The Tanfield Group PLC

Annual Report and Financial Statements 2007

driving growth...

Tanfield Group PLC

Driving Growth Through Innovation

The Tanfield Group PLC is a progressive manufacturing company which operates in two of the world's most exciting growth markets – zero emission electric vehicles and aerial work platforms.

Tanfield's future is about executing a strategy to become a world leader in both of these fields, with shrewd business acquisitions and innovation driving excellent organic growth.

Cover image
The front cover features the Newton, the largest pure electric truck in the world. Tanfield has already sold Newton vehicles to a significant number of companies, including Starbucks, DHL, TNT, Balfour Beatty, and TK Maxx.

01 Highlights
02 Our Business
14 Chairman's Statement
16 Business Review
24 Directors and Advisers
26 Directors' Report
29 Corporate Governance
31 Directors' Remuneration Report
34 Directors' Responsibilities in the Preparation of Financial Statements
35 Independent Auditor's Report to the Members of Tanfield Group PLC
36 Consolidated Income Statement
37 Consolidated Balance Sheet
38 Company Balance Sheet
39 Consolidated Statement of Changes in Equity
Company Statement of Changes in Equity
40 Cash Flow Statements
41 Consolidated Financial Statements Summary of Significant Accounting Policies
46 Notes to the Consolidated Financial Statements
64 Notice of Annual General Meeting

Forward-Looking Statements
This document contains statements that are not historical facts, but forward-looking statements that involve risks and uncertainties, including the timing and results of vehicle trials, product development and commercialisation risks. These forward-looking statements are based on knowledge and information available to the Directors at the date the Directors' Report was prepared, and are believed to be reasonable at the time of preparation of the Directors' Report, though are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements.

2007
Operational and Financial Highlights

- Turnover increased 201% to £123m (2006: £40.9m)
- Profit after tax from continuing operations increased 310% to £11.9m (2006: £2.9m)
- Basic Earnings per Share increased 194% to 3.59p (2006: 1.22p)
- Net cash at year end £28m, (June 2007: £4.9m)
- Net assets of £165m (2006: £43.4m)
- Built and delivered 260 vehicles
- Commenced production of Newton and Edison electric vehicles
- Grew product portfolio in Powered Access from 10 to 28 models
- Developed global manufacturing and sales footprint

dynamic progress...

Zero Emission Vehicles
We have strengthened our position as the worldwide leader in commercial electric vehicles

Powered Access
We continue to develop our powered access division into one of the leading global players in this sector

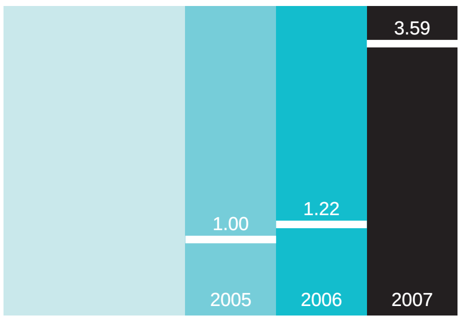
...and innovation in two of the world's most exciting growth markets

Business Analysis
Financial Performance

Over the past twelve months, the Group has continued to successfully develop a portfolio of businesses focused on the production of zero emission vehicles and aerial work platforms. Tanfield is now regarded as an innovator and international knowledge leader in commercial electric vehicles, while its aerial work platform operation has grown both organically and through acquisition to become a major global player in the industry. This is reflected in the profitable growth of the Company during 2007.

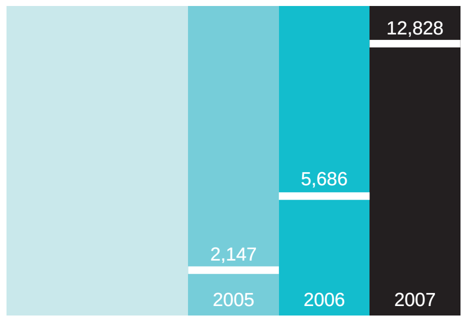
+194%
Percentage increase 2006-07

Earnings per share
before exceptional items
pence



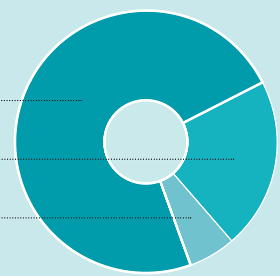
+126%
Percentage increase 2006-07

Operating Profit
£'000



Turnover
Divisional Analysis
£'000

Powered Access	**£90,064**
Zero Emission Specialist Vehicles	**£25,109**
Other	**£7,115**
Total	**£123,288**



Strong Financial Performance

2007 was a year of significant growth. This resulted in a 194% increase in basic earnings per share from 1.22p to 3.59p. Turnover increased 201% to £123m, compared to £40.9m in 2006 and profit after tax from continuing operations rose 310% to £11.9m, from £2.9m in 2006.

Group Operations

The Tanfield Group's operations are split broadly into two divisions: Zero Emission Vehicles and Powered Access, operating in two of the world's most exciting growth markets – commercial electric vehicles and aerial work platforms. Both divisions are underpinned by the Group's Engineering capabilities.

+37%
Percentage increase 2006-07

+718%
Percentage increase 2006-07

Zero Emission Vehicles
Smith Electric Vehicles

Smith Electric Vehicles
www.smithelectricvehicles.com

Smith Electric Vehicles is the world's largest manufacturer of zero emission vans and trucks. The division produces a range of commercial electric vehicles with Gross Vehicle Weights of between 2,300kg and 13,000kg. The vehicles all have impressive acceleration, top speeds of up to 70mph and a range on one battery charge in excess of 100 miles.

The vehicles are zero emission at the point of use, meaning no greenhouse gas emissions such as carbon dioxide, but also none of the exhaust air pollutants such as PM10s and nitrous oxide, proved by medical science to take years off the lives of city dwellers.

The product range is designed for intra-urban applications such as home shopping delivery, parcel and post delivery, 3PL logistics, construction, utilities, airports and public sector operations.

Smith vehicles are already in operation with major corporations and organisations such as the Royal Mail, Sainsbury's, BSkyB, Parcelforce, DHL, TNT, Scottish & Southern Energy and Balfour Beatty.

Smith has a partnership agreement with Ford in Europe to develop and produce commercial electric vehicles. The Edison van and Ampere light van use the Ford Transit and Ford Transit Connect chassis respectively. In North America, the entire range utilises Ford chassis. This allows Smith to leverage off hundreds of millions of pounds in chassis design development by Ford – and maintain focus on the core electric vehicle technology.

Smith also has a partnership with LTI ltd, the largest manufacturer of the iconic London black cab. The first fruit of this agreement will be the TX4E, a pure electric version of LTI's TX4 taxi cab, due to launch in 2009.

Powered Access
UpRight Powered Access / Snorkel

UpRight Powered Access / Snorkel
www.upright.com / www.snorkelusa.com

UpRight and Snorkel are both major global players in aerial work platforms (AWPs), a high growth industry that generated over US$7 billion in sales in 2007. They manufacture a common portfolio of electric and diesel-powered aerial lifts, offering working heights from 4m (12ft) to 40m (126ft). These machines are used for all working at height applications, from building repair and maintenance to major construction and infrastructure projects.

The two brands have distinct geographical territories, reflecting their relative strengths in key markets – Snorkel covers the Americas and Australasia, while UpRight is the lead brand for the rest of the world.

Founded in 1946, UpRight is one of the world's most respected names in the industry and is now Britain's biggest manufacturer of aerial work platforms.

A growing network of 200 independent distributors provide high quality local language sales and product support across Europe, Scandinavia, Russia and the Baltic States, the Middle East, Southern Africa and the Asia-Pacific region. UpRight has enjoyed global growth following its acquisition by The Tanfield Group Plc in June 2006. Since then, it has increased the product range from 10 models to 28 machines and output capacity has grown to over 200 units per week.

Established in 1958, Snorkel is one of America's most respected AWP brands and a leader in boom lifts. The acquisition of Snorkel in August 2007 significantly increased both Tanfield's product range and geographical coverage in terms of sales and service. Together, Snorkel and UpRight are more than the sum of their parts - Tanfield is now one of only three aerial work platform manufacturers in the world that have a truly global footprint.

Business Opportunities
Electric Vehicles – The Growing Green Marketplace

Road transport is recognised as one of the largest contributors to greenhouse gas emissions and urban air pollution – in the UK, vans are now the fastest growing contributor to vehicle emissions. Electric vehicles are well placed to capitalise on the drive by major fleet operators to reduce exhaust emissions, as they offer the best available reductions in air pollutants and carbon dioxide out of the entire alternative vehicle/fuel portfolio.

Electric Vehicles - advantages and opportunities

Key Drivers for Growth

The critical factor driving growth for low emission vehicles in the fleets of major operators is the rising cost of diesel. Commercial electric vehicles now provide a substantial whole life cost saving compared to diesel vans and trucks - and every incremental increase in pump prices further validates the economic argument for EVs. Blue chip companies from PepsiCo, DHL and Walmart to Sainsbury's, TNT and Tesco are all engaged in programmes to significantly cut their carbon footprints – and that of their supply chains, including the transportation and delivery of goods. In the UK, public sector bodies are already placing stipulations on 'green' vehicles when issuing tenders for urban contracts. So along with the obvious public image benefits that electric vehicles can bring to such companies EVs can also provide a competitive edge for fleet operators, helping them win new public sector tenders, or maintain existing relationships with major multinationals.

Advantages

- Zero carbon emissions and zero air pollutants
- Promote a company's green credentials, showing commitment to combating global warming
- Lower "fuel" cost more than offsets higher ticket price of vehicle, when compared with diesel equivalent
- Exempt from congestion charging and most other road pricing schemes. In London, this represents a saving of £8 per day at current levels. By the close of 2008, over 70 cities worldwide will be running low emission zones or congestion charging, with many more urban conurbations considering similar schemes

Powered Access – Market Leading Positions

Tanfield is one of only three aerial lift manufacturers to have a truly global presence in terms of production, sales and service. Its Powered Access division has established global sales coverage via its extensive worldwide distribution network. In every market for aerial work platforms, Tanfield has a partner providing responsive, local product support, in the customer's own language. Each distributor has such widespread and strong connections within its territory that it is able to reach smaller end users, not just equipment rental companies. This means that Tanfield is less reliant on rental fleet sales than some of its peers, which helps to hedge against construction industry cycles.

Powered access market opportunities - manufacturing, sales and distribution

Key Drivers for Growth

Stricter EU legislation on working at height continues to drive wider adoption of aerial work platforms, especially in new EU member states, while growing adoption of Western construction practices in the Middle East and South-East Asia is also increasing Powered Access sales in emerging markets.

Opportunities

The key advantage of deploying aerial work platforms on large projects is construction speed, as commercial buildings are completed faster than if the contractors employed traditional working methods, such as scaffolding. Awareness of the cost efficiencies and safety benefits of aerial lifts is growing in many of the same countries that are also experiencing a boom in commercial construction and infrastructure projects. The ratio of platforms to construction workers is rising in these territories, but there remains a considerable opportunity to reach similar utilisation rates to that of mature markets such as North America, Western Europe and Scandinavia.

Key

Manufacturing centres ●
Marketing and Distribution ■

A Global Business
Markets and Drivers

The USA is the largest market in the world for aerial work platforms (AWPs). The machines are chiefly deployed in non-residential and non-building construction, from commercial projects through to infrastructure. Unlike the majority of its peers, Tanfield does not manufacture telehandlers, which are the main products deployed in house building. Therefore, during 2007, the downturn in residential construction in the USA had no impact on Tanfield's sales of AWPs into North America. The boom in commercial and infrastructure construction in the Middle East, former Soviet Union and Eastern Bloc countries drove sales in these territories during the year.

Commercial construction in particular provides two opportunities for Tanfield's Powered Access division, as larger AWPs are deployed during the construction phase and smaller, electric models are used for ongoing repair and maintenance of the building.

Powered Access - breadth of offer

2007 Strategy Executed

- Leveraged low cost supply chain to increase or maintain margins
- Grew product portfolio from 10 to 28 models
- Developed global manufacturing and sales footprint
- Enhanced two of the industry's strongest brand names

High Growth Markets

Total global sales in 2007 are estimated at a record $8 billion, compared to around $6.5 billion in 2006.* Emerging markets such as Eastern Europe, the former Soviet states and the Middle East were growth drivers throughout 2007 and into early 2008. China and India are increasingly turning to AWPs as labour costs rise and Western companies establishing themselves in these territories impose stringent on-site health and safety codes.

*Source: Access International magazine April 2008

Fuelling and satisfying demand in a global marketplace

Efficient Volume Production

- Achieved output capacity of 200 units p/w by Dec 2007
- 150 operators trained and qualified in Business Improvement Techniques
- Improved productivity by 20%
- Redesign of scissor lift family to reduce assembly time and increase commonality of parts
- Commenced re-layout of Snorkel USA facility to maximise assembly capacity and concentrate on core competence – goal is a 40% increase in productivity

Marketing and Distribution

- USP remains the global dealer network, which marries the Tanfield product portfolio with highly motivated entrepreneurial owner-managers who know the local market and can provide easily accessible, own-language support to Tanfield customers large and small, anywhere in the world
- Increased penetration into rental companies in North America, Europe, Middle East, Asia-Pacific region and former Soviet Union
- Increased global network of independent distributors to over 200

Enhanced Capacity
Efficient Volume Production

Tanfield's lean manufacturing culture and flexible assembly model delivered significant benefits in 2007, as the Group developed and implemented all the processes required for volume production of its new technology electric vehicles.

