

## Tanfield Group plc

### Preliminary Results

Twelve months to December 31<sup>st</sup> 2006

#### **FINANCIAL AND BUSINESS REVIEW**

The Tanfield Group Plc (TAN), the leading global manufacturer of zero emission vehicles and aerial work platforms, is pleased to announce its preliminary results for the 12 months to December 31, 2006.

Building on the progression achieved during 2005, these results further demonstrate the advancement of The Tanfield Group Plc as a high growth, profitable and robust business.

All figures and their comparatives are presented in line with the International Financial Reporting Standards (IFRS).

#### **Highlights:**

- Turnover increased to £40.9m, from £22.4m
- Significant growth in profit
- Robust balance sheet; £44m net assets
- Built & delivered world's first high performance 7.5t electric truck
- Confirmed orders for new range of electric vehicles
- Fully integrated UpRight acquisition
- Strengthened global distribution network
- Continued significant growth in order book
- Substantially increased levels of enquiry
- Significant working capital to fund strong growth in 2007

#### **Chairman's Statement**

Turnover for the 12 month period grew to £40.9m, compared to £22.4m for the full year to December 2005. The Group delivered this substantial increase

through organic growth of existing operations and a contribution from the Upright Powered Access business, acquired midway through 2006.

Operating profit for the period of £5.4m before restructuring costs and after goodwill adjustments demonstrates significant growth from the £2.0m profit in the year to December 2005. After restructuring, the £3.5m operating profit before tax for the period (from continuing business) is an increase of 75% against 2005.

The balance sheet is robust, with Net Assets at the end of December standing at £44m (£11.8m at the end of December 2005). Net Current Assets were £32m (2005 £2.5m), with cash balances in excess of £13m and borrowing limited to a £1.1m loan on Group properties. This underlines that the Company has significant levels of working capital, allowing it to fund strong organic growth in 2007.

### **Internal Restructuring**

The UpRight acquisition paved the way for the internal restructuring of the Group into two key divisions: Powered Access, sold under the UpRight brand; and Specialist Electric Vehicles, sold under the principal brand of Smith Electric Vehicles and sub-brands of Norquip and Jumbotugs.

The highly profitable growth of the past year demonstrates the success of the Group's strategy to concentrate on the expansion of these two key divisions.

### **Growth of the Group**

Over the past 12 months, the Group has continued to consolidate and develop its portfolio of businesses, focused on providing zero emission vehicles and powered access platforms to customers operating in closed urban and industrial environments.

We significantly enhanced this portfolio with the acquisition of UpRight in June 2006. This acquisition presented an ideal opportunity for the Group to consolidate all UK product assembly operations on one flagship site: Vigo Centre in Tyne & Wear, which was officially opened by the Prime Minister, the Rt Hon Tony Blair MP, in February 2007.

The acquisition of UpRight in June 2006 accelerated Tanfield's growth as a global business. I am delighted with the progress we have made with UpRight and pleased to announce that it entered 2007 with a strong order book.

With UpRight, we have successfully restored market confidence in what was a very strong global brand. We have re-established an effective worldwide distributor network, which now stands at over 150 distributors, compared to 15 in June 2006. We have also been successful in extending the UpRight product range. These achievements are reflected in the huge increase in average weekly order intake.

UpRight has provided access to a well-established component supply chain from low cost countries and the move to Vigo Centre is providing further cost synergies, by consolidating all Group product assembly operations on one flagship site.

The strong growth in our electric vehicle service and maintenance operations has underpinned overall growth in our Specialist Electric Vehicles Division. This core element of the business is beginning to fulfil its potential in terms of addressing the requirements of large urban fleet operators, who want to reduce their operational costs and more importantly, greatly reduce their carbon footprint. This is evident in the increase in both the order book and enquiry levels.

## **Board Changes**

In June 2006 we welcomed Charles Brooks as our new Financial Director. Charles worked on the UpRight acquisition for several months prior to this appointment, where he very ably demonstrated his acumen, diligence and dedication to Tanfield.

In September 2006, Brendan Campbell joined the Board as Operations Director. Brendan has been with the Group for six years and has played a key role in the successful integration and de-risking of the UpRight business; developing the low cost supply chain; and delivering a five-fold increase in output.

Also in September, I stepped down from my dual role as Chief Executive and Chairman, with the appointment of Darren Kell as Chief Executive. As

Business Development Director, Darren played a key role in the substantial growth of the Group over the previous two years and subsequent successful integration of the UpRight business.

