RNS Number: 1734P Tanfield Group PLC 30 September 2013

For immediate release

30 September 2013

## The Tanfield Group Plc

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

Interim Results for the six-month period to 30 June 2013

The Tanfield Group Plc, a leading manufacturer of aerial work platforms, announces its unaudited interim results for the six-month period ended 30 June 2013.

- Continued recovery of global aerial lift market
- Working Capital constraint limited revenues
- Initiated Snorkel Disposal process
- Cash conservation during M&A process
- Turnover declined to £18.9m (H2 2012: £21m)
- Improved margins and controlled overhead cost base
- Net losses £8.4m (H2 2012: Operating loss: £8.2m)

Darren Kell, CEO of Tanfield, said: "The Board are strongly recommending the recently announced proposed disposal of the Powered Access division, which de-risks the Tanfield Group, protecting the value inherent within the Snorkel business as well as the holding in Smith Electric Vehicle Corp. We believe the transaction will ultimately, significantly enhance the value of the Snorkel business and deliver far greater shareholder value in the medium term."

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#### Snorkel

Whilst demand increased, the Company was further constrained by the lack of working capital such that it could not benefit from the market recovery. As stated in previous financial statements the Company required the introduction of additional working capital to be able to return to sustained profitability. Given that growth requires investment of cash into working capital, the group has therefore not been able to fully respond to the opportunities in the market. Following consultation with its major shareholders the Board initiated the disposal process of the Snorkel division and appointed an M&A advisor accordingly. Throughout the period the business was being managed to conserve cash through the M&A process and this further limited the opportunity.

## **Smith Electric Vehicles**

Smith Electric Vehicles Corporation, in which Tanfield holds 25%, continues to extend its bridge financing as it follows its ultimate strategy of seeking a listing on a public market.

#### Dividends

The Board has not declared a dividend for the period.

#### Outlook

The Board are strongly recommending the proposed disposal of the Powered Access divison, which de-risks the Tanfield Group, protecting the value for shareholders inherent within the Snorkel business as well as the value of the holding in in the Smith Electric Vehicle Corp Investment. Furthermore we believ the transaction will ultimately, significantly enhance the value of the Snorkel business and deliver far greater shareholder value in the medium term.

Global market opportunities for Snorkel remain strong driven by the on-going recovery in the equipment sector. Snorkel's

product range, brand and reputation continue to generate strong demand in the market and to date the limited working capital within the business has been the only constraining factor. The Board are extremely encouraged therefore by the significant market opportunity presented by the proposed transaction addressing as it does the working capital issue plus bringing to bear a number of very important synergistic and strategic benefits. The proposed transaction should return Snorkel to its previous trajectory and allow the business to deliver upon its full potential as one of the leading global manufacturers.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDING 30 JUNE 2013

	Six months	Six months	Year to	
	to 30 Jun 13	to 30 Jun 12	31 Dec 12	
	(unaudited)	(unaudited)	(audited)	
	£000's	£000's	£000's	
Continuing operations				
Revenue	18,878	24,096	45,072	
Changes in inventories of finished goods and WIP	(5,435)	(330)	2,889	
Raw materials and consumables used	(7,531)	(16,450)	(34,243)	
Staff costs	(8,892)	(9,109)	(18,760)	
Depreciation and amortisation expense	(833)	(882)	(1,739)	
Other operating expenses	(4,587)	(4,323)	(8,493)	
Loss from continuing operations	(8,400)	(6,998)	(15,274)	
Finance costs	(66)	(73)	(127)	
Interest receivable	7	103	146	
Net finance expense	(59)	30	19	
Loss from continuing operations before tax and associate	(8,459)	(6,968)	(15,255)	
Reassessment of carrying value of associate	_	_	1.280	
			,	
One off costs directly associated with Smiths investment	-	-	(470)	
Loss before taxation	(8,459)	(6,968)	(14,445)	
Taxation	(1)	9	(79)	
Net loss for the period	(8,460)	(6,959)	(14,524)	
Other comprehensive income, net of tax:				
Currency translation differences	(122)	(237)	(958)	
Total comprehensive income for the year	(8,582)	(7,196)	(15,482)	
Loss for the period attributable to:				
Owners of the parent	(8,460)	(6,976)	(14,543)	
Non-controlling interest	-	17	19	
Net loss for the period	(8,460)	(6,959)	(14,524)	
Total comprehensive income for the period attributable to:				
Owners of the parent	(8,582)	(7,213)	(15,501)	
Non-controlling interest	_	17	19	
Total comprehensive income for the year	(8,582)	(7,196)	(15,482)	
Familian and show from another in a second				
Earnings per share from continuing operations		(6.1)	(12.0)	
B : ( )				
Basic (pence) Diluted (pence)	(6.3) (6.3)	(6.1)	(12.0)	