Geared up for volume production and Europe-wide distribution

2007 Strategy Executed

- Built and delivered 260 vehicles
- January 2007 commenced production of Newton

  Achieved demonstrated capacity of 10 vehicles per week

  50% increase in volume can be achieved with 20% increase in manning

- April 2007 launched Edison

  Achieved demonstrated capacity of 20 vehicles per week

  20% increased in volume can be achieved without any increase in manning

Switched on to New Technology

Following the success of the Newton and Edison models in 2007, Tanfield unveiled four new vehicles in April 2008, including a pure electric Edison minibus, improved Edison panel van and Faraday, the first in a range of US-specific commercial vehicles based on the Ford F-Series trucks. The fourth vehicle, Ampere, is the first in its class to truly compete in the light van sector. Utilising the Ford Transit Connect chassis, it has a top speed of 70mph, impressive acceleration and similar payload capabilities to the equivalent diesel vehicle. All four vehicles – along with the established Edison and Newton models – are now powered by the latest Lithium-Ion Iron Phosphate batteries. This is a stable, robust chemistry that not only provides an excellent solution for today's vehicles but also promises significant improvements on range, speed, payload and unit cost as the technology develops in future years.

Enhanced product portfolio opens new markets

Innovation Driving Sales

The growth of the product portfolio, allied to the success of Tanfield's electric vehicles in the delivery sector, has led to significant interest from commercial fleet operators in other industries. The Group has now sold product to diverse sectors including vehicle rental, tool hire, utilities, airports, telecommunications, construction and highways. Tanfield also achieved its first sales into mainland Europe, including orders from TNT in the Netherlands and Carlsberg in Switzerland.

Further Production Goals in 2008

- Leveraging global supply chain to drive down costs
- Identified new 150,000 sq ft facility in N-E of England with capacity for more than 3,000 units per annum
- Proposed assembly locations in USA under consideration
- Limited production planned in 2008
- Capacity capability of 5,000 vehicles per annum planned for end of 2009 in USA

Complementary Fit to our Upright Offering

Snorkel's product range, which is focused on medium to large articulated and telescopic boom lifts, is proving to be an excellent complementary fit with the Group's existing UpRight product suite, which has a particularly strong small to medium sized lift offering.

The Toughest Test: USA Shipbuilding

Ship repair and maintenance is a highly competitive industry, so it is crucial for yard operators to minimise the time that the vessel is out of the water – and not earning money for its owner.

Significant numbers of boom lifts are deployed at almost every stage of the process, from the preliminary blast-cleaning of the hull, to final inspection before the ship departs. The flexibility and manoeuvrability of aerial work platforms greatly reduces the man-hours required and allows operatives to start work within seconds of the ship hitting the dry dock.

Sand or shot blasting is one of the toughest applications for a boom lift – the machines are on demanding duty cycles, while the platform, controls and boom are almost constantly exposed to flying abrasive material.

Shipyard operators are increasingly turning to Snorkel for solutions, because the hardwearing machines are built specifically to endure such exceptional wear and tear. The elegantly simple design and live hydraulics mean that the lifts are durable and easy to maintain – in the docks of the Deep South, there are Snorkel lifts well over a decade old, still working to the same punishing schedule as the brand new machines beside them.

Snorkel telescopic boom lifts
blast-cleaning a commercial vessel
in the shipyards of Alabama, USA

Tanfield is Raising the Level

2007 was the first full calendar year that Tanfield owned UpRight, which achieved organic growth in sales of 300%. This growth, allied to the acquisition of Snorkel, means that Tanfield's Powered Access Division now has the global footprint, output capacity and product portfolio to win major contracts in North America, Europe, the Middle East and former Eastern Bloc and Soviet states.

North America

Tanfield's aggressive sales and marketing strategy, allied to the cross-selling of key UpRight machines to the Snorkel customer base, ensured strong sales in 2007. By the end of March 2008, the Group had sold out production for the first half of the year – despite increasing output by 60%. A factor in this growth is sales to Tier One equipment rental companies. Tanfield has secured Preferred Vendor status with one of America's largest rental companies, which has already outlined an initial fleet requirement in excess of US$50m.

Emerging Markets

Growth in emerging markets is chiefly driven by equipment rental companies. Large Scandinavian rental companies are expanding their operations in Russia and the Baltic States, while their European counterparts have focused on the other high growth market, the Middle East.

Rental companies operate streamlined supply chains, generally preferring to purchase aerial work platforms from just two or three manufacturers. In order to make the preferred vendor list and tender for these high volume fleet orders, Tanfield has to offer a strong product portfolio in all segments of the market, from small electric scissor lifts to large rough terrain boom lifts.

The acquisition of Snorkel and subsequent cross-selling of its proven, known products into the dealer base realised this goal much faster than would have been possible through the design and development of new UpRight machines.

Chairman's Statement

The most impressive growth occurred in the Powered Access division, as 2007 was the first full year to benefit from our reinvigoration of the UpRight brand. We grew its independent distributor network during 2007 from 45 to over 180 companies and this drove a significant increase in sales.

I am delighted once again to report a record set of results, achieved in another transformational year for the Group.

The Board remains committed to creating value for our shareholders through the growth of our core divisions. We have again delivered a superb financial performance, demonstrating Tanfield's successful execution of its strategy for high growth, while maintaining profitability.

This illustrates that the Company as a whole has taken another significant step towards becoming an established world leader in its chosen markets.

Financial Performance
2007 was a year of significant growth, as the Group maintained focus on its two main divisions, Powered Access and Zero Emission Vehicles. This resulted in a 194% increase in basic earnings per share from 1.22p to 3.59p. Turnover increased 201% to £123m, compared to £40.9m in 2006 and profit after tax from continuing operations rose 310% to £11.9m, from £2.9m in 2006.

Sales in the Zero Emission Vehicles division grew 37%, from £19m in 2006 to £26m in 2007. The Powered Access Division grew sales from £11m in 2006 to £90m in 2007, an increase of 718%.

Delivering Our Strategy
The growth achieved in 2007 was primarily organic, building on the acquisition of UpRight in 2006 and the further development of our new range of higher function commercial electric vehicles.

The most impressive growth occurred in the Powered Access division, as 2007 was the first full year to benefit from our reinvigoration of the UpRight brand (acquired in June 2006). We grew its independent distributor network during 2007 from 45 to over 180 companies and this drove a significant increase in sales.

The addressable market for vans is considerably larger than that of truck-sized goods vehicles and Edison is already outselling Newton by 2:1.

£26m

Sales in the Zero Emission Vehicles division enjoyed unprecedented growth, increasing to £26m, as two next-generation electric vehicles went into full production.

200 units

The Powered Access division increased output capacity tenfold at Vigo Centre, our UK headquarters, from 20 units per week at the close of 2006 to 200 per week at the end of 2007.

To meet this higher demand from our customer base, we also increased output tenfold at Vigo Centre, our UK headquarters, from 20 units per week at the close of 2006 to 200 per week at the end of 2007.

The acquisition of Snorkel International Inc on 1 August 2007 is delivering the intended benefits. It accelerated the Group's growth in aerial work platforms, through immediate access to new geographical markets complementary to those already served by Tanfield. It also instantly added a range of larger, proven products that would have taken us many years to develop. As a result, the Group is now one of four "full line" manufacturers in the powered access market and one of only three with a truly global footprint.

The Zero Emission Vehicles Division also enjoyed unprecedented growth, as two next-generation electric vehicles went into full production and achieved strong sales.

Edison is the world's first higher function electric van with a Gross Vehicle Weight (GVW) of under 3,500kg. This is critical to domestic sales, as anyone with a standard UK driving licence can operate vehicles under this GVW. Vehicles of a higher weight require drivers to have a commercial vehicle licence - and qualified drivers command higher wages.

Newton is the world's first higher function electric truck and remains the world's largest commercial electric vehicle, offered in GVWs from 7,500kg to 12,000kg. It uses a truck chassis cab from Avia in the Czech Republic.

We launched the Smith Newton in December 2006 and this generated significant sales throughout 2007, as we added further variants up to a Gross Vehicle Weight (GVW) of 12,000kg, based on the same chassis cab configuration.

Newton was followed by the Smith Edison, utilising the Ford Transit shell. We launched Edison in April 2007 at the Commercial Vehicle Show, one of the largest annual events for vans and trucks in Europe. The addressable market for vans is considerably larger than that of truck-sized goods vehicles and Edison is already outselling Newton 2:1.

Sales of these vehicles in 2007 confirmed Tanfield's position as the world's largest manufacturer of road-going, commercial electric vehicles and maintained our market leading position.

We successfully capitalised on market drivers that increasingly influence operators of urban vans and trucks. The most obvious benefit is reducing the environmental impact of a customer's commercial vehicle fleet, by providing 100% reduction in greenhouse gas (GHG) emissions and air pollutants, at the point of use. This can manifest as an economic benefit, as worldwide, zero emission vehicles are almost always exempt from road pricing such as congestion charges or highway tolls. For third party logistics providers, adopting zero emission vehicles can also provide a competitive edge, as a growing number of environmentally-conscious blue chip companies are demanding that their supply chain also reduces its carbon footprint.

With only a relatively small number of moving parts in the electric drive train and greatly reduced "fuel" costs, operating overheads for our EVs are significantly lower than those of the equivalent diesel vehicles. Finally, the driver experience is much more pleasant, as urban drivers do not have to endure the countless gear changes or cab vibration, noise and smell associated with diesel vehicles.

During 2007, the growth achieved by this division was chiefly as a result of increases in vehicle sales, underpinned by our EV service and maintenance operations.

Our People
In July 2007, Tanfield embarked on a comprehensive training programme that will see all production workers at Vigo Centre achieve an NVQ qualification in BIT (Business Improvement Techniques).

This programme has had a tangible impact on the shop floor. By the end of 2007, we had achieved a significant increase in productivity on the main Powered Access assembly lines.

Board Changes
We regularly review the composition of the Board to ensure it continues to provide the right leadership for the Group's further development.

On 23 May 2007 Colin Billiet joined the Board as Non-Executive Director. His experience as former Chief Executive of high growth, multinational, filtration product manufacturer Domnick Hunter will be extremely valuable as Tanfield continues to grow globally.

In January 2008, I became non-executive Chairman.

Summary
The Group has experienced another exciting year of exceptional growth and improved profitability.

We have increased our global presence in sizeable markets, which continue to present significant opportunities for growth. We remain a market leader in commercial electric vehicles and the Group's strategy continues to focus on growing its two core divisions, both organically and – where opportunities arise – through acquisition.

I would like to thank all our people for their efforts and for the continued support of all our stakeholders.

Roy Stanley
Chairman

Business Review
Operational Review

We continue to strengthen and grow our relationship with Ford, which we believe provides Tanfield with a considerable competitive advantage over our peers.

Zero Emission Vehicles Division
Ford Partnership

Tanfield has reached a broad agreement with Ford to collaborate on future zero emission vehicle projects and is investigating further opportunities in sales, marketing and product development both in Europe and North America.

The agreement includes dual-badging certain vehicles as Ford and Smith products and marketing support. Ford will continue to supply considerable engineering resource for the design and development of future commercial electric vehicles. This resource is focused on the chassis and does not involve Tanfield sharing its knowledge, expertise or intellectual property concerning the electric drive train.

We continue to strengthen and grow our relationship with Ford, which we believe provides Tanfield with a considerable competitive advantage over our peers.

Joint Venture to Produce Pure Electric Taxi Cab

Tanfield has signed an agreement with LTI Vehicles Ltd (LTI), a subsidiary of Manganese Bronze Holdings Plc (MNGS), to produce a battery powered, zero emission urban taxi cab.

Under the agreement, LTI and Tanfield will produce an all-electric version of LTI's TX4 black cab, branded the TX4E. Preliminary specifications for the vehicle are a top speed of 50mph and a range in excess of 100 miles on one battery charge.

The TX4E will contain all the conventional features of the TX4, but will be powered by Tanfield's advanced electric drive train and Iron Phosphate lithium-ion battery pack. It will be manufactured in the UK for the domestic urban taxi market and sold through LTI's distribution network.

Tanfield is significantly increasing Snorkel's domestic sales
Examples of this growth include one of America's largest equipment rental companies outlining an initial fleet requirement in excess of US$50m.

US$50m

Faraday Truck
The Faraday truck built using the Ford F-Series chassis cab. This will go into initial production in the second half of 2008.

USA

Based on current electricity prices, the vehicle will cost less than 4p per mile to run, therefore providing significant whole life cost savings over an equivalent diesel vehicle.

We believe that this partnership will create a unique and highly marketable zero emissions vehicle and see the TX4E as an exciting growth opportunity that gives us first mover status in what is potentially a very large global marketplace.

Sales and Order Book

Tanfield built and shipped 260 vehicles in 2007, in line with internal targets. The Company delivered 200 out of the 260 units in the second half of the year, as we successfully ramped up production.

