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Tanfield Group PLC
28 September 2012

The Tanfield Group Plc

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

Interim Results for the six-month period to 30 June 2012

28th September 2012

The Tanfield Group Plc, a leading manufacturer of aerial work platforms, announces its unaudited interim results for the six-month period ended 30 June 2012.

- Continued recovery of global aerial lift market
- Significant output progress since injection of £11m of new equity in March 2012
- Turnover decline reversed at £24.1m (H2 2011: £23.7m)
- Improved margins and controlled overhead cost base
- Net losses narrowed to £7.0m (H2 2012: Operating loss: £8.2m)
- Anticipating first "post-recession" break-even month in October 2012
- Cash invested in Supply Chain - net cash at 30 June of £2.75m (31 December 2011: £3.5m)
- Remain on track for full-year profitability in 2013

Darren Kell, CEO of Tanfield, said: "We made steady progress from a low base during the first half of 2012, as global demand for aerial work platforms continued to recover."

"Since the injection of working capital in March, the business has witnessed monthly output improvements, with the major step-change impact from our supply chain investment occurring late in the third quarter after the end of the half year. Margins have improved, losses have narrowed, and the Company predicts having its first post-recession break-even month in October. The outlook for 2013 looks positive, with the company remaining on track for full year profitability."

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Summary

Revenue at £24.1m, (H2 2011: £23.7m), was achieved through growth in the second quarter of the first half of 2012. Until the second quarter, in spite of the strength of demand for our products, revenue was declining owing to lack of component availability, resulting from supply chain issues and working capital constraints.

The sales constraints continued until March 2012 when we successfully raised approximately £11m, net of expenses, by way of a placing of new equity. We invested the net proceeds from this placing in the supply chain, with cognisance of a six-month lead time on many key components. In spite of these lead times we achieved month-on-month output growth during the second quarter from all of our manufacturing sites, particularly our Chinese facility. Since the period end, we have witnessed a significant increase in component availability, resulting in accelerated production growth in the third quarter. We therefore expect to deliver a first post-recession break-even month in October 2012.

£2.75m cash at 30 June reflects the level of investment in the supply chain in advance of the additional receipts from incremental sales. In the second half, as increased revenues flow through, this reduction in cash over the period will stabilise at that level.

Global demand for our Snorkel range of aerial lifts remains strong, pricing has improved and margins have increased. Customers remain engaged in fleet replacement programmes after ageing their fleets during the economic downturn. We continue to increase our distribution channels in key markets, including both Latin America and North America. Scandinavia and Japan remained particularly buoyant markets.

In spite of close management we have encountered some unavoidable supply chain delays, some of which are volume-related and others of which relate to supplied product quality and consistency. This has imbalanced our output, leading to some rescheduling delivery dates on certain machines. We fully expect to resolve these issues by further developing the supply chain. Minimising the impact of supply chain bottlenecks will allow us to balance product availability against customer requirements and improve order take up.

Snorkel - The Powered Access Market

Recovery in our markets continues to be driven by fleet replacement, rather than fleet expansion. We expect true market growth to return only once demand increases within the non-residential construction and facilities maintenance markets. This will drive the utilisation of powered access equipment to the point that rental companies have to invest in additional machines in order to support their end-user customers.

During the period, we appointed a new Snorkel distributor in Brazil, which is experiencing a construction and infrastructure boom and represents a significant opportunity for sales growth. We also enhanced our distribution channels in Germany and strengthened our sales team in North America.

We successfully launched two new mid-range boom lifts, which have been well received and will go into full production at the end of 2012. These machines are part of a new family of products that improve commonality of parts across our volume boom lifts, while still combining Snorkel's intrinsic durability with enhanced machine performance.

Smith Electric Vehicles

As announced on 21 September 2012, Smith Electric Vehicles has decided not to pursue its planned initial public offering. Smith has withdrawn its registration statement on Form S-1 as filed with the Securities and Exchange Commission and has instead initiated a further round of private financing, as it seeks to execute the next phase of its business plan.

Tanfield currently holds 5.2m shares in Smith Electric Vehicles, amounting to 24% of Smith's issued share capital.

The board continue to assess the best way to utilise this asset.

Dividends

Based on our on-going requirements for working capital to fund growth, the Board has not declared a dividend for the period.