I am confident that this very strong team can continue to establish Tanfield as a world leader in both commercial electric vehicles and powered access platforms.

### **Summary**

The group has experienced another exciting year of exceptional growth and improved profitability. The consolidation onto one assembly site has improved efficiency and control, and has given us significant expansion potential to further continue this growth. We also see opportunities to increase capacity in the USA, both for powered access and electric vehicles.

We operate in sizeable markets which present significant opportunities for growth. The Group's strategy remains to grow its two core divisions, both organically and – where opportunities arise – through acquisition.

There has been a major step change in our organisation over the past 12 months. We now have 600 people in the business, led by a strong, integrated senior management team. We have facilities in the UK, USA, and Japan, with an established manufacturing supply chain in China and Eastern Europe.

I would like to take this opportunity to thank all our people for their efforts and for the continuing support of all our stakeholders.

Roy Stanley

Chairman

The Tanfield Group Plc

## Chief Executive's Report for 2006 & Trading Update for Q1 2007

### OPERATIONAL HIGHLIGHTS

- Built & delivered Smith Newton, the world's first high performance 7.5t electric truck
- Successfully penetrated parcel delivery & logistics market, with sales of Newton to TN T Express and CEVA Logistics (formerly TNT Logistics)
- First Newton order from DHL Logistics
- Ongoing Newton trials with TNT, CEVA and Starbucks are meeting or exceeding all performance expectations
- Successfully penetrated retail sector, with sales to Marks & Spencer and Sainsbury's Online
- Launching Smith Edison, the world's first 3.5t electric van, in April 2007, to facilitate further penetration of the broader urban delivery and logistics sector
- Developing 9t and 12t Smith Newtons, to facilitate penetration of the chilled food distribution market
- Further confirmed orders for new range of electric vehicles
- Substantially increased levels of enquiry for electric vehicles
- Fully integrated and de-risked UpRight acquisition (acquired June 2006)
- Strengthened UpRight global distribution network from 15 at point of acquisition, to over 150
- UpRight average weekly order intake grown from £150,000 at point of acquisition, to £1.2m
- UpRight product portfolio expanded from 10 machines to over 20
- Increase in volume orders: 1,300 machines to Benelux region; orders of 100+ machines to clients in UK, Southern Europe, Scandinavia and USA
- Successful UpRight brand re-launch in the USA in February 2007; average weekly order intake quadrupled to \$2m
- Record UpRight forward order book of £35m
- Consolidated all product assembly operations in Vigo Centre, a new 250,000sq ft UK production facility, providing cost savings and production synergies

## **Introduction**

2006 was another year of strong growth for Tanfield.

The launch of the Smith Newton, the world's largest high-performance, all-electric truck was a phenomenal success and Tanfield remains uniquely positioned to win business in this sector, as the only company in the world with a zero emission production model of this size and carrying capacity.

The acquisition of UpRight Inc in 2006 and the subsequent expansion of its activities confirmed that we have the ability to transform a struggling company into a successful, profitable operation. Our sales and marketing strategy, allied to the strength of the UpRight brand, has proven to be so successful that we now have a record forward order book for aerial work platforms.

## **Vigo Centre**

The move to Vigo Centre, a modern 250,000sq ft facility in North East England, has been crucial to our operational success and provides a superb foundation for future growth.

Vigo Centre opened in November 2006 and Tanfield immediately began transferring assembly of UpRight products from the incumbent Irish facility in Dublin.

In a time frame of just over two months, the Group simultaneously recruited and trained a new, UK-based assembly workforce, while transferring the entire UpRight machine production operations from Dublin to Vigo Centre. The Group also quadrupled UpRight machine output during the same period.

Vigo Centre was fully operational and assembling the Group's entire product portfolio by the beginning of December. This was delivered ahead of our internal schedule and under budget.

The Company endeavoured to keep down costs. To this end, the Chairman and founder of Tanfield, Roy Stanley, successfully negotiated a 15-month rent-free period at Vigo Centre. The Chairman also secured a £1.95m grant for Tanfield, from Regional Development Agency, One NorthEast.

The overall operational synergies and improvements gained from consolidation into Vigo Centre and have led to reduced unit build costs and greatly improved output volumes.

In 2006, the Group also started manufacturing smaller products from the UpRight portfolio at a facility in Fresno, California. We anticipate significantly broadening manufacturing capability in North America during 2007.