We closed 2007 with an order book of 387 units and at the end of March 2008, the confirmed order book for the remainder of 2008 stood at 523 units. This is a combination of initial orders, plus a myriad of fleet orders from clients moving from the low volume trial stage to smaller fleet purchases. We expect this process will lead to further significant volume fleet orders in 2008.

In the first three months of 2008, we built and shipped 146 vehicles to over 50 new customers in the private sector, along with a considerable number of public sector organisations.

Other Developments

We improved on our marked increase in production capacity as 2007 progressed and ended the year with the proven output capability of up to 28 vehicles per week. Currently we have the production capabilities to produce 30 vehicles per week, compared to 10 per week at the start of 2007. To facilitate further growth, we have identified a dedicated production facility for the Zero Emission Vehicles Division.

This 150,000sq ft (14,000sq m) factory, also in the North East of England, will provide maximum capacity for 3,000 vehicles per annum – or 58 vehicles per week, ensuring the electric vehicle business has the space to grow over the medium term.

Plans are at an advanced stage to transfer the entire Zero Emissions Vehicles Division, including the Sales, Product Support, Technical, and Production teams to the new facility. We anticipate that the first vehicles will begin to roll off the new lines of this facility early in the second half of 2008.

The strategy we outlined at the beginning of 2007 was to sell seed vehicles to major fleet operators in our core market of UK urban delivery, while establishing the methodology for volume production. Against these targets, Smith Electric Vehicles delivered an excellent performance throughout 2007. Our vehicles continue to demonstrate cost savings and environmental benefits to major fleet operators.

We significantly increased our addressable market with the launch of several new products, on 15 April 2008, at the Commercial Vehicle Show (CV Show) in Birmingham, UK.

Ampere is based on the Ford Transit Connect chassis cab and has a GVW of 2,340kg, with payload capacity of up to 800kg. This smaller, lighter vehicle sector is the largest volume market within commercial vehicles. We will begin full production of Ampere in the second half of 2008.

Ampere is dual badged as both a Ford and a Smith Electric Vehicles product and Ford launched Ampere on its stand at the CV Show concurrently with Smith. Ford provided significant engineering support with regard to the Connect chassis throughout the vehicle design and development process. Ampere is powered by a drive train developed in-house and Tanfield retains all the intellectual property on this drive line.

Ford has already announced that the Ford Transit Connect will be sold in North America and has unveiled a taxi cab variant intended for the USA. We will launch our Ampere vehicle in North America concurrently with Ford's launch of the Connect, next year.

The CV Show also marked the launch of our new Edison series, powered by an Iron Phosphate lithium-ion battery pack. This advanced technology allows us for the first time to produce van-sized vehicles with the same carrying space as the equivalent diesel vehicles. The previous battery technology could not be packaged as intricately and ate slightly into Edison's load area.

Joining the panel van and chassis cab variants of Edison is a new, pure electric minibus. The minibus is in the final stages of pre-production and customer deliveries will commence later this year. All Edison models are based on the Ford Transit chassis and, going forward, will also be dual badged as Ford and Smith products.

A small but significant number of fleet operators in the UK require heavy vans with a GVW in excess of 3,500kg, for extra payload capabilities. To accommodate this sector of the market, Tanfield has specifically developed a larger version of Edison, utilising the new 4,600kg larger Ford Transit chassis cab.

Business Review
Operational Review continued

The acquisition of Snorkel Holdings LLC in August 2007 significantly enhanced our Powered Access product offering, improved our market presence in North America and increased our production capabilities.

During 2007, Tanfield invested in targeted training for over 150 of its operatives, all of whom gained qualifications in Business Improvement Techniques. Further employees are undertaking the training in 2008.

In North America, Ford has agreed to supply Tanfield with a range of its F-Series commercial vehicles as the chassis cabs for our US-specific commercial vehicles. This will include the F350, F450, F550 and F650 vans and trucks, providing us with vehicles that will be recognisable to and readily accepted by American customers.

The requisite design engineering work to bring these vehicles to market is underway and we displayed a pre-production, all-electric F650 truck at the CV Show. We are working through the necessary legislative requirements for vehicle type approval in North America, with support from Ford, and expect to commence US manufacture in the second half of 2008.

Following the development of our relationship with Ford in the USA, we have re-examined our options for the manufacture of vehicles in North America. As a result, the Board has identified several potential sites in North America for the production of commercial electric vehicles and we will provide further detail in due course.

Edison and Newton are both attracting buyers outside of their core market of urban delivery vehicles. We have now delivered product to diverse sectors including vehicle rental, tool hire, utilities, airports, telecommunications, construction and highways. In short, our electric vehicles are demonstrating cost savings, improved driver satisfaction and environmental benefits for customers in a widening range of applications for commercial vehicles within a closed urban environment.

We have achieved our first sales into mainland Europe, to customers now including TNT in the Netherlands and Carlsberg in Switzerland. Europe represents a significant opportunity for Tanfield's electric vehicles and the Group is embarking on a strategy of appointing distributors for Smith Electric Vehicles in key European territories.

Powered Access Division

Powered Access has enjoyed a strong start to the year and sales for the first three months of 2008 reached £43m. At the end of March 2008, the confirmed order book for the calendar year 2008 stood at £101m.

Snorkel
Snorkel is enjoying its strongest start to the year for a decade, with sales of £21m in the first three months of 2008. Through our cross-selling into the UpRight distributor network, Snorkel is exporting more machines than ever before.

£21m

The order book at the end of December 2007 stood at £83m, compared to £35m at the close of 2006. We increased production tenfold in this period and have significantly reduced lead times on all machines.

We have enjoyed a strong start to the year and sales for the first three months of 2008 reached £43m. At the end of March 2008, the confirmed order book for the calendar year 2008 stood at £101m. This reflects our increased penetration of all key target markets, including North America, Europe, Scandinavia, Russia and the Baltics, the Middle East and the Asia-Pacific region.

Total global production capacity currently stands at 320 units per week, compared to 270 units per week at the close of 2007 and 45 units per week at the end of 2006.

At Vigo Centre, we have maintained production capacity at 200 units per week, despite introducing larger products with a higher unit price into the build mix. The relocation of the Zero Emission Vehicles division will allow for the crane lines to increase in length and will provide room for up to two more similar lines. This space will be required for the larger, more expensive machines we wish to build in Vigo.

The acquisition of Snorkel Holdings LLC in August 2007 significantly enhanced our Powered Access product offering, improved our market presence in North America and increased our production capabilities.

Snorkel is enjoying its strongest start to the year for a decade, with sales of £21m in the first three months of 2008. Through our cross-selling into the UpRight distributor network, Snorkel is exporting more machines than ever before.

Similarly, Tanfield is significantly increasing Snorkel's domestic sales, in particular to Tier One equipment rental companies. Examples of this growth include one of America's largest equipment rental companies outlining an initial fleet requirement in excess of US$50m. Tanfield has achieved preferred vendor status with this customer and we are examining further opportunities to grow sales and develop the relationship. Another major rental company and long-standing Snorkel customer placed a US$10m order for Snorkel products at the ConExpo construction equipment exposition in Las Vegas in March 2008.

The strong start to 2008 by Snorkel, allied to our successful strategy of pushing the Snorkel big booms through the UpRight distribution channels outside of America, has significantly increased demand on Snorkel's production facilities in Kansas, USA. Although we have initiated a plan to ramp up production in Kansas by 60%, we have already sold the first six months of output in 2008.

We are increasing the assembly footprint in Kansas by 100,000sq ft, or 25 per cent. Through the introduction of lean manufacturing techniques and smarter working practices, we also expect to significantly improve efficiencies from the existing floor space.

Prior to the UpRight acquisition, Tanfield produced the steel fabrications for its aerial work platforms in-house. UpRight brought with it a fabrications supply chain from low cost countries including China and we further expanded, developed and refined this supplier base during 2007. Initial payment terms had a detrimental effect on working capital, but we successfully negotiated much more favourable terms as volumes grew.

We are switching Snorkel to this low cost supply chain and expect the process to be complete by end of 2008.

During 2007, we increased the UpRight distributor network to 180 members and have raised this to over 200 dealers during the first three months of 2008. We increased the UpRight product portfolio from 10 machines to over 30, by re-introducing models discontinued under the previous owners and by adding Snorkel products to the range.

I am pleased to announce that Tanfield has signed an OEM agreement with construction equipment and aerial work platform manufacturer Manitou. Under the agreement, Tanfield will manufacture certain key products from its range for Manitou's Maniaccess range of aerial work platforms, to be sold via Manitou's extensive global network of over 500 distributors.

We have further augmented the UpRight distributor network in the first quarter of 2008, by appointing strong dealers in key territories including Southern Africa, the Iberian Peninsula and the Middle East.

Market Outlook

1. Zero Emission Vehicles Division

At the end of March 2008, UK diesel at the pump cost 115p per litre vs 93p in March 2007, a rise of 19.1%. US diesel pump prices are now around $4 per gallon, up $1.17 in the past 12 month, an increase of 29%. For first time, US freight operators are spending more on fuel than labour. Every increase in fossil fuel prices underlines the economic argument for our vehicles.

A growing number of cities are imposing fiscal penalties on commercial vehicles which enter their most densely populated urban centres, in a bid to reduce congestion and improve air quality. The continued exemption of electric vehicles from these congestion charges and road tolls adds to the inherent cost savings that our products already provide to customers.

Business Review
Operational Review continued

In both divisions of Zero Emission Vehicles and Powered Access, we have successfully ramped up production, increased sales, enhanced the product range and extended our global reach.

No other electric vehicle manufacturer in the world can better the breadth and depth of Tanfield's product offering.

The Board continues to expect that the economic, environmental and operator benefits of deploying electric vehicles over conventional vehicles in urban areas will increase the number of fleet managers who engage with us.

The widespread success of field trials with logistics and delivery companies during 2007 will continue to drive volume sales in 2008 and beyond. Our early penetration of other sectors deploying urban fleets bodes well for the development of new markets, while buoyant sales of commercial vehicles in the UK and Europe demonstrate that both the overall market and our addressable market are growing.

The appetite for electric vehicles in the USA is extremely strong and we expect this market to develop at a much faster rate than in Europe. Also, our early experiences with US customers indicate that in many cases, the percentage of vehicles within a fleet which fall within the operating capabilities of our EVs is higher than in the equivalent sector in Europe.

The launch of the world's first higher function electric minibus and the world's first high performance electric light van further consolidate our position as the market leader in zero emission commercial vehicles. No other manufacturer in the world can offer anywhere near the breadth and depth of Tanfield's road-going electric vehicle portfolio.

The cementing of our partnership with Ford, one of the most respected names in the automotive industry, underlines our global leader status, allows for faster and more efficient new product development and provides access to new, untapped markets. We expect this relationship will create many more exciting opportunities for both companies to exploit as we develop together.

Our decision to utilise proven chassis from major manufacturers as the basis for our electric vehicles, rather than design a new product from the ground up, is proving to be the best route to growing profitable sales. It enables us to take years off the time frame of bringing a new vehicle to market.

2. Powered Access Division
Snorkel enjoys an excellent reputation among leading North American aerial lift rental companies – all of whom are forecasting considerable capital expenditure on fleet replacement and/or expansion during 2008.

Snorkel's position in this critical sales territory is unique, in that it is a well-respected brand but has not reflected this eminence in market share. As part of The Tanfield Group Plc, Snorkel is already beginning to properly leverage its brand equity.

The outlook for the US construction market remains mixed, but most signs are that non-residential construction – the key end user market for larger aerial work platforms – will continue to grow, albeit at a reduced rate. Residential construction has little impact on our Powered Access sales. This is because the chief product offering in the residential sector from our peers is the rough terrain fork lift, or telehandler. Tanfield does not manufacture telehandlers, so is nowhere near as exposed to trends in residential construction as its competitors.

Globally, the outlook for the construction industry is extremely healthy. Regions expected to grow the most this year include the Middle East, Russia & the Baltics and Southern Africa. Tanfield has worked hard to appoint high quality distributors in all these territories.

The continued growth of non-residential construction is equally as important to the smaller aerial work platforms in the product range, as these machines are primarily deployed in repair and maintenance of commercial and industrial premises.

Globally, end user purchases represent just 30% of all powered access sales, with the remaining 70% sold direct to equipment rental companies. Our increasing penetration of the rental sector therefore represents a significant opportunity going forward. The growth achieved with UpRight in 2007 was almost entirely from sales to end users, via the distributor network, with practically no sales to large equipment rental companies. However, the added value that UpRight's unique distributor network brings is also attracting rental company business in Scandinavia, Europe, the Baltic States and the Middle East. Along with our expanded product range, rental companies particularly appreciate the local, own-language product support with which the dealers can provide them. We are engaging with all of the major rental companies in Europe and Scandinavia at present and will continue to explore sales in this market, where appropriate.

Current Trading & Prospects
2007 was another highly successful year for the Company, as we once again transformed potential into profitable sales. In both divisions of Powered Access and Zero Emission Vehicles, we have successfully ramped up production, increased sales, enhanced the product range and expanded our global reach.