Outlook

Trading in the third quarter of 2012 has increased on the second quarter. However, given the length of lead times for many of the key components, we are only now, at the end of the third quarter, seeing a significant increase in deliveries of certain components to our facilities. This will support the planned production ramp going forward. As revenue levels increase we continue to make progress towards break-even and we anticipate our first post-recession break-even month being October 2012.

Given the longer cash-to-cash cycle required to support finished product inventory in Australia (our third largest market after the USA and EMEA), and Japan (our fourth largest market), these inventory levels had been allowed to drop. As these territories are re-stocked, a proportion of the increased output from our production facilities will take longer to convert to revenue. Re-stocking is likely to continue well into the first half of next year, before the products reach their end markets. This, in turn, will help ensure we reach our sales targets for that year.

However, in the short term, the specific supply chain issues we have experienced, combined with the added factors of product stock imbalances, means we feel it is prudent to rein in further expansion plans over the winter to reduce the risk of surplus and imbalanced inventory levels at year end resulting from customers re-scheduling orders into successive periods in response to the less predictable nature of the generally weaker winter months in the Northern hemisphere.

The immediate focus therefore is to allow the business to catch its breath while rebalancing inventory levels globally and concluding the remaining supply chain issues. We will therefore be well placed to benefit from the next industry buying season in spring 2013, meaning that sustained break-even will only be achieved in the second quarter of 2013.

Based on this strategy - and provided the macroeconomic situation does not take a turn for the worse - the outlook for 2013 remains positive, with the business on track for full year profitability that year.

ENDS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDING 30 JUNE 2012

	Six months to 30 Jun 12 (unaudited) £000's	Six months to 30 Jun 11 (unaudited) £000's	Year to 31 Dec 11 (audited) £000's
Continuing operations			
Revenue	24,096	24,633	48,305
Changes in inventories of finished goods and WIP	(330)	(5,610)	(2,848)
Raw materials and consumables used	(16,450)	(12,464)	(33,250)
Staff costs	(9,109)	(8,577)	(17,143)
Depreciation and amortisation expense	(882)	(806)	(1,595)
Other operating expenses	(4,323)	(4,206)	(8,461)
Loss from continuing operations before impairments	(6,998)	(7,030)	(14,992)
Share of results of associates	-	-	-
Impairment of Receivables	-	-	(250)
Loss from continuing operations after impairments	**(6,998)**	**(7,030)**	**(15,242)**
Finance costs	(73)	(565)	(286)
Interest receivable	103	264	470
Net finance expense	**30**	**(301)**	**184**
Loss from continuing operations before tax and associate	**(6,968)**	**(7,331)**	**(15,058)**
Reassessment of carrying value of associate	-	-	(1,280)
Loss before taxation	**(6,968)**	**(7,331)**	**(16,338)**
Taxation	9	(58)	(186)
Loss for the period from continuing operations	**(6,959)**	**(7,389)**	**(16,524)**

Discontinued operations			
Profit on disposal of discontinued operations	-	173	173
Net loss for the period	**(6,959)**	**(7,216)**	**(16,351)**
Other comprehensive income, net of tax:			
Currency translation differences	(237)	368	694
Total comprehensive income for the period	**(7,196)**	**(6,848)**	**(15,657)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDING 30 JUNE 2012

	Six months to 30 Jun 12 (unaudited) £000's	**Six months to 30 Jun 11 (unaudited) £000's**	**Year to 31 Dec 11 (audited) £000's**
Loss for the period attributable to:			
Owners of the parent			
From continuing operations	(6,976)	(7,389)	(16,510)
From discontinuing operations	-	173	173
	(6,976)	**(7,216)**	**(16,337)**
Non-controlling interest			
From continuing operations	17	-	(14)
Net loss for the period	**(6,959)**	**(7,216)**	**(16,351)**
Total comprehensive income for the period attributable to:			
Owners of the parent	(7,213)	(6,848)	(15,643)
Non-controlling interest	17	-	(14)
Total comprehensive income for the year	**(7,196)**	**(6,848)**	**(15,657)**
Earnings per share from continuing operations			
Basic (pence)	(6.1)	(7.7)	(17.5)
Diluted (pence)	(6.1)	(7.7)	(17.5)