The accelerated growth in forward orders placed further demands on our Production team to increase output and they rose to the challenge. Machine output hit 100 units per week at the end of February 2007, ahead of schedule. We are installing a third, larger crane line to accommodate larger machines and vehicles.

## **Divisional Progress Report**

### **1. Specialist Electric Vehicles Division**

The division's flagship brand is Smith Electric Vehicles, a leading manufacturer of zero emission commercial electric vehicles – principally vans and trucks. Its new technology vehicles have fast acceleration, top speeds of up to 55mph and a range between battery charges of up to 150 miles. These characteristics make them ideal for urban applications where vehicle emissions are becoming increasingly important.

As zero emission vehicles, the entire Smith range qualifies for several key tax and legislative benefits – including exemption from the London Congestion Charge.

Jumbotugs and Norquip are airport-specific sub-brands, manufacturing airside ground support vehicles.

Overall, the division continues to benefit from a buoyant level of enquiries and accelerated market interest created by the changing drivers within the commercial vehicle market. The older technology electric vehicles – and the new technology Faraday, launched in 2005 – have maintained strong sales growth in the traditional market sectors of municipalities, dairies and waste removal applications.

The launch of the latest generation of high performance, zero-emission vehicles, initially with the Smith Newton 7.5 tonne truck, has been very well received by the target market of urban delivery fleet operators. This is a new market which is outside of the division's traditional customer base; and one which the Directors anticipate will be high growth.

The first of these Smith vehicles have entered service with business-to-business parcel delivery company TNT Express; and contract logistics company CEVA Logistics (formerly TNT Logistics), on behalf of Starbucks. Attracting such high profile launch partners has led to the division enjoying unprecedented levels of enquiries from potential customers with broadly similar delivery applications.

TNT Express has indicated that there is the potential for it to replace up to 10% of its UK fleet with zero-emission vehicles such as the Smith Newton. TNT's global chief executive, Peter Bakker, has also commissioned a Europe-wide study into the adoption of Newton throughout TNT's operations.

### Trading Update

In February 2007, we entered into an agreement to supply Marks & Spencer with the Smith Newton and they have purchased the vehicle for distribution to their stores. Again, they are examining the potential to replace a proportion of their internal-combustion powered fleet with the Newton.

Since then, this division has won new orders for the Smith Newton from a significant number of other fleet operators, including DHL, the logistics company. DHL operates a fleet of 76,000 vehicles worldwide and is part of Deutsche Post World Net.

DHL will take delivery of a 9 tonne version of Newton, with greater payload capabilities. The first vehicle, the largest higher function electric truck ever produced, will operate for DHL's Department Stores & Fashion division.

I am pleased to announce that the ongoing field trials of our first Smith Newtons with TNT Express UK and CEVA Logistics continue to be a success.

The TNT vehicle is deployed in business-to-business express delivery operations in and around London. The CEVA vehicle is deployed in delivery operations for coffee retailer Starbucks in and around London.

Both TNT and CEVA have confirmed that Newton is meeting or exceeding all of their expectations, in terms of performance; reliability; and driver acceptability.

TNT Express UK remains committed to replacing up to 10% of its UK fleet with Newtons, a total of approximately 200 vehicles, if the trial continues to be a success. Tanfield is in further negotiations with CEVA Logistics over the supply of more Newton vehicles, where pertinent.

TNT NV is examining opportunities where it could deploy Smith Newtons in mainland Europe.

Tanfield is also presently in discussions to supply both CEVA and TNT with Edison, our higher function, all-electric, 3.5 tonne van.

### Product Development

During 2007, the division will launch a 12 tonne version of the Smith Newton. Along with our 9 tonne Newton, this will not only increase the Company's UK target market by offering greater payload capabilities, but will facilitate the development of the lucrative chilled-food distribution market. The 9 and 12 tonne vehicles will also provide solutions more suited to the regulatory requirements of markets in mainland Europe and North America.

The next vehicle in the high-performance, zero-emission range, the Edison, will be offered in 3.5 to 4.3 tonne sizes; and configurations including chassis cab, panel van, crew cab and minibus.

This will be the world's first 3.5 tonne, all-electric van and we anticipate there will be widespread demand from urban fleet operators, in existing and new market sectors. We have already secured confirmed orders and generated further significant interest for Edison – both from existing and new customers – and we will be announcing our launch partners for the vehicle at the Commercial Vehicle Show, held in the UK in April 2007.

Other products in this family of vehicles are under development and these will be launched over the course of the next 18 months.