Our decision to utilise proven chassis from major manufacturers as the basis for our electric vehicles, rather than design a new product from the ground up, is proving to be the best route to growing profitable sales. It enables us to take years off the time frame of bringing a new vehicle to market. This strategy also allows us to benefit from the original vehicle manufacturers' investment in design development, which typically totals hundreds of millions of pounds. It provides us with robust and reliable chassis, which means we can focus our resources on the battery and electric drive train. Crucially, it also avoids any potential reliability issues that a newly-designed chassis could encounter. The achievements of the first quarter of 2008 demonstrate that we are capitalising on the highly promising opportunities afforded by our growing global reputation. These new opportunities, allied to the ongoing development of existing products and sales channels, will continue to support the execution of our high growth strategy.

Darren Kell
Chief Executive

Business Review
Financial Review

The dramatic increases result from good organic growth in both zero emission and powered access divisions because of the increase in the volumes of new electric vehicles made and sold, and the execution of the ramp up of the reinvigorated Upright brand.

Finance Director's Report

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

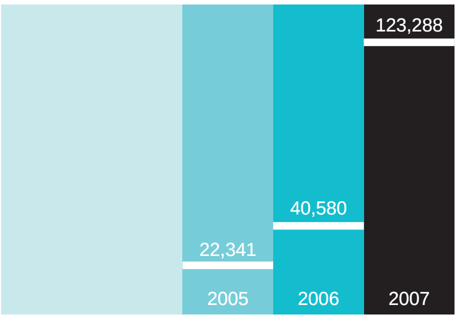
In 2007 we delivered another record financial performance. Revenue was up 201% to £123m (2006: 98%). EBITA before restructuring was up 256% to £14.6m (2006: £4.1m).
Profit from continuing operations before restructuring rose to £13.1m (2006: £5.7m).

The dramatic increases result from good organic growth in both zero emission and powered access divisions because of the increase in the volumes of new electric vehicles made and sold, and the execution of the ramp up of the reinvigorated Upright brand. The results benefitted from the contribution of Snorkel International Inc following its acquisition in August.

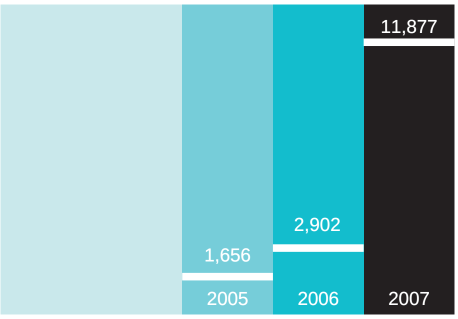
+204%
Percentage increase 2006-07

+307%
Percentage increase 2006-07

Turnover
£'000



Profit after tax
£'000



Amortisation of Acquired Intangibles and Restructuring Costs
Profit from Operations is reported after charging Amortisation of £1.8m (2006: £0.4m) arising from the write down of Intangible Assets valued following acquisitions, of which £0.9m resulted from the acquisition of Snorkel.

Restructuring costs in the year of £1.2m related to costs arising following the acquisition of Snorkel. 2006 restructuring costs of £1.9m related to the UpRight acquisition.

Net Operating Expenses
Operating expenses are stated net of operating income from Government Grants and recovery of a Snorkel customer debt of £2m.

Net Finance Income
Net finance Income in the period was £0.9m (2006: Finance costs £0.1m) reflecting the net cash postion held by the group throughout the period.

Profit before Tax
Profit before tax for continuing operations was £12.4m up 235% on 2006. There was a loss in the year for discontinued operations of £1.5m.

Taxation
The tax charge includes £1.7m of tax costs arising in the US, of which £0.4m was a non cash cost related to the creation of a deferred tax liability.

Earnings
Earnings per share increased by 194% to 3.59p (2006:1.22p). No dividend has been declared (2006:nil). The retained profit of £10.4m has been added to reserves to fund further business growth.

Net Cash
At 31 December 2007, the Group had cash of £28m. This cash will be used to fund further development of the business, including a transition in the supply chain.

Acquisitions
The Group acquired Snorkel International Inc on 1 August 2007. The acquisition was funded through a private placing.

Charles Brooks
Finance Director

Directors and Advisers

1

2

3

4

5

6

7

Board of Directors

1. Roy Stanley
Chairman (56)
Roy Stanley founded The Tanfield Group in 1996. He built a strong Board of Directors and senior management team and has overseen every facet of Tanfield's growth, following its AIM flotation in December 2003. Mr. Stanley also played a lead role in identifying and developing Vigo Centre. He moved from Chief Executive to Chairman in September 2006, in order to fully concentrate on his other business interests. Mr. Stanley also holds interests in the Darwen Group Plc (a bus and coach manufacturer) and holds a number of directorships.

2. Darren Kell
Chief Executive (40)
Darren Kell is a business development and business strategy professional with a superb track record in capital equipment and engineered products. Prior to joining Tanfield, Mr. Kell was Business Development Director of the Crabtree Group for ten years. Before his appointment as Tanfield's Chief Executive in September 2006, Mr. Kell was Group Business Development Director. Mr. Kell led the drive to develop Tanfield's OEM divisions, spearheading both the acquisition of SEV Group Ltd (Smith Electric Vehicles) and the subsequent development of the Smith Electric Vehicles range of new technology, zero emission light trucks and vans.

3. Charles Brooks
Financial Director (45)
Charles Brooks joined The Tanfield Group in March 2006 to work on the acquisition and integration of Upright Powered Access, the aerial work platform manufacturer. He joined the Board as Financial Director in June 2006. A chartered accountant, Mr. Brooks has extensive experience as a Director in a range of businesses, in both single and multi-site environments. Mr. Brooks joined Tanfield from IT solutions business Agility Systems Ltd, where he was Finance and Operations Director.

4. Brendan Campbell
Operations Director (42)
Brendan Campbell joined The Tanfield Group in 2001 and is responsible for overall Production on all of Tanfield's facilities. During 2006, he and his management team successfully transferred the entire assembly operations of UpRight Powered Access from Dublin, Ireland to Tanfield's UK headquarters, Vigo Centre. Prior to joining The Tanfield Group, Mr. Campbell spent eight years at Viasystems Ltd. He became Manufacturing Director at the company's South Tyneside printed circuit board manufacturing site.

5. John Bridge
Non-Executive Director (65)
John Bridge is Chairman of Endeavour SCH plc, Chairman of the Land Restoration Trust and Chairman of the newly formed Levy Board (UK). Mr. Bridge is an economist by training and runs his own consultancy, as well as being a consultant to PricewatehouseCoopers. He is also Chairman of the Alnwick Garden Trust and was formerly Chairman of Regional Development Agency, One NorthEast. Mr. Bridge is Chairman of the Remuneration Committee and sits on the Audit Committee.

6. Martin Groak
Non-Executive Director (57)
Martin Groak joined the board of Tanfield in June 2005. He is a chartered accountant with a degree in economics from the University of London and has 30 years of international business experience. He is currently CFO of Indago Petroleum Limited, an AIM-quoted oil and gas company exploring in the Middle East. He is also a non-executive director of two other publicly quoted companies; Bluehone AIM VCT plc and Creative Entertainment Group plc. Mr. Groak is Chairman of the Audit Committee and sits on the Remuneration Committee.

7. Colin Billiet
Non-Executive Director (60)
Colin Billiet is the former Chief Executive of domnick hunter group plc. As Group Chief Executive from 1997 to 2006 he was a key member of the team that executed an MBO in 1990 and IPO in 1994. Mr. Billiet is currently CEO of Nano-Porous Solutions Limited and a non-executive director of Lontra Limited. He was also a director of the British Compressed Air Society (1986-2006) and a former President. Mr. Billiet joined the Board of Tanfield on 18 May 2007.

Advisers

Secretary
Charles Brooks

Registered Office
Vigo Centre
Birtley Road
Washington
Tyne and Wear, NE38 9DA

Auditors
Baker Tilly
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

Solicitors
Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 6AE

Nominated Advisor
Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London, EC2R 7AJ

Nominated Brokers
Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London, EC2R 7AJ

St. Helen's Capital plc
15 St. Helen's Place
London, EC3A 6DE

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Directors' Report

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2007.

Principal Activities

The Company's principal activity is that of a holding company. Tanfield Group PLC is the parent company of a group engaged mainly in the powered access, zero emission vehicle industries and engineering.

Results and Dividends

The financial result, for the twelve months to December 2007 reflects the further development of Tanfield Group plc into a high growth, profitable and robust business.

Turnover for the twelve month period grew to £123m which compares to £41m for the full year to December 2006. This results from a combination of organic growth in the group's ongoing operations together with the growth resulting from our acquisition of Upright Powered access.

Profit (continuing business) before restructuring costs and tax for the period of £12.8m shows significant growth from the £5.7m profit in the year to December 2006. The 2006 figure includes an amount of £2m representing negative goodwill and the 2007 figure includes a similar amount in relation to the recovery of a Snorkel customer debt.

After restructuring, profit (continuing business) before tax for the period of £12.4m shows an increase of 235% against 2006.

The balance sheet is very robust, with net assets at the end of December of £165m (£43m: December 2006). Net Current Assets were £110m (2006: £31m) with cash balances in excess of £27m and no borrowing. This demonstrates that the company has significant levels of working capital allowing it to fund strong growth in 2008.

During the year the Company raised new equity of £109m (net of expenses) in July to fund the Snorkel acquisition and to provide working capital to accelerate the growth of the Zero Emission Division.

No dividend has been paid or proposed for the year (2006: £nil). The retained profit of £10.3m (2006: £2.5m) has been added to reserves.

Review of the Business

The two major developments during the year were the launch of Smith's new generation of electric vehicles and Tanfield's acquisition of Snorkel in July 2007.

A detailed review of the business is included in the Business and Financial Review on pages 16 to 23.

Future Developments

The growth of the Powered Access Division with the addition of Snorkel together with the strength of the orderbook for the new generation electric vehicles indicate that Tanfield Group PLC will continue to grow strongly in 2008. This growth, together with the resultant efficiencies from increased overhead utilisation achieved by operating out of a single manufacturing plant in the UK, will ensure continued increases in profitability.

Management policies will continue to be reviewed in the light of changing trading conditions.

Political and Charitable Contributions

During the year, the Group has made no political or charitable donations (2006: £nil).

Financial Instruments

The Group's financial instruments comprise cash, finance leases, unsecured loan notes and short term debtors and creditors arising from its operations. The principal financial instruments used by the Group are loans and mortgages which, together with cash raised from share issues by the company are applied in financing the group's fixed assets. The Group has not established a formal policy on the use of financial instruments but assesses the risks faced by the Group as economic conditions and the Group's operations develop.

Market Value of Land and Buildings
The directors are of the opinion that the market value of properties at 31 December 2007 would exceed the net book values included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the group's intention to retain ownership of its existing properties for use in its business for the foreseeable future.

Research and Development
The Group maintains a development programme as continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Events Since the End of the Year
There have been no significant events since the end of the year.

Disabled Persons
The group will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development to disabled employees wherever appropriate.

Employee Involvement
The Group encourages the involvement of its employees though regular dissemination of information of particular concerns to employees.

To facilitate this, the company undertakes a Communications Forum where all employees are represented by a colleague within their department at regular meetings with senior managers.

Directors
The present membership of the board is set out on page 24. Changes since 1 January 2007 are as follows:

Colin Billiet was appointed Non-Executive director on 23 May 2007.

	Ordinary shares of £ 0.01each	
Directors shareholding	**31 December 2007**	31 December 2006
Beneficial		
RRE Stanley	**19,649,292**	24,649,292
DS Kell	**—**	—
CD Brooks	**—**	—
BJ Campbell	**6,119**	6,119
M Groak	**—**	—
JN Bridge	**27,541**	27,541
C Billiet	**—**	—

All directors have the right to acquire shares in the company via the exercise of options granted under the terms of their service contracts, copies of which may be inspected by shareholders upon written application to the company secretary. Details of the directors' options to acquire shares are set out in the Directors' Remuneration Report on pages 31 to 33.

Policy on Payment of Creditors
It is group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice. The company supports and the UK based businesses follow the CBI Prompt Payers Code. A copy of the code can be obtained from the CBI at Centre Point, 103 New Oxford Street, London WC1A 1DU.

Trade creditor days based on creditors at 31 December 2007 were 64 days. (2006: 58 days).

Directors’ Report continued

Substantial Shareholdings
On 31 December 2007 the following held substantial shares in the company. No other person has reported an interest of more than 3% in the ordinary shares.

Bank of New York (Nominees)	18,251,543
Euroclear Nominees	20,945,692
Nortrust Nominees	32,348,422
Morstan Nominees	34,932,485
State Street Nominees	12,085,469
Productive Nominees	11,561,902

As disclosed in the Directors report RRE Stanley holds shares of 5.3% which are held through nominee companies.

Directors’ Interest in Contracts
No director had a material interest at any time during the year in any contract of significance, other than a service contract, with the company or any of its subsidiary undertakings.

Auditors
The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to Disclosure of Information to Auditors
The directors in office on 21 April 2008 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they 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 it has been communicated to the auditor.

Directors Indemnity
Every Director shall be indemnified by the company out of its own funds.

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

Darren Kell
Chief Executive

21 April 2008

Corporate Governance

Principles of Corporate Governance
The company is committed to high standards of corporate governance. The Board is accountable to the company's shareholders for good corporate governance. The company has partially complied throughout the year with the code of best practice set out in Section 1 of the Combined Code 2006 (effective for periods commencing on or after 1 November 2006) appended to the Listing Rules of the Financial Services Authority.