## **CONSOLIDATED BALANCE SHEET**

AS AT 30 JUNE 2013

	30 Jun 13	30 Jun 12	31 Dec 12
	(Unaudited)	(Unaudited)	(Audited)
	£000's	£000's	£000's
Non current assets			
Intangible assets	2,634	4,476	3,940
Property, plant and equipment	3,515	3,048	2,885
Associate	-	-	-
Deferred consideration receivable	<del>-</del>	=	-
Non current Investment	1,280	-	1,280
	7,429	7,524	8,105
Current assets			
Inventories	15,710	21,921	22,869
Trade and other receivables	9,139	11,330	9,063
Investments	462	513	474
Current tax assets	=	-	-
Deferred consideration receivable	339	345	339
Cash and cash equivalents	1,681	2,754	2,198
	27,331	36,863	34,943
Total assets	34,760	44,387	43,048
Current liabilities			
Trade and other payables	11,796	8,864	13,398
Provisions	477	714	577
Tax liabilities	=	_	15

Obligations under finance leases	69	65	70
	12,342	9,643	14,060
Non-current liabilities			
Obligations under finance leases	104	173	137
Deferred tax liabilities	375	375	375
	479	548	512
Total liabilities	12,821	10,191	14,572
Equity			
Share capital	6,975	6,193	6,450
Share premium	16,262	12,590	14,823
Share option reserve	1,966	1,809	1,885
Special reserve	66,837	66,837	66,837
Merger reserve	1,534	1,534	1,534
Translation reserve	11,046	11,889	11,168
Profit and loss account	(82,683)	(66,656)	(74,223)
Equity attributable to the owners of the parent	21,937	34,196	28,474
Non controlling interests	2	-	2
Total equity	21,939	34,196	28,476
Total equity and total liabilities	34,760	44,387	43,048

## **CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDING 30 JUNE 2013

	Six months to 30 Jun 13 (unaudited) £000's	Six months to 30 Jun 12 (unaudited) £000's	Year to 31 Dec 12 (audited) £000's
Continuing operations			
Loss before interest and taxation	(8,400)	(6,998)	(14,464)
Depreciation and amortisation	833	882	1,739
Loss on deferred consideration currency fluctuations	-	-	99
Loss on disposal of fixed assets	-	-	43
Gain on reassessment of carrying value of investment	-	-	(1,280)
Operating cash flows before movements in working capital	(7,567)	(6,116)	(13,863)
(Increase) decrease in receivables	(235)	(643)	3,239
(Decrease) increase in payables	(1,798)	(4,096)	788
Increase (decrease) in provisions	6	94	(44)
Decrease (increase) in inventories	7,305	(594)	(2,105)
Net cash used in operations	(2,289)	(11,355)	(11,985)
Interest paid	(66)	(73)	(127)
Income taxes paid	(10)	(170)	(222)
Net cash used in operating activities	(2,365)	(11,598)	(12,334)
Cash flow from Investing Activities			
Purchase of property, plant and equipment	(45)	(82)	(310)
Deferred consideration received	(43)	(02)	(310)
Purchase of investments	(27)	(33)	(49)
Purchase of investments  Purchase of intangible fixed assets	(27)	(4)	(57)
Loan to Smith Electric Vehicles US Corp	-	(4)	(1,935)
Interest received	7	103	131
Net cash (used in) from investing activities	(65)	(16)	(2,220)
Net cash (used in) from investing activities	(63)	(10)	(2,220)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares net of costs	1,964	10,958	13,447
New obligations under finance leases in the period	_	_	
Repayments of obligations under finance leases	(34)	(30)	(61)
Net cash (used in) from financing activities	1,930	10,928	13,386
Effect of exchange rate changes on cash and cash equivalents	(17)	(23)	(97)
Net increase (decrease) in cash and cash equivalents	(517)	(709)	(1,265)
Cash and cash equivalents at the start of year	2,198	3,463	3,463
Cash and cash equivalents at the end of the period	1,681	2,754	2,198