## Market Development

Aside from the exciting domestic opportunities and potential for additional orders from existing customers, we are also receiving significant enquires from potential customers within territories including mainland Europe; the Asia-Pacific region; and in particular North America.

Converging market drivers such as congestion charging; oil pricing; energy security; vehicle maintenance costs; and punitive legislative measures on vehicle emissions, are now applicable to a global marketplace. Smith's products are very pertinent for applications in these markets and we are examining ways in which our vehicles can be offered to customers outside the UK.

The North American market is extremely receptive to the concept of the higher function, zero emission, closed urban delivery vehicle. Discussions are ongoing with a number of existing, global customers and new USA customers, with regard to the most efficient method to facilitate their requirements for our products within these markets.

## Service and Maintenance

The service and maintenance sub-division, SEV, has doubled sales over the past twelve months. There continues to be further growth potential in this division based out of our nationwide chain of depots. SEV currently has over 160 people employed in servicing and maintaining electric vehicles. The sale of each new electric vehicle normally involves a five year service and maintenance contract. A key USP for domestic vehicle sales is the coverage of this service and maintenance network, which gives existing and future buyers of electric vehicles the confidence that there is a high level of support for their fleets.

SEV is also in negotiation with a number of potential customers outside its traditional operating sphere, further broadening the scale and breadth of the infrastructure and service capability. Moving into new territories will also accelerate the growth of this part of the Group.

## **2. Powered Access Divison**

UpRight Powered Access is an aerial work platform manufacturer with a brand name recognised worldwide and a proven product portfolio. It has an established global network of independent distributors and its own sales and service centres in the USA and Japan.

UpRight products, which are largely battery powered, are used for safe working at height, in applications such as building and facilities maintenance; and construction. They are known by a variety of names, including powered access platforms, aerial work platforms, aerial lifts and cherry pickers.

The UpRight Powered Access business was acquired on 9 June 2006. Since then we have significantly increased machine output, in order to keep pace with the growth in orders.

We have built on the extensive goodwill that exists within the global market towards UpRight, by strengthening and developing the sales and marketing structure. This, allied to the recruitment of new, high-quality dealers and distributors, this has significantly increased order intake.

### Output Growth

The effectiveness of our Operations team is again demonstrated by the fact that they continue to hit significant production milestones: 50 machines per week in 2006; and 100 machines per week by the end of February 2007.

In order to meet anticipated demand, ongoing output growth is planned and the facility will be producing 150 units per week by the third quarter of 2007. A third, larger capacity overhead crane line has been ordered and will be installed in the second quarter of 2007.

### USA

The USA presents a significant market opportunity for this division, representing almost half of the global marketplace for powered access equipment.

We commenced limited manufacture of a select cross-section of machine types towards the end of 2006 at the Group's facility in Fresno, California. This facility comfortably reached our production target of 20 units per week by the end of February 2007.

The UpRight brand was re-launched in the USA at the American Rental Association show in February 2007, where the emergence of another significant player in the US market was very well received. This resulted in substantial machine order intake, averaging in excess of US\$1m per week, within four weeks of the show's end.

The Group is currently assessing the best method to address the strong market demand in the US market for UpRight products and further leverage brand equity. It is clear that this will require a significant expansion of our US assembly operations.

### Product Development

When we acquired UpRight in 2006, the previous owners were at an advanced stage in a programme of product rationalisation that in 2006 cut the range from 18 models to just 10. This dwindling portfolio became of limited interest to rental companies and stronger distributors.

During 2006, Tanfield re-launched dormant models and integrated four products from the Aerial Access range, expanding the UpRight portfolio to over 20 models.

Throughout the course of 2007, the division will be launching a number of mid-range products for the UpRight portfolio. These are updated versions of dormant machines that were once made at UpRight's US facilities.

There is strong global demand for these new products and we anticipate assembling these machines in both Europe and the USA.

The appetite for these products was demonstrated by our recent announcement regarding the re-launch of the UpRight AB46 machine. UpRight had ceased production of the AB46 some time prior to Tanfield's acquisition. Within two weeks of announcing we were bringing back this popular machine, we secured orders for over 100 units. We believe the

addition of the AB46 to the range will significantly increase UpRight's ability to penetrate the high volume major rental companies worldwide.

### Customer Base

During 2006, Tanfield appointed new UpRight distributors worldwide and re-engaged with ex-UpRight distributors who had left as the UpRight product range dwindled. The global distributor network now stands at over 150 independent companies.