The role of the Board is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives and reviews management performance. The Board sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Board Structure
During the year the Board comprised the Executive Chairman and Chief Executive, two other Executive Directors, and three independent Non-Executive Directors. Colin Billiet was appointed as Non-Executive director on 23 May 2007.

Board Role
The Board is responsible to shareholders for the proper management of the Group. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters. The Board met on six separate occasions in the year and all Directors attended.

Appointment and Induction of Directors
The composition of the Board is kept under review with the aim of ensuring that the directors collectively possess the necessary skills and experience to direct the Group's business activities.

Board Committees
The Board delegates certain matters to its two principal committees, which deal with remuneration and audit.

Remuneration Committee
The Remuneration Committee comprises John Bridge (Chair) and Martin Groak.

The Remuneration Committee determines and agrees with the Board the framework of remuneration for the Executive Directors. The Board itself determines the remuneration of the Non-Executive Directors.

There was one remuneration committee meeting in the period which was fully attended.

The report on Directors' remuneration is set out on pages 31 to 33.

Audit Committee
The Audit Committee comprised the Non-Executive Directors Martin Groak (Chair), Colin Billiet and John Bridge. Meetings are also attended, by invitation, by the Non Executive Chairman, Chief Executive and Group Finance Director.

The Audit Committee is responsible for:

- Reviewing the scope of external audit, to receive regular reports from Baker Tilly UK Audit LLP.
- Reviewing the half-yearly and annual accounts prior to their recommendation to the Board.
- Reviewing the Group's internal financial controls and risk management systems and processes.
- Making recommendations on the appointment, re-appointment and removal of external auditors and approving the terms of engagement.
- Reviewing the nature of the work and level of fees for non-audit services provided by the external auditors.
- Assessing the independence, objectivity and effectiveness of the external auditor.

The committee met on two occasions during the year and they were fully attended.

Corporate Governance continued

Internal Control
The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute assurance against material misstatement or loss.

The Board are of the view that due to the current size and composition of the Group, that it is not necessary to establish an internal audit function.

Relations with Shareholders
The Company values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the year the directors had many meetings with institutional investors whose combined shareholdings represented over 80% of the total issued share capital of the Company.

Private investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on current business activity. The Chairmen of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer any shareholder questions.

This year's Annual General Meeting will be held on 26 September 2008. The notice of the Annual General Meeting may be found on page 64.

Going Concern
The directors confirm that they are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement by the Directors on compliance with the Provisions of the Combined Code
Throughout the year ended 31 December 2007, the Group has partially complied with the provisions set out in Section 1 of the Combined Code. The Board is planning to review this position and put processes in place in order to achieve substantial compliance by the end of the next financial year.

Darren Kell
Chief Executive

21 April 2008

Directors' Remuneration Report

Remuneration Committee

The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the committee are JN Bridge and M Groak who are both non-executive directors and the committee is chaired by JN Bridge.

In determining the directors' remuneration for the year, the committee consulted the Chief Executive DS Kell and the Finance Director CD Brooks about its proposals.

Remuneration Policy

The policy of the committee is to reward executive directors in order to recruit, motivate and retain high quality executives within a competitive market place.

There are four main elements of the remuneration packages for executive directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

Basic salary

Basic salary is reviewed annually in March with increases taking effect from 1 April. In addition to basic salary, the executive directors also receive certain benefits in kind, principally private medical insurance.

Annual bonus

The committee establishes the objectives which must be met for each financial year if a cash bonus is to be paid. The purpose of the bonus is to reward executive directors and other senior employees for achieving above average performance which also benefits shareholders. Incentive payments for the year ended 31 December 2007 varied between 40% and 110%.

Share options

The executive directors have options granted to them under the terms of the Share Option Scheme. There are no performance conditions attached to the share options.

Pension arrangements

Executive directors are members of a money purchase pension scheme to which the group contributes. Their dependants are eligible for dependants' pension and the payment of a lump sum in the event of death in service. No other payments to directors are pensionable.

Directors' Contracts

It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-Executive Directors

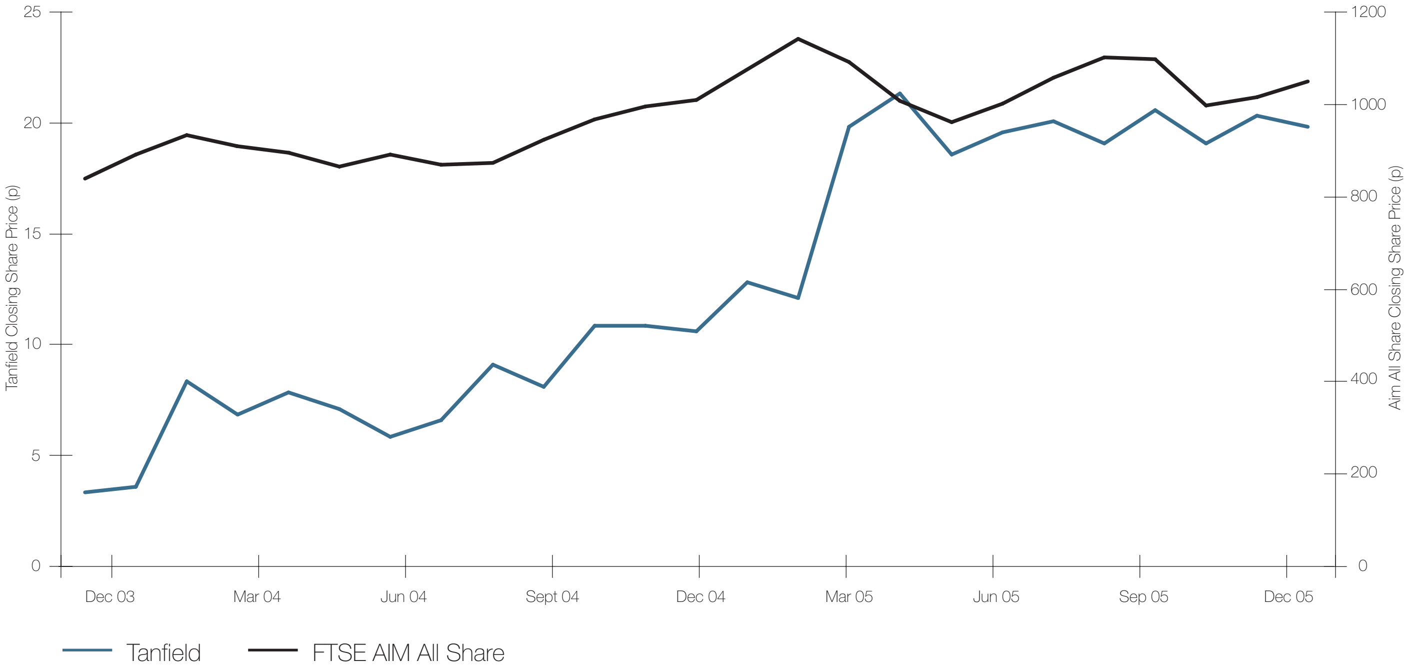
The fees of non-executive directors are determined by the board as a whole having regard to the commitment of time required and the level of fees in similar companies.

Non-executive directors are employed on renewable fixed term contracts not exceeding three years.

Directors' Remuneration Report continued

Performance Graph

The following graph shows the company's performance, measured by closing share price, compared with the performance of the FTSE Aim All Share Index which has been selected by the Board as being the most appropriate measure as no readily identifiable benchmark group of companies exists.



Aggregate Directors' Remuneration

The total amounts for director's remuneration were as follows:

	2007 £000's	2006 £000's
Emoluments	**1,339**	685
Gain on exercise of share options	**10,015**	257
Money purchase pension contributions	**60**	34
Total	**11,414**	976

Directors Emoluments

	Salary £000's	Benefits in kind £000's	Bonuses £000's	**Total 2007 £000's**	Total 2006 £000's	**Pension Total 2007 £000's**	Pension Total 2006 £000's
Executive Directors							
RRE Stanley	177	17	175	**369**	250	**19**	15
DS Kell	198	15	225	**438**	199	**16**	11
CD Brooks	135	15	120	**270**	91	**12**	—
BJ Campbell	135	15	50	**200**	62	**13**	3
Non Executive Directors							
JN Bridge	25	—	—	**25**	8	**—**	—
M Groak	25	—	—	**25**	11	**—**	—
C Billiet	12	—	—	**12**	—	**—**	—
	707	62	570	**1,339**	621	**60**	29

Directors Share Options

	As at 31 December 2006	Granted/ Lapsed	Exercised	**As at 31 December 2007**	Exercise Price (pence)	Market Price at date of exercise (pence)	Date from which normally exercisable*	Expiry Date
DS Kell	3,500,000	—	(1,443,329)	**2,056,671**	20p	196.5p	01/03/2009	01/03/2016
	1,528,671	—	(1,528,671)	**—**	2p	196.5p	30/12/2003	04/12/2013
	—	4,300,000	—	**4,300,000**	20p		02/01/2010	02/01/2017
	5,028,671	4,300,000	(2,972,000)	**6,356,671**				
RRE Stanley	3,500,000	—	(3,500,000)	**—**	20p	196.5p	01/03/2009	01/03/2016
	—	4,000,000	—	**4,000,000**	20p		02/01/2010	02/01/2017
	3,500,000	4,000,000	(3,500,000)	**4,000,000**				
CD Brooks	1,250,000	—	—	**1,250,000**	23p		14/06/2009	14/06/2016
	—	1,000,000	—	**1,000,000**	20p		02/01/2010	02/01/2017
	1,250,000	1,000,000	—	**2,250,000**				
BJ Campbell	1,000,000	—	(300,000)	**700,000**	1p	196.5p	14/09/2008	14/09/2015
	250,000			**250,000**	20p		01/03/2009	01/03/2016
		1,600,000	—	**1,600,000**	20p		02/01/2010	02/01/2017
	1,250,000	1,600,000	(300,000)	**2,550,000**				
JN Bridge	150,000	—	—	**150,000**	20p		01/03/2009	01/03/2016
M Groak	150,000	—	—	**150,000**	20p		01/03/2009	01/03/2016
	11,328,671	10,900,000	(6,772,000)	**15,456,671**				

*Certain share option agreements have a clause that allows the options to be exercised early if market capitalisation exceeds a certain level.

On 28 December 2007 the market price of the ordinary shares was 138p. The range during 2007 was 55p to 203.5p.

Approval

This report was approved by the board of directors and authorised for issue on 21 April 2008 and signed on its behalf by:

John Bridge
Chairman of Remuneration Committee

21 April 2008

Directors' Responsibilities in the Preparation of Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The Group Financial Statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company Financial Statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company Financial Statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRS adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Tanfield Group PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Tanfield Group PLC

We have audited the group and parent company financial statements which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Shareholders' Equity and the related notes.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial and Business Review, the Directors' Report, Corporate Governance Report and Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

21 April 2008

Consolidated Income Statement

for the year ended 31 December 2007

	Note	2007 £000's	2007 £000's	Restated 2006 £000's	Restated 2006 £000's
Continuing operations					
Revenue	2		**123,288**		40,580
Changes in inventories of finished goods and WIP			**8,702**		1,222
Raw materials and consumables used			**(87,980)**		(20,224)
Staff costs	4		**(23,667)**		(11,041)
Depreciation of tangible fixed assets		**(974)**		(746)	
Amortisation of intangible fixed assets		**(1,750)**		(539)	
Negative goodwill		**—**		2,130	
Depreciation and amortisation expense	5		**(2,724)**		845
Other operating income		**2,769**		—	
Other operating expenses		**(7,560)**		(5,696)	
Net operating expenses	6		**(4,791)**		(5,696)
Restructuring costs	6		**(1,270)**		(1,877)
Profit from continuing operations			**11,558**		3,809
Finance costs	7		**(331)**		(187)
Interest receivable	7		**1,210**		103
Profit before taxation			**12,437**		3,725
Income tax expense	8		**(560)**		(823)
Net Profit from continuing operations			**11,877**		2,902
Discontinued operations					
Loss for year from discontinued operations	9		**(1,484)**		(398)
Profit for the year			**10,393**		2,504
Earnings per share	10				
From continuing operations					
Basic			**3.59p**		1.22p
Diluted			**3.41p**		1.14p
From continuing and discontinued operations					
Basic			**3.14p**		1.05p
Diluted			**2.99p**		0.99p

The results for year ending 31 December 2006 have been restated for the activities discontinued in the year ending 31 December 2007.