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

	30 Jun 12 (Unaudited) £000's	**30 Jun 11 (Unaudited) £000's**	**31 Dec 11 (Audited) £000's**
Non current assets			
Intangible assets	4,476	5,124	5,023
Property, plant and equipment	3,048	3,531	3,324
Associate	-	-	-
Deferred consideration receivable	-	1,405	-
Trade and other receivables	-	250	-
	7,524	10,310	8,347
Current assets			
Inventories	21,921	23,458	21,495
Trade and other receivables	11,330	10,855	10,753
Investments	513	417	498
Current tax assets	-	11	-
Deferred consideration receivable	345	3,575	341
Cash and cash equivalents	2,754	4,682	3,463
	36,863	42,998	36,550
Total assets	**44,387**	**53,308**	**44,897**
Current liabilities			
Trade and other payables	8,864	13,235	13,034
Provisions	714	327	621
Tax liabilities	-	95	189
Obligations under finance leases	65	98	60
	9,643	13,755	13,904
Non-current liabilities			
Obligations under finance leases	173	-	208
Deferred tax liabilities	375	375	375
	548	375	583
Total liabilities	10,191	14,130	14,487
Equity			
Share capital	6,193	4,727	4,728
Share premium	12,590	2,346	3,097
Share option reserve	1,809	1,764	1,785
Special reserve	66,837	66,837	66,837
Merger reserve	1,534	1,534	1,534
Translation reserve	11,889	11,800	12,126
Profit and loss account	(66,656)	(49,827)	(59,680)
Equity attributable to the owners of the parent	**34,196**	**39,181**	**30,427**

Non controlling interests	-	(3)	(17)
Total equity	**34,196**	**39,178**	**30,410**
Total equity and total liabilities	**44,387**	**53,308**	**44,897**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDING 30 JUNE 2012

	Six months to 30 Jun 12 (unaudited) £000's	Six months to 30 Jun 11 (unaudited) £000's	Year to 31 Dec 11 (audited) £000's
Continuing operations			
Loss before interest and taxation	(6,998)	(6,857)	(16,349)
Depreciation and amortisation	882	806	1,595
Loss on deferred consideration currency fluctuations	-	-	337
Profit on disposal of operations	-	(173)	(173)
Loss on disposal of fixed assets	-	-	128
Loss on reassessment of carrying value of associate	-	-	1,280
Impairment of receivables	-	-	250
Operating cash flows before movements in working capital	**(6,116)**	**(6,224)**	**(12,932)**
(Increase) in receivables	(643)	(441)	(310)
(Decrease) Increase in payables	(4,096)	2,563	1,537
Increase in provisions	94	55	349
(Increase) decrease in inventories	(594)	1,561	3,910
Net cash used in operations	**(11,355)**	**(2,486)**	**(7,446)**
Interest paid	(73)	(143)	(286)
Income taxes paid	(170)	(37)	(60)
Net cash used in operating activities	**(11,598)**	**(2,666)**	**(7,792)**
Cash flow from Investing Activities			
Purchase of property, plant and equipment	(82)	(79)	(390)
Deferred consideration received	-	3,774	7,756
Purchase of investments	(33)	(32)	(76)
Purchase of intangible fixed assets	(4)	(1)	(232)
Interest received	103	123	453
Net cash (used in) from investing activities	**(16)**	**3,785**	**7,511**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares net of costs	10,958	-	-
New obligations under finance leases in the period	-	-	274
Repayments of obligations under finance leases	(30)	(97)	(202)
Net cash (used in) from financing activities	**10,928**	**(97)**	**72**
Effect of exchange rate changes on cash and cash equivalents	(23)	23	35
Net increase (decrease) in cash and cash equivalents	**(709)**	**1,045**	**(174)**
Cash and cash equivalents at the start of year	3,463	3,637	3,637
Cash and cash equivalents at the end of the year	**2,754**	**4,682**	**3,463**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the parent								
	Share capital £000's	Share premium £000's	Shares option reserve £000's	Merger reserve £000's	Special reserve £000's	Translation reserve £000's	Retained earnings £000's	Non-controlling interests £000's	Total £000's
For the six month period ended 30 June 2012									
Balance at 1 January 2012	**4,728**	**3,097**	**1,785**	**1,534**	**66,837**	**12,126**	**(59,680)**	**(17)**	**30,410**
Comprehensive income									
(Loss) profit for the period	-	-	-	-	-	-	(6,976)	17	(6,959)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	(237)	-	-	(237)
Total other comprehensive income for the year	-	-	-	-	-	(237)	-	-	(237)
Total comprehensive income for the year	-	-	-	-	-	**(237)**	**(6,976)**	**17**	**(7,196)**
Transactions with owners in their capacity as owners:-									
Issue of shares	1,464	9,493	-	-	-	-	-	-	10,957
Share based payments	1	-	24	-	-	-	-	-	25
At 30 June 2012	**6,193**	**12,590**	**1,809**	**1,534**	**66,837**	**11,889**	**(66,656)**	**-**	**34,196**