Tanfield also appointed sales managers in the Scandinavia, Southern Europe and Asia-Pacific territories; and re-established a US sales team.

### Market Development

Globally, the powered access industry remains buoyant in all sectors. The well-regarded 2007 Access Confidence Survey, published by influential industry magazine Access International, recorded an unprecedented level of optimism.

Half of rental companies anticipate growing by more than 10% and another 46% expect to grow by 1 - 10%. Overall, 64% said they will grow their fleets, with a further 18% still planning to buy new machines to replace ageing stock.

While the North American market has matured, anecdotal feedback indicates that there is a substantial appetite among access buyers for an alternative to the main two OEM brands, JLG and Genie.

This is demonstrable in another highly mature market - Scandinavia. Here, UpRight is already winning volume orders from both its established distributor network and from major rental companies.

We anticipate that the recent EU legislation governing safe Working at Height will continue to drive sales in member states. Other key growth markets include the Middle East, which is increasingly eschewing labour-intensive scaffolding for mega-construction projects, in favour of more productive US building practices, which rely on high intensity use of aerial work platforms.

## Trading Update

I am delighted to announce that UpRight has further strengthened its independent distributor network, with new distributors appointed in Saudi Arabia; South Korea and Turkey. All three companies are established and experienced, providing excellent sales channels into these territories.

Our strategy to grow the existing network of high quality independent distributors continues to translate into significant orders – the appointment of one new distributor for the Benelux region resulted in an order for over 1,300 UpRight machines. Further volume orders of 100+ units each have been received from distributors in the USA, Southern Europe, Russia and Scandinavia.

This week, UpRight has won two more volume orders. A major UK access rental company has ordered 96 machines, with a value in excess of £2m.

This is particularly pleasing as UpRight had declining market penetration in the UK under its previous owners.

The order came via IPS Ltd, our Master Distributor for the UK, which further validates our strategy of appointing well-regarded distributors who can add real value to the product, in territories where UpRight sales historically were weak or in decline.

We have also received an incremental order for 150 UpRight X32 scissor lifts, with a market value in excess of £1m. The machines will be supplied to meet a new order placed with one distributor in mainland Europe.

When we acquired UpRight in June 2006, it was producing around 20 machines per week and had a forward order book of less than £3m. The value of the UpRight forward order book for 2007 now stands at over £35 million, while output is 100 machines per week and climbing.

## Summary

We have two key brands which are well respected in their markets. We have a robust distribution model with strong sales channels. We are experiencing unprecedented enquiry and order intake levels and we are poised to further

accelerate this growth with the introduction of additional new products and expansion into new geographic markets and sectors.

The business has never been in better health. The Board and senior management team have been strengthened and we continue to successfully penetrate all of our target markets. These developments, allied to the operational synergies brought about by the move to Vigo Centre and the developing supply chain from low-cost countries, mean that Tanfield is well positioned for continued growth in 2007.

Darren Kell

Chief Executive

The Tanfield Group Plc

## TANFIELD GROUP PLC

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £000's	2005 £000's
<b>Continuing Operations</b>		
<b>Revenue</b>	40,913	22,431
Other operating income	–	42
Changes in inventories of finished goods and WIP	1,222	1,983
Raw materials and consumables used	(20,275)	(9,112)
Reversal of previously impaired assets	–	69
Staff costs	(11,290)	(9,080)
Depreciation and amortisation expense	816	456
Other operating expenses	(5,946)	(4,680)
Restructuring costs	<u>(1,877)</u>	<u>–</u>
<b>Profit from continuing operations</b>	3,563	2,109

<b>Finance costs</b>	(105)	(109)
	<hr/>	<hr/>
<b>Net Profit before tax for year</b>	3,458	2,000
Income tax expense	(846)	(344)
	<hr/>	<hr/>
<b>Profit for the year from continuing operations</b>	2,612	1,656
<b>Discontinued operations</b> (Loss)/Profit for period from discontinued operations	(108)	38
	<hr/>	<hr/>
<b>Net profit for the year</b>	<u>2,504</u>	<u>1,694</u>
<b>Earnings per share</b>		
From continuing operations		
Basic	1.10p	1.00p
Diluted	1.03p	0.97p
From continuing and discontinued operations		
Basic	1.05p	1.03p
Diluted	0.99p	0.99p

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	2006 £000's	2005 £000's
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, Plant and Equipment	3,734	4,015
Goodwill	5,143	5,143
Intangible Assets	5,792	3,213