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the parent								
	Share capital	Share premium	Shares option reserve	Merger reserve	Special reserve	Translation reserve	Retained earnings	Non- controlling interests	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
For the six month period ended 30 June 2013									
Balance at 1 January 2013	6,450	14,823	1,885	1,534	66,837	11,168	(74,223)	2	28,476
Comprehensive income									
(Loss) profit for the period	-	-	-	-	-	-	(8,460)	-	(8,460)
Other comprehensive income									

Currency translation differences	-		-	-	-	(122)	-		(122)
Total other comprehensive income for the year	-		-	-	-	(122)	-	-	(122)
Total comprehensive income for the year	. "	-	-	-	-	(122)	(8,460)	-	(8,582)
Transactions with owners in their capacity as owners:-									
Issue of shares	525	1,439	-	-	-	-	-	-	1,964
Share based payments	-	-	81		-	-	-	-	81
At 30 June 2013	6,975	16,262	1,966	1,534	66,837	11,046	(82,683)	2	21,939
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 twelve month period ended 31 December 2012									
At 31 December 2011	4,728	3,097	1,785	1,534	66,837	12,126	(59,680)	(17)	30,410
Comprehensive income									
Loss for the year	-	-	-	-	-	-	(14,543)	19	(14,524)
Other comprehensive income									
Currency translation differences						(958)			(958)
Total other comprehensive income for the year	-	-	<u> </u>	-	-	(958)	-	-	(958)
Total comprehensive income for the year	-	-		-	-	(958)	(14,543)	19	(15,482)
Transactions with owners in their capacity as owners:-									
Issuance of new shares (note 21)	1,721	11,726	-	-	-	-	-	-	13,447
Share based payments (note 25)	1	-	100	<b></b> -			-	-	101
At 31 December 2012	6,450	14,823	1,885	1,534	66,837	11,168	(74,223)	2	28,476

#### 1 Basis of preparation

The consolidated Interim Report of the Group for the six months ended 30 June 2013 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 2012 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 <a href="www.tanfieldgroup.com">www.tanfieldgroup.com</a>.

## 2 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those financial statements. In particular, the accounts have been prepared on a going concern basis, and as set out on page 18 of those financial statements. The directors believe that the proposed disposal of the Powered Access division addresses this condition.

#### **LOSS PER SHARE**

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

Six months	Six months	Year to
To 30 Jun 13	to 30 Jun 12	31 Dec 12
_		

#### Number of shares

## Weighted average number of shares in thousands

Basic	134,223	113,829	121,202
Potential dilutive ordinary shares from share options	2,891	3,042	2,736
Total diluted	137,114	116,871	123,938

# Earnings

#### From continuing operations

<b>.</b>			
Earnings for the purposes of earnings per share from continuing operations	(8,460)	(6,976)	(14,543)
Adjustment for one off items:			
Reassessment of carrying value of investment	-	-	(1,280)
One off costs directly associated with Smiths IPO	-	-	470
Loss for the purposes of loss per share before one off items	(8,460)	(6,976)	(15,353)
Loss per share from continuing operations			
Basic loss per share (pence)	(6.3)	(6.1)	(12.0)
Diluted loss per share (pence)	(6.3)	(6.1)	(12.0)
Loss per share from continuing operations before one off items			
Basic loss per share before one off items (pence)	(6.3)	(6.1)	(12.7)
Diluted Joss per share before one offitems (pence)	(6.3)	(6.1)	.(12.7)

Diluted loss per share before one offitems (pence) has deduction 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.

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