Consolidated Balance Sheet

as at 31 December 2007

	Note	**2007 £000's**	2006 £000's
Assets			
Non Current Assets			
Property, plant and equipment	11	**6,098**	3,734
Goodwill	12	**32,244**	5,143
Intangible assets	13	**22,685**	5,792
Deferred tax assets	22	**785**	—
		61,812	14,669
Current Assets			
Inventories	15	**60,352**	14,158
Trade and other receivables	16	**47,197**	13,833
Investments	17	**120**	94
Current tax assets		**1,459**	—
Cash and cash equivalents	16	**27,952**	13,605
		137,080	41,690
Total Assets		**198,892**	56,359
Liabilities			
Current Liabilities			
Trade and other payables	18	**26,406**	6,801
Tax liabilities		**—**	1,178
Obligations under finance leases	19	**684**	421
Bank loans and overdrafts	20	**—**	163
Other creditors	21	**467**	2,221
		27,557	10,784
Non Current Liabilities			
Bank and other loans	20	**—**	948
Other creditors	21	**5,021**	310
Obligations under finance leases	19	**1,100**	549
Deferred tax liabilities	22	**—**	19
Convertible loan notes	23	**—**	69
Provisions	24	**—**	262
		6,121	2,157
Total Liabilities		**33,678**	12,941
Equity			
Share capital	25	**3,703**	2,921
Share premium	26	**138,493**	29,578
Share option reserve	26	**992**	255
Loan stock equity reserve	26	**—**	6
Merger reserve	26	**1,534**	1,534
Capital reduction reserve	26	**7,228**	7,228
Translation reserve	28	**879**	—
Profit and loss account	29	**12,385**	1,896
Total Equity		**165,214**	43,418
Total Equity and Liabilities		**198,892**	56,359

The financial statements on pages 36 to 63 were approved by the board of directors and authorised for issue on 21 April 2008 and are signed on its behalf by:

Darren Kell
Chief Executive

Company Balance Sheet

as at 31 December 2007

	Note	**2007 £000's**	2006 £000's
Assets			
Non Current Assets			
Investments in subsidiary	14	**50,048**	2,286
Deferred tax asset	22	**278**	—
		50,326	2,286
Current Assets			
Trade and other receivables	16	**82,133**	25,885
Cash and cash equivalents	16	**24,607**	13,093
		106,740	38,978
Total Assets		**157,066**	41,264
Liabilities			
Current Liabilities			
Trade and other payables	18	**327**	178
Obligations under finance leases	19	**120**	—
		447	178
Non Current Liabilities			
Obligations under finance leases	19	**10**	—
Convertible loan notes	23	**—**	69
Other creditors	21	**5,021**	—
		5,031	69
Total Liabilities		**5,478**	247
Equity			
Share capital	25	**3,703**	2,921
Share premium	26	**138,493**	29,578
Share option reserve	26	**992**	255
Loan stock equity reserve	26	**—**	6
Merger reserve	26	**1,534**	1,534
Capital reduction reserve	26	**7,228**	7,228
Translation reserve	28	**338**	—
Profit and loss account	29	**(700)**	(505)
Total Equity		**151,588**	41,017
Total Equity and Liabilities		**157,066**	41,264

The financial statements on pages 36 to 63 were approved by the board of directors and authorised for issue on 21 April 2008 and are signed on its behalf by:

Darren Kell
Chief Executive

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

	Share capital £000's	Share premium £000's	Share option reserve £000's	Loan stock reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
Balance at 1 January 2006	1,905	1,509	308	6	1,534	7,228	—	(737)	11,753
Issue of ordinary share capital (net of expenses)	1,000	28,055	—	—	—	—	—	—	29,055
Share options exercised	16	14	(129)	—	—	—	—	129	30
Share options granted	—	—	76	—	—	—	—	—	76
Net profit for the year	—	—	—	—	—	—	—	2,504	2,504
Balance at 1 January 2007	**2,921**	**29,578**	**255**	**6**	**1,534**	**7,228**	**—**	**1,896**	**43,418**
Issue of ordinary share capital (net of expenses)	706	107,893	—	—	—	—	—	—	108,599
Exercise of convertible loan stock	8	67	—	(6)	—	—	—	—	69
Share options exercised	68	955	—	—	—	—	—	—	1,023
Exercise of share options	—	—	—	—	—	—	—	96	96
Share option provision	—	—	737	—	—	—	—	—	737
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	—	—	—	—	—	—	879	—	879
Net profit for the year	—	—	—	—	—	—	—	10,393	10,393
Balance at 31 December 2007	**3,703**	**138,493**	**992**	**—**	**1,534**	**7,228**	**879**	**12,385**	**165,214**

Company Statement of Changes in Equity

for the year ended 31 December 2007

	Share capital £000's	Share premium £000's	Share option reserve £000's	Loan stock reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
Balance at 1 January 2006	1,905	1,509	308	6	1,534	7,228	—	—	12,490
Issue of ordinary share capital (net of expenses)	1,000	28,055	—	—	—	—	—	—	29,055
Share options exercised	16	14	(129)	—	—	—	—	129	30
Share options granted	—	—	76	—	—	—	—	—	76
Net loss for the year	—	—	—	—	—	—	—	(634)	(634)
Balance at 1 January 2007	**2,921**	**29,578**	**255**	**6**	**1,534**	**7,228**	**—**	**(505)**	**41,017**
Issue of ordinary share capital (net of expenses)	706	107,893	—	—	—	—	—	—	108,599
Exercise of convertible loan stock	8	67	—	(6)	—	—	—	—	69
Share options exercised	68	955	—	—	—	—	—	—	1,023
Exercise of share options	—	—	—	—	—	—	—	96	96
Share option provision	—	—	737	—	—	—	—	—	737
Foreign exchange differences on retranslation of Investments in subsidiary undertakings	—	—	—	—	—	—	338	—	338
Net profit for the year	—	—	—	—	—	—	—	(291)	(291)
Balance at 31 December 2007	**3,703**	**138,493**	**992**	**—**	**1,534**	**7,228**	**338**	**(700)**	**151,588**

Cash Flow Statements

for the year ended 31 December 2007

		Group		Company	
	Note	**2007 £000's**	2006 £000's	**2007 £000's**	2006 £000's
Operating Activities					
Cash used in operations	30(a)	**(29,041)**	(7,248)	**(56,574)**	(16,628)
Income taxes paid		**(2,943)**	—	**—**	—
Interest paid		**(331)**	(208)	**(32)**	(38)
Net Cash used in Operating Activities		**(32,315)**	(7,456)	**(56,606)**	(16,666)
Investing Activities					
Acquisition of subsidiaries, net of overdraft acquired	31	**(44,564)**	(6,851)	**—**	—
Purchase of investments in subsidiary undertakings		**—**	—	**(42,591)**	—
Purchase of property, plant and equipment		**(1,851)**	(503)	**—**	—
Proceeds from sale of property, plant and equipment		**758**	150	**—**	—
Purchase of investments		**(23)**	(94)	**—**	—
Purchase of intangible fixed assets		**(2,949)**	(312)	**—**	—
Interest received		**1,210**	34	**1,089**	34
Net cash used in investing activities		**(47,419)**	(7,576)	**(41,502)**	34
Financing Activities					
Proceeds from issuance of ordinary shares		**109,622**	29,055	**109,622**	29,055
Repayment of borrowings		**(14,904)**	(870)	**—**	(750)
Repayments of obligations under finance leases		**(621)**	(567)	**—**	—
Net cash from financing		**94,097**	27,618	**109,622**	28,305
Net Increase in Cash and Cash Equivalents		**14,363**	12,586	**11,514**	11,673
Cash and Cash Equivalents at beginning of Year		**13,546**	960	**13,093**	1,420
Effect of foreign exchange changes		**43**	—	**—**	—
Cash and Cash Equivalents at end of Year	30(b)	**27,952**	13,546	**24,607**	13,093

Consolidated Financial Statements
Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the income statement.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The costs of an acquisition are measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any minority interest.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill on acquisition of subsidiaries is included as a non current asset.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Service revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Consolidated Financial Statements Summary of Significant Accounting Policies continued

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter an operating lease are also spread on a straight line basis over the lease term.

Borrowing costs
All borrowing costs are recognised in the income statement in the period in which they are incurred.

Pensions
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Share Based Payments
The Group issues equity-settled share based payments to certain employees and has applied the requirements of IFRS2 “Share-based payments”.

Equity settled share-based payments are measured at fair value at the date of the grant. Fair value is measured using a Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest.

Foreign currencies
Transactions in currencies other than sterling, the presentational and functional currency of the Company, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity, where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group’s accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group’s overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less any subsequent accumulated depreciation.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and Machinery	over 3-10 years
Short Leasehold Property Alterations	over the lifetime of the lease
Fixtures, fittings and equipment	over 3-10 years
Motor Vehicles	over 3-5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group’s business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. (10 to 15 years)

Other intangible assets
Computer Software is stated at cost less any accumulated amortisation. The software is amortised over a period of 5 years on a straight line basis.

Other intangible assets have been brought in on the acquisition of businesses and capitalised at a fair value. The intangible assets are amortised over the relevant period, ranging from 2 to 10 years on a straight line basis.

Manufacturing schedules have been brought in on the acquisition of businesses and capitalised at a fair value. The intangible assets are amortised over 10 years on a straight line basis.

Impairment of property, plant and equipment and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Consolidated Financial Statements Summary of Significant Accounting Policies continued

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand less short term bank overdrafts.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis 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.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group transacts derivative financial instruments to manage the underlying exposure to foreign exchange risks. The Group does not transact derivative financial instruments for speculative purposes. Derivative financial assets are included in the balance sheet at fair value. Changes in fair value are recognised directly in equity where they qualify for hedge accounting because they have been designated as hedges of future cash flows, otherwise they are recognised in the income statement as they arise.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Government grants

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit and loss over the expected useful lives of the assets concerned.

Segmental reporting

A business segment is a group of assets and operations that provide a product or service and that is subject to risks and returns that are different from other business segments. A geographic segment is a group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different economic environments.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

The recoverable amount of cash generating units has been determined on value in use calculations. These calculations require the use of estimates, including management's expectations of future revenue growth, operating costs and profit margins for each cash generating unit.

Intangible assets

Amortisation of intangible assets is charged to the income statement on a straight line basis over the useful economic lives of each intangible asset. The Directors have made assumptions with regard to the evidence in the market, at the time of acquisitions, when determining these estimated useful economic lives.

Adoption of International accounting standards

IFRS 8 'Operating Segments' (effective for periods commencing on or after 1 January 2009).

IFRS 8 introduces new disclosure requirements for segmental information and supersedes IAS 14 "Segmental Reporting". Management do not believe that the impact of the change in disclosure will be significant.

IFRIC 12, 'Service Concession Arrangements' (effective from 1 April 2008).

IFRIC 12 addresses the accounting by operators of public-private service concession arrangements. The group has assessed the impact of this interpretation and has concluded it will have no effect on the group's financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

IFRIC13 addresses accounting by entities that grant loyalty award credits to customers that buy the entities' goods or services. Specifically, the interpretation explains how the entities should account for their obligations to provide free or discounted goods or services ('awards') to customers that redeem award credits. It is not likely to have a significant impact on the group's financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

IFRIC 14, its recent interpretation of International Accounting Standard IAS19, will affect employers that sponsor defined benefit schemes. At December 2007 the group had no defined benefit schemes and had no current plans to introduce such schemes.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU ("IFRS").

These financial statements are presented in Sterling since that is the currency in which the majority of the Group's transactions are denominated.

2. Revenue (Group)

An analysis of the Group's Revenue is as follows:	**2007 £000's**	(Restated) 2006 £000's
Continuing Operations		
Powered Access Platforms	**90,064**	11,330
Zero Emission Vehicles	**26,109**	19,966
Other	**7,115**	9,284
	123,288	40,580

3. Business and Geographical Segments (Group)

Business segments (Continuing operations)

For management purposes, the Group is currently organised into three operating divisions – Powered Access Platforms, Zero Emission Vehicles and other operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:
Powered Access Platforms: design and manufacture of powered access equipment
Zero Emission Vehicles: design, manufacture, service and maintenance of electric vehicles
Other: design and manufacture of engineering parts.

Segment information about these businesses is presented on the next page.

3. Business and Geographical Segments

For the twelve months ending 31 December 2007

	Powered access platforms £000's	Zero emission vehicles £000's	Other £000's	Consolidated £000's
Revenue				
External Sales	**90,064**	**26,109**	**7,115**	**123,288**
Inter-segment sales				
Total revenue	**90,064**	**26,109**	**7,115**	**123,288**
Result				
Segment Result before restructuring	**9,486**	**2,848**	**177**	**12,511**
Restructuring Costs	**1,270**	**—**	**—**	**1,270**
Segment Result	**8,216**	**2,848**	**177**	**11,241**
Unallocated corporate expenses	**—**	**—**	**—**	**317**
Profit from operations	**8,216**	**2,848**	**177**	**11,558**
Finance costs	**625**	**217**	**37**	**879**
Profit before tax	**8,841**	**3,065**	**214**	**12,437**
Income tax expense	**502**	**58**	**—**	**560**
Profit after tax	**8,339**	**3,007**	**214**	**11,877**
Other information				
Capital additions	**2,825**	**3,025**	**122**	**5,972**
Depreciation and amortisation	**1,484**	**933**	**307**	**2,724**
Balance Sheet				
Assets:				
Segment assets	**164,412**	**25,762**	**8,718**	**198,892**
Consolidated total assets	**164,412**	**25,762**	**8,718**	**198,892**
Liabilities:				
Segment Liabilities	**26,225**	**4,150**	**3,303**	**33,678**
Consolidated total liabilities	**26,225**	**4,150**	**3,303**	**33,678**

For the twelve months ending 31 December 2006 (Restated)

	Powered access platforms £000's	Zero emission vehicles £000's	Other £000's	Consolidated £000's
Revenue				
External Sales	11,330	19,966	9,284	40,580
Inter-segment sales				
Total revenue	11,330	19,966	9,284	40,580
Result				
Segment Result before restructuring	3,530	2,224	683	6,437
Restructuring Costs	(1,877)	—	—	(1,877)
Segment Result	1,653	2,224	683	4,560
Unallocated corporate expenses	—	—	—	(751)
Profit from operations	1,653	2,224	683	3,809
Finance costs	(10)	(65)	(9)	(84)
Profit before tax	1,643	2,159	674	3,725
Income tax expense	301	448	74	823
Profit after tax	1,342	1,711	600	2,902
Other information				
Capital additions	3,268	456	82	3,806
Depreciation and amortisation	(1,933)	775	313	(845)
Balance Sheet				
Assets:				
Segment assets	26,112	16,188	14,059	56,359
Consolidated total assets	26,112	16,188	14,059	56,359
Liabilities:				
Segment Liabilities	5,803	4,016	3,122	12,941
Consolidated total liabilities	5,803	4,016	3,122	12,941

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

3. Business and Geographical Segments (continued)

Geographical segments

The Group's operations are located in the UK, US, Australasia and Japan.