	<u>14,669</u>	<u>12,371</u>
<b>Current Assets</b>		
Inventories	14,158	4,377
Trade and Other Receivables	13,833	5,700
Investments	94	-
Cash and Cash Equivalents	<u>13,605</u>	<u>1,478</u>
	<u>41,690</u>	<u>11,555</u>
<b>TOTAL ASSETS</b>	<u><u>56,359</u></u>	<u><u>23,926</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and Other Payables	6,801	5,511
Tax Liabilities	1,178	299
Obligations Under Finance Leases	421	631
Bank & Other Loans and Overdrafts	163	1,048
Other Creditors	<u>2,221</u>	<u>1,583</u>
	<u>10,784</u>	<u>9,072</u>
<b>Non Current Liabilities</b>		
Bank & Other Loans	948	1,392
Other Creditors	310	211
Obligations Under Finance Leases	549	723
Deferred Tax Liability	19	45
Convertible Loan Notes	69	69
Provisions	<u>262</u>	<u>661</u>
	<u>2,157</u>	<u>3,101</u>
<b>TOTAL LIABILITIES</b>	<u><u>12,941</u></u>	<u><u>12,173</u></u>
<b>EQUITY</b>		
Share Capital	2,921	1,905
Share Premium Account	29,578	1,509
Share Option reserve	255	308
Loan Stock Equity Reserve	6	6
Merger Reserve	1,534	1,534
Capital Reduction Reserve	7,228	7,228
Profit And Loss Account	<u>1,896</u>	<u>(737)</u>
<b>TOTAL EQUITY</b>	<u><u>43,418</u></u>	<u><u>11,753</u></u>
	<u><u>56,359</u></u>	<u><u>23,926</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR  
ENDED 31 DECEMBER 2006**

	Share capital £000's	Share Option reserve £000's	Share Premium £000's	Capital Reduction Reserve £000's	Loan Stock Equity Reserve £000's	Merger Reserve £000's	Profit and Loss Account £000's	Total Equity £000's
Balance at 1 January 2006	1,905	308	1,509	7,228	6	1,534	(737)	11,753
Issue of new share capital	1,000	-	28,055	-	-	-	-	29,055
Exercise and Grant of share options	16	(53)	14	-	-	-	129	106
Net profit for the year	-	-	-	-	-	-	2,504	2,504
Balance at 31 December 2006	2,921	255	29,578	7,228	6	1,534	1,896	43,418

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £000's	2005 £000's
<b>Operating Activities</b>		
Cash used in operations	(7,248)	(1,990)
Interest paid	(208)	(207)
<b>Net Cash used in Operating activities</b>	<b>(7,456)</b>	<b>(2,197)</b>
<b>Investing Activities</b>		
Acquisitions	(6,851)	(324)
Purchase of property, plant and equipment	(503)	(2,562)
Proceeds from sale of property plant and equipment	150	-
Purchase of investments	(94)	-
Purchase of intangible fixed assets	(312)	(1,488)
Interest received	34	98
<b>Net cash used in investing activities</b>	<b>(7,576)</b>	<b>(4,276)</b>

<b>Financing Activities</b>		
Issue of ordinary share capital	29,055	6,886
Repayment of bank loan	(870)	742
Capital element of finance leases	(567)	(121)
<b>Net cash from financing</b>	<u>27,618</u>	<u>7,507</u>
<b>Net Increase in Cash and Cash Equivalents</b>	12,586	1,034
<b>Cash and cash Equivalents at beginning of Year</b>	960	(74)
<b>Cash and Cash equivalents at end of the year</b>	<u>13,546</u>	<u>960</u>

# Notes

## 1 Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## 2. Unaudited Financial Statements

The above figures do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985.

The figures for the year ended 31<sup>st</sup> December 2005 constitute abridged accounts extracted from the published accounts for the year which have been filed with the Registrar of Companies and on which the auditors' report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

### 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 is 237,396,217 (2005 - 165,038,027), and the earnings, being the profit on ordinary activities after taxation and minority interest are £2,504,000. (2005: 1,694,000).

The weighted average number of shares for diluted earnings per share is 252,639,361 (2005 - 165,038,027) and the diluted earnings are £2,490,000 (2005 -£1,680,000).

	Year ended 31 December 2006 Pence	Year ended 31 December 2005 Pence
Earnings/(Loss) Per share	1.05	1.03
Diluted Earnings per share	0.99	0.99

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