Platforms	60,562	86,745
Zero Emission Vehicles	18,943	21,389
Other ²	2,958	7,757
Total segment assets	82,463	115,891
Current tax assets	72	-
Deferred tax assets	1,915	1,779
Total assets	84,450	117,670
Liabilities		
Powered Access Platforms	(10,792)	(17,389)
Zero Emission Vehicles	(3,675)	(3,674)
Other	(3,175)	(3,102)
Total segment liabilities	(17,642)	(24,165)
Current tax liabilities	(45)	(687)
Deferred tax liabilities	(375)	(307)
Retirement benefit obligations	(24)	(27)
Deferred consideration ²	(2,228)	(6,703)
Total liabilities	(20,314)	(31,889)

¹ Intercompany loans have been omitted from the asset and liabilities by line of business summary.

² The deferred consideration was reduced by cash payments made from "Other"

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1. Basis of preparation

The audited preliminary announcement has been prepared under the historical cost convention on a going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards and IFRIC interpretations as adopted by the EU ("IFRS").

The directors have considered the working capital requirements of the Group for a period of one year from the date of this announcement and believe that the going concern basis is appropriate due to the current cash balances and future prospects.

The preliminary announcement has been prepared on the basis of the same accounting policies as published in the audited financial statements of the Group for the year ended 31 December 2008 and the accounting policies to be adopted in the audited financial statements of the Group for the year ended 31 December 2009.

2. Unaudited Financial Statements

The accounts for the year ended 31 December 2009 are in the final stages of completion. The auditors anticipate issuing an unmodified opinion.

The information in this preliminary announcement has been prepared on the basis of the accounting policies set out in the group accounts for the year ended 31 December 2009 and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Full accounts of Tanfield Group plc for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, have been reported on by the company's auditors and delivered to the Register of Companies. The report of the auditors was unqualified and did not contain statements under Section 237(2) of the Companies Act 1985.

The preliminary results announcement for the year ended 31 December 2010 was approved by the Board of directors on 6 May 2010.

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3. Earnings per ordinary share

Earnings per share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of shares in issue, adjusted to account for the 5 for 1 share consolidation, is 74,077,218 (2008: 74,077,218) and the earnings, being the loss £21,389,000 on ordinary activities after taxation (2008: loss £88,546,000).

Given there is a loss in 2009 and 2008, there is no dilution of the earnings per share.

	Year ended 31 December 2009 Pence	Year ended 31 December 2008 Pence
Earnings Per share	(28.9)	(119.5)
Diluted Earnings per share	(28.9)	(119.5)

ENDS