For the six month period ended 30 June 2011

Balance at 1 January 2011	**4,704**	**827**	**1,764**	**1,534**	**66,837**	**11,432**	**(42,611)**	**(3)**	**44,484**
Comprehensive income									
Loss for the period	-	-	-	-	-	-	(7,216)	-	(7,216)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	368	-	-	368
Total other comprehensive income for the year	-	-	-	-	-	368	-	-	368
Total comprehensive income for the year	-	-	-	-	-	368	(7,216)	-	(6,848)
Transactions with owners in their capacity as owners:-									
Issue of shares	23	1,519	-	-	-	-	-	-	1,542
At 30 June 2011	**4,727**	**2,346**	**1,764**	**1,534**	**66,837**	**11,800**	**(49,827)**	**(3)**	**39,178**

For the twelve month period ended 31 December 2011

Balance at 1 January 2011	**4,704**	**827**	**1,764**	**1,534**	**66,837**	**11,432**	**(42,611)**	**(3)**	**44,484**
Comprehensive income									
Loss for the year	-	-	-	-	-		(16,337)	(14)	(16,351)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	(57)	-	-	(57)
Total other comprehensive income for the year	-	-	-	-	-	(57)	-	-	(57)
Total comprehensive income for the year	-	-	-	-	-	(57)	(16,337)	(14)	(16,408)
Transactions with owners in their capacity as owners:-									
Issue of shares to settle deferred consideration	23	2,270	-	-	-	751	(751)	-	2,293
Share based payments	1	-	21	-	-	-	19		41
At 31 December 2011	**4,728**	**3,097**	**1,785**	**1,534**	**66,837**	**12,126**	**(59,680)**	**(17)**	**30,410**

1 Basis of preparation

The consolidated Interim Report of the Group for the six months ended 30 June 2012 has been prepared in accordance with AIM Rule 18 and not in accordance with IAS 34 "Interim Financial Reporting" therefore it is not fully in compliance with IFRS.

The half year report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 December 2011 which is available on request from the Group's registered office, Vigo Centre, Birtley Road, Washington, Tyne and Wear NE38 9DA or can be downloaded from the corporate website www.tanfieldgroup.com.

2 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those financial statements.

LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

Number of shares

	Six months To 30 Jun 12	Six months to 30 Jun 11	Year to 31 Dec 11
Weighted average number of shares in thousands			
Basic	**113,829**	**94,234**	**94,339**
Potential dilutive ordinary shares from share options	3,042	1,792	140
Total diluted	**116,871**	**96,026**	**94,479**

Earnings

From continuing and discontinuing operations			
Earnings for the purposes of basic earning per share	**(6,976)**	**(7,216)**	**(16,337)**
Potential dilutive ordinary shares from share options	-	-	-
Earnings for the purposes of diluted earnings per share	**(6,976)**	**(7,216)**	**(16,337)**
From continuing operations			
Earnings for the purposes of basic earning per share	**(6,976)**	**(7,216)**	**(16,337)**
Profit on disposal of discontinued operations	-	(173)	(173)
Earnings for the purposes of earnings per share from continuing operations	(6,976)	(7,389)	(16,510)
Adjustment for one off items:			
Reassessment of carrying value of associate	-	-	1,280

Impairments	-	-	250
Loss for the purposes of loss per share before one off items	**(6,976)**	**(7,389)**	**(14,980)**
Loss per share from continuing operations			
Basic loss per share (pence)	(6.1)	(7.8)	(17.5)
Diluted loss per share (pence)	(6.1)	(7.8)	(17.5)
Loss per share from continuing operations before one off items			
Basic loss per share before one off items (pence)	(6.1)	(7.8)	(15.9)
Diluted loss per share before one off items (pence)	(6.1)	(7.8)	(15.9)

IAS33 defines dilution as a reduction in earnings per share or an increase in loss per share resulting from the assumption that options are exercised. As the potential dilutive ordinary shares from share options reduce the loss per share these share are omitted from the dilutive loss per share calculation.