The following table provides an analysis of the Group's sales by geographic market, irrespective of the origin of the goods/services.

	2007 £000's	2006 £000's
UK	**43,982**	16,860
Europe	**29,249**	18,709
USA	**35,597**	2,850
Other	**14,460**	2,161
	123,288	40,580

In 2007, revenue from discontinued operations totalled £219k.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant, equipment and intangible assets	
	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
UK	**122,007**	52,591	**5,888**	3,761
USA	**64,172**	1,936	**64**	30
Japan	**3,133**	1,832	**—**	15
Australasia	**9,580**	—	**20**	—
	198,892	56,359	**5,972**	3,806

4. Staff Costs

Group	**2007 No.**	(Restated) 2006 No.
Average monthly number of employees		
Production	**812**	356
Head Office and Administration	**323**	166
Total	**1,135**	522

Aggregate remuneration comprised	**2007 £000's**	2006 £000's
Continuing		
Wages and Salaries	**20,313**	9,843
Share scheme expense	**833**	76
Social Security Costs	**2,008**	906
Other Pension Costs	**513**	216
Total staff costs from continuing operations	**23,667**	11,041
Discontinuing		
Wages and Salaries	**138**	579
Social Security Costs	**13**	62
Other Pension Costs	**2**	20
Total staff costs	**23,820**	11,702

Details of Directors' fees and salaries, bonuses, pensions, benefits in kind and other benefit schemes together with details in respect of Directors' share option plans are given in the Directors Remuneration Report on pages 31 to 33.

5. Depreciation and Amortisation

	2007 £000's	2006 £000's
Continuing		
Depreciation of tangible fixed assets	**974**	746
Amortisation of intangible fixed assets	**1,750**	539
Negative goodwill	**—**	(2,130)
Total depreciation and amortisation from continuing operations	**2,724**	(845)
Discontinuing		
Depreciation of tangible fixed assets	**17**	79
Amortisation of intangible fixed assets	**2**	—
Total depreciation and amortisation charge	**2,743**	(766)

6. Profit from Operations (Group)

	2007 £000's	2006 £000's
Operating lease rentals	**1,417**	206
Depreciation		
– owned assets	**581**	664
– leased assets	**410**	161
Amortisation of intangible fixed assets	**1,752**	539
(Profit)/Loss on sale of fixed assets	**57**	(7)
Negative goodwill	**—**	(2,130)
Grants received	**(750)**	—
Staff costs (see Note 4)	**22,987**	11,626
Income from Snorkel bad debt previously written off	**(2,019)**	—
Share options granted (see Note 4)	**833**	76
Restructuring costs	**1,270**	1,877
Net (profit) loss on foreign exchange	**(2,186)**	19
Auditors' remuneration (see below)	**195**	158

The negative goodwill in the prior year arose from the difference between the fair value and costs of assets purchased under the Upright Powered Access deal.

Restructuring costs of £1,157k are from the acquisition of the Snorkel Holdings LCC business. The costs relate to employee costs and expenses incurred during the alignment of the businesses to current group procedures and policies.

Other restructuring costs of £113k are from the acquisition of the Upright business as are all prior year restructuring costs of £1,877k

Amounts payable to Baker Tilly UK Audit LLP in respect of both audit and non audit services	2007 £000's	2006 £000's
Audit Services		
– statutory audit	**155**	—
Amounts payable to Baker Tilly Corporate finance LLP in respect non audit services		
Services relating to Corporate finance	**191**	—
Amounts payable to Baker Tilly Tax & Advisory Services LLP		
Tax services		
– advisory services	**40**	—
	386	—
Comprising:		
– audit services	**155**	—
– non audit services	**231**	—
	386	—

Amounts payable to Baker Tilly in respect of both audit and non audit services	2007 £000's	2006 £000's
Audit Services		
– statutory audit	**—**	100
Other services		
Tax services		
– advisory services	**—**	11
Other Services	**—**	47
	—	158
Comprising:		
– audit services	**—**	100
– non audit services	**—**	58
	—	158

The figures presented are for Tanfield Group plc and subsidiaries as if they were a single entity. Tanfield Group plc has taken the exemption permitted by SI 2005 2417 Reg 5 to omit information about its individual accounts.

The parent of Tanfield Group PLC is exempt from disclosing its income statement. The loss for the year is £291k (2006: £634k).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

7. Finance costs and interest receivable (Group)

Continuing operations	2007 £000's	2006 £000's
Interest on bank overdrafts and loans	**142**	103
Interest on Invoice Discounting	**40**	50
Interest on obligations under finance leases	**149**	34
Total borrowing costs	**331**	187
Less Interest Receivable	**(1,210)**	(103)
	(879)	84

8. Income Tax Expense (Group)

	2007 £000's	2006 £000's
Current Tax		
Domestic – current year	**1,201**	1,055
Domestic – prior year	**(1,038)**	(224)
Foreign	**176**	41
	339	872
Deferred Tax		
Current year	**200**	4
Prior Year	**21**	(30)
	221	(26)
	560	846

2006 charge includes £23k in discontinued operations

	2007 £000's	2006 £000's
Profit before tax	**10,953**	3,350
Tax at the domestic income tax rate 30% (2006: 30%)	**3,286**	1,005
Tax effect of expenses that are not deductible in determining taxable profit	**(2,917)**	115
Capital allowances in excess of depreciation	**(359)**	—
Short term timing differences	**—**	(19)
Tax losses for which no relief available	**—**	52
Tax adjustments and relief	**1,099**	(224)
Accounting adjustments	**(229)**	—
Prior Year Tax adjustments	**(988)**	—
Tax effect of utilisation of tax losses not previously recognised	**—**	(125)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**668**	42
Tax expense	**560**	846

9. Discontinued Operations (Group)

	2007 £000's	(Restated) 2006 £000's
Revenue	**—**	—
Operating costs	**(1,082)**	(329)
Finance costs	**—**	(45)
Goodwill Impairment	**(402)**	—
Profit/(loss) before tax	**(1,484)**	(374)
Income tax expense	**—**	(24)
Profit/(Loss) on ordinary activities after tax	**(1,484)**	(398)

Discontinued operations in 2007 relate to the Saxon Specialist Vehicles trade within Tanfield Engineering Systems Ltd, E-Comeleon Ltd, JoeKnowsIt? Ltd and ClickHere Ltd which have been discontinued in the current year. Also included are costs relating to a non trading company, Express 2 Automotive Ltd, in respect of leasing costs.

Prior year costs relate to a non trading company, Express 2 Automotive Ltd, in respect of leasing costs.

10. Earnings per Share
Including discontinued operations

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

Continuing and discontinuing operations	2007 £000's	2006 £000's
Earnings		
Earnings after taxation for the purposes of basic earnings per share	**10,393**	2,504
Effect of dilutive potential ordinary shares:		
— interest on convertible loan notes	**—**	(14)
Earnings after taxation for the purposes of diluted earnings per share	**10,393**	2,490

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**331,253,401**	237,396,217
Convertible Loan Notes	**—**	789,474
Share Options	**16,584,411**	14,453,671
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**347,837,812**	252,639,362

	2007	2006
Basic earnings per share	**3.14p**	1.05p
Diluted earnings per share	**2.99p**	0.99p

From continuing operations	2007 £000's	(Restated) 2006 £000's
Earnings		
Earnings after taxation for the purposes of basic earnings per share	**11,877**	2,902
Effect of dilutive potential ordinary shares:		
— interest on convertible loan notes	**—**	(14)
Earnings after taxation for the purposes of diluted earnings per share	**11,877**	2,888

	2007	2006
Basic earnings per share	**3.59p**	1.22p
Diluted earnings per share	**3.41p**	1.14p

From discontinued	2007	2006
Basic and diluted loss per share	**(0.45)p**	(0.17)p

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

11. Property, Plant and Equipment (Group)

	Leasehold property & alterations £000's	Plant & Machinery £000's	Fixtures, Fittings & equipment £000's	Motor Vehicles £000's	Total £000's
Cost:					
At 1 January 2006	2,077	4,144	967	883	8,071
Additions	104	114	52	418	688
Disposals	—	—	(47)	(384)	(431)
At 1 January 2007	2,181	4,258	972	917	8,328
Additions	822	1,706	394	101	3,023
Acquisitions of subsidiary undertakings	—	708	337	113	1,158
Exchange Differences	15	9	8	4	36
Disposals	(645)	(203)	—	(229)	(1,077)
At 31 December 2007	**2,373**	**6,478**	**1,711**	**906**	**11,468**
Depreciation:					
At 1 January 2006	250	2,873	828	105	4,056
Charge for the year	107	403	53	262	825
Eliminated on disposals	—	—	(6)	(281)	(287)
At 1 January 2007	357	3,276	875	86	4,594
Charge for the year	161	399	129	302	991
Exchange differences	—	1	—	—	1
Impairment of assets	21	17	9	—	47
Eliminated on disposals	(87)	—	—	(176)	(263)
At 31 December 2007	**452**	**3,693**	**1,013**	**212**	**5,370**
Carrying amount:					
At 31 December 2007	**1,921**	**2,785**	**698**	**694**	**6,098**
At 31 December 2006	1,824	982	97	831	3,734

The net book value of assets held under finance leases and hire purchase agreements is £1,646,812 (2006:£877,050). The net book value of £1,646,812 is split with £32,697 being motor vehicles and £1,614,115 being plant and machinery.

12. Goodwill (Group)

	2007 £000's	2006 £000's
Cost		
1 January	**5,644**	5,644
Recognised on acquisition of subsidiary undertakings (note 31)	**27,323**	—
Exchange differences	**180**	—
31 December	**33,147**	5,644
Accumulated impairment losses		
1 January	**501**	501
Charge for the year	**402**	—
Exchange differences	**—**	—
31 December	**903**	501
Carrying Amount	**32,244**	5,143

Goodwill is allocated to cash-generating units (CGUs) identified on the basis of business segments.

A segment level summary of the goodwill allocated is presented below:

	2007 £000's	2006 £000's
Powered Access	**31,888**	4,385
Zero emission vehicles	**356**	356
Training	**—**	231
Graphical Imaging	**—**	171
Carrying values	**32,244**	5,143

The recoverable amount of the CGUs has been determined by value in use calculations. The calculations used pre-tax cash flow projections over the next five year period based on the budgets for the next three years. Cash flows beyond the budgeted three year period are extrapolated using the estimated growth rates per the table below. In accordance with IAS 36, the growth rates for beyond the budgeted three year period do not exceed the long-term average growth rate for the industry.

The key assumptions applied in the calculations were:

	Powered access	Zero emission vehicles
Gross margin (%)	35%	35%
Growth rate (%)	10%	35%
Discount rate (%)	5%	5%

Management determined the gross margin rate based on past performance and future trading conditions. The growth rates are consistent with those included on publicly available industry reports. The discount rates used are pre-tax and reflect the risks of each business segment.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

13. Intangible Assets (Group)

	Development costs £000's	Manufacturing schedules £000's	Other intangible assets £000's	Computer software £000's	Total £000's
Cost:					
At 1 January 2006	1,460	—	1,816	173	3,449
Additions	249	—	—	64	313
Acquisitions of subsidiary undertakings	—	—	2,805	—	2,805
At 1 January 2007	1,709	—	4,621	237	6,567
Additions	2,799	—	—	150	2,949
Acquisitions of subsidiary undertakings	—	10,938	4,619	—	15,557
Exchange differences	—	148	62	—	210
At 31 December 2007	**4,508**	**11,086**	**9,302**	**387**	**25,283**
Amortisation:					
At 1 January 2006	—	—	112	124	236
Charge for the year	146	—	363	30	539
At 1 January 2007	146	—	475	154	775
Charge for the year	171	456	1,089	36	1,752
Impairment	—	—	71	—	71
At 31 December 2007	**317**	**456**	**1,635**	**190**	**2,598**
Carrying amount:					
At 31 December 2007	**4,191**	**10,630**	**7,667**	**197**	**22,685**
At 31 December 2006	1,563	—	4,146	83	5,792

The development costs in the year are in relation to the new product developments commenced in the year which includes the Newton and other Zero Emission vehicles.

Other intangible assets include trademarks, manufacturing schedules, customer order book and customer lists which arose on acquisition of the Snorkel International in the current year (note 31). The brought forward values of other intangible assets arose on the acquisition of the Norquip, SEV and Upright businesses.

14. Subsidiaries (Group)

Details of the Company's subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Tanfield Engineering Systems Ltd	UK	100	100	Engineering
Tanfield Engineering Systems US (Inc)	US	100	100	Powered Access
HBWP Inc	US	100	100	Dormant
Snorkel Holdings LLC	US	100	100	Holding Company
Snorkel International Inc	US	100	100	Powered Access
Snorkel Elevating Work Platforms PTY Limited	AUS	100	100	Powered Access
Snorkel Elevating Work Platforms Limited	NZ	100	100	Powered Access
Snorkel Europe BV	Netherlands	100	100	Dormant
SEV Group Ltd	UK	100	100	Vehicle Service, Hire & Maintenance
E-Comeleon Ltd	UK	100	100	Graphical Imaging (*)
JoeKnowsIt? Ltd	UK	74	74	Software Training (*)
ClickHere Ltd	UK	100	100	Training (*)
Express 2 Automotive Ltd	UK	100	100	Non Trading
Sandco 854 Ltd	UK	100	100	Holding Company
Saxon Specialist Vehicles Ltd	UK	100	100	Dormant
HMH Sheet Metal Fabrications Ltd	UK	100	100	Dormant
Norquip Ltd	UK	100	100	Dormant
YEV Ltd	UK	100	100	Dormant

The minority interest in JoeKnowsIt? Limited has not been recognised as JoeKnowsIt? Limited has net liabilities which are unlikely to be recoverable from the third party.

(*) Companies ceased to trade pre year end.

14. Subsidiaries (Group) (continued)

Details of the investments held in the Company accounts are as follows:

	2007 £000's	2006 £000's
Snorkel International (note 31)	**47,937**	—
Tanfield Engineering Systems Limited	**2,111**	2,111
E-Comeleon Limited	**—**	175
	50,048	2,286

During the year the investment of £175k in E-Comeleon Limited has been impaired to £nil value due to the company ceasing to trade.

The Snorkel International balance includes retranslation balances of £390k

Details of the Company's subsidiary results and assets at 31 December 2007 are as follows:

Name of subsidiary	Aggregate capital reserves £000's	Profit/(loss) after taxation 2007 £000's
Tanfield Engineering Systems Ltd	**6,627**	**5,746**
Tanfield Engineering Systems US (Inc)	**193**	**(163)**
HBWP Inc	**—**	**—**
Snorkel Holdings LLC	**—**	**—**
Snorkel International Inc	**8,950**	**4,111**
Snorkel Elevating Work Platforms PTY Limited	**2,001**	**120**
Snorkel Elevating Work Platforms Limited	**293**	**2,110**
Snorkel Europe BV	**—**	**—**
SEV Group Ltd	**(1,411)**	**(2,883)**
E-Comeleon Ltd	**(7)**	**(723)**
JoeKnowsIt? Ltd	**—**	**677**
ClickHere Ltd	**(19)**	**295**
Express 2 Automotive Ltd	**—**	**2,971**
Sandco 854 Ltd	**—**	**—**
Saxon Specialist Vehicles Ltd	**—**	**—**
HMH Sheet Metal Fabrications Ltd	**—**	**—**
Norquip Ltd	**—**	**—**
YEV Ltd	**—**	**—**

15. Inventories (Group)

	2007 £000's	2006 £000's
Raw materials and consumables	**38,221**	9,924
Work-in-progress	**5,731**	3,342
Finished Goods and goods for resale	**16,400**	892
	60,352	14,158

16. Financial assets

	Group		Company	
Trade and other receivables	2007 £000's	2006 £000's	2007 £000's	2006 £000's
Trade amounts receivable	**44,146**	13,213	**—**	—
Allowance for estimated irrecoverable amounts	**(112)**	(60)	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**81,772**	25,801
Other Taxes	**954**	266	**305**	7
Other debtors and prepayments	**2,209**	414	**56**	77
	47,197	13,833	**82,133**	25,885

	2007	2006
Average credit period taken on goods	**142**	95

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash and short-term deposits held by the group treasury function. The carrying amount of these assets approximates their fair value.

Credit risk – The Group's principal financial assets are bank balances and cash and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

17. Investments (Group)

	2007 £000's	2006 £000's
At 1 January	**94**	—
Additions	**24**	94
Exchange movements	**2**	—
At 31 December	**120**	94

The investment relates to the current value of a money market investment.

18. Trade and other payables

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Trade payables	**15,692**	2,847	**179**	127
Social security and other Taxes	**1,004**	2	**—**	—
Accruals and deferred Income	**9,710**	3,952	**148**	51
	26,406	6,801	**327**	178

	2007	2006
Average credit period taken on trade purchases	**64**	58

The directors consider that the carrying amount of trade payables approximates to their fair value.

19. Obligations Under Finance Leases

Group	Minimum lease payments 2007 £000's	Minimum lease payments 2006 £000's	Present value of minimum lease payments 2007 £000's	Present value of minimum lease payments 2006 £000's
Amounts payable under finance leases				
Within one year	**829**	476	**684**	421
In the second to fifth years (inclusive)	**1,232**	611	**1,100**	549
	2,061	1,087	**1,784**	970
Less future finance charges	**(277)**	(117)		
Present value of lease obligations	**1,784**	970	**1,784**	970
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(684)**	(421)
Amount due for settlement after 12 months			**1,100**	549

Company	Minimum lease payments 2007 £000's	Minimum lease payments 2006 £000's	Present value of minimum lease payments 2007 £000's	Present value of minimum lease payments 2006 £000's
Amounts payable under finance leases				
Within one year	**127**	—	**120**	—
In the second to fifth years (inclusive)	**10**	—	**10**	—
	137	—	**130**	—
Less future finance charges	**(7)**	—		
Present value of lease obligations	**130**	—	**130**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(120)**	—
Amount due for settlement after 12 months			**10**	—

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2007, the average effective borrowing rate was 10% (2006: 10%). Interest rates are fixed at the contract date.

Obligations under finance leases are secured on the assets to which they relate.

20. Bank & Other Loans and Overdrafts

	Group		Company	
	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
Bank overdrafts	**—**	59	**—**	—
Bank & Other Loans	**—**	1,052	**—**	—
	—	1,111	**—**	—
The borrowings are repayable as follows:				
On demand or within one year	**—**	163	**—**	—
In the second year	**—**	948	**—**	—
In the third to fifth years (inclusive)	**—**	—	**—**	—
After five years	**—**	—	**—**	—
	—	1,111	**—**	—
Less: amounts due for settlement within 12 months (shown under current liabilities)	**—**	(163)	**—**	—
Amounts due for settlement after 12 months	**—**	948	**—**	—

Analysis of borrowings by currency

Sterling	**2007 £000's**	2006 £000's	**2007 £000's**	2006 £000's
Bank overdrafts	**—**	59	**—**	—
Bank & Other Loans	**—**	1,052	**—**	—
	—	1,111	**—**	—

The weighted average interest rates paid were:

	Group		Company	
	2007	2006	**2007**	2006
Bank overdrafts	**—**	4.5%	**—**	—
Bank & Other Loans	**—**	5.5%	**—**	—

The directors estimate the fair value of the groups borrowings as follows:

	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
Bank overdrafts	**—**	59	**—**	—
Bank & Other Loans	**—**	1,052	**—**	—
	—	1,111	**—**	—

The other loan of £993,000, outstanding at 31 December 2006, in favour of Five Arrows Commercial Finance was repaid in August 2007. No loans were outstanding at 31 December 2007.

All loans were at floating interest rates, thus exposing the Group to interest rate risks.

21. Other Creditors

	Group		Company	
	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
Buyback Lease Liability	**386**	262	**—**	—
Invoice Discounting	**81**	1,834	**—**	—
Other Creditors	**—**	125	**—**	—
Other creditors payable within one year	**467**	2,221	**—**	—
Deferred consideration (see note 31)	**5,021**	—	**5,021**	—
Other Creditors	**—**	310	**—**	—
Other creditors payable after one year	**5,021**	310	**5,021**	—

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

22. Deferred Tax (Group)

	Group		Company	
	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
Analysis for financial reporting purposes:				
Deferred tax assets (liabilities)	**785**	(19)	**278**	—
Net asset/(liability) position at 31 December	**785**	(19)	**278**	—

The movement in the year in the Group's net deferred tax position was as follows:

	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
At 1 January	**(19)**	(45)	**—**	—
Recognised on acquisition of subsidiary undertakings (note 31)	**1,025**	—	**—**	—
Credit/(charge) to income for the year	**(200)**	(4)	**278**	—
Release to income for the prior year	**(21)**	30	**—**	—
At 31 December	**785**	(19)	**278**	—

The following are the major deferred tax liabilities recognised by the Group and the movements thereon during the period:

Deferred tax assets/(liabilities)

	Group Accelerated tax depreciation £000's	Company Accelerated tax depreciation £000's
At 1 January 2007	(19)	—
Recognised on acquisition of subsidiary undertakings (note 31)	1,025	—
Credit/(charge) to income for the year	(200)	278
Release to income for the prior year	(21)	—
At 31 December 2007	**785**	**278**

23. Convertible Loan Notes

The convertible unsecured loan notes were issued on 31 December 2003. The notes are convertible into ordinary shares of the Company at the option of the holder in half yearly intervals between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at 1000/95 shares per £1 loan note.

If the notes have not been converted, they will be redeemed on 30 May 2009 at par. Interest of 8.5 per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group. The effective interest rate on the liability component is 10.5%.

The loan notes were converted on 1 June 2007.

	2007 £000's	2006 £000's
Nominal value of convertible loan notes issued	**—**	75
Equity component (net of deferred tax)	**—**	(6)
Liability component at date of issue	**—**	69
Interest accrued	**—**	—
Interest charged	**—**	6
Interest paid	**—**	(6)
Liability component at 31 December	**—**	69

24. Provisions (Group)

	Legal reserve £000's	Total £000's
At 1 January 2006	466	466
Utilisation of provision	(204)	(204)
At 1 January 2007	262	262
Utilisation of provision	(262)	(262)
At 31 December 2007	**—**	**—**

The legal reserve represents a provision for corrective costs under a product warranty, which was identified in 2004. As expected the work identified was completed in 2007.

The directors are looking to recover this amount in full from the previous owners of SEV Group Ltd.

25. Share Capital (Group and Company)

	2007 £000's	2006 £000's
Authorised: 500,000,000 (2006: 400,000,000) Ordinary Shares of 1p each	**5,000**	4,000
Issued and Fully Paid: 370,286,089 (2006: 292,072,467) Ordinary shares of 1p each	**3,703**	2,921

The Company has one class of ordinary shares which carry no right to fixed income.

On 1 June 2007, 100,000 share options were exercised at a price of 1p for a total consideration of £1,000.

On 1 June 2007, 789,474 shares were issued on conversion of convertible loan notes outstanding in accordance with note 23.

On 27 July 2007, 300,000 share options were exercised at a price of 1p, 1,528,671 share options were exercised at a price of 2p and 4,943,329 share options were exercised at a price of 20p for a total consideration of £1,022,239.

On 27 July 2007, 70,552,148 new shares were placed on the Stock Exchange at a price of 163p per share.

The premium net of related charges on the issue of these shares has been credited to the share premium account.

26. Capital reserves (Group)

	Share capital £000's	Share premium £000's	Share option reserve £000's	Loan stock reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Translation reserve £000's	Total £000's
Balance at 1 January 2007	2,921	29,578	255	6	1,534	7,228	—	41,522
Issue of Ordinary share capital (net of expenses)	706	107,893	—	—	—	—	—	108,599
Exercise of convertible loan stock	8	67	—	(6)	—	—	—	69
Share options exercised	68	955	—	—	—	—	—	1,023
Share option provision	—	—	737	—	—	—	—	737
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	—	—	—	—	—	—	879	879
Balance at 31 December 2007	**3,703**	**138,493**	**992**	**—**	**1,534**	**7,228**	**879**	**152,829**

Capital reserves (Company)

	Share capital £000's	Share premium £000's	Share option reserve £000's	Loan stock reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Translation reserve £000's	Total £000's
Balance at 1 January 2007	2,921	29,578	255	6	1,534	7,228	—	41,522
Issue of Ordinary share capital (net of expenses)	706	107,893	—	—	—	—	—	108,599
Exercise of convertible loan stock	8	67	—	(6)	—	—	—	69
Share options exercised	68	955	—	—	—	—	—	1,023
Share option provision	—	—	737	—	—	—	—	737
Foreign exchange differences on retranslation of Investments in subsidiary undertakings	—	—	—	—	—	—	338	338
Balance at 31 December 2007	**3,703**	**138,493**	**992**	**—**	**1,534**	**7,228**	**338**	**152,288**

The issue of Ordinary share capital includes expenses totaling £4,945k.

27. Retirement benefits

Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees of its construction and leasing divisions in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiary in Australia are members of a state-managed retirement benefit scheme operated by the government of Australia. The subsidiary is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £515k (2006:£236k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2007, contributions of £51k (2006: £25k) due in respect of the current reporting period had not been paid over to the schemes.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

28. Translation reserve

	Group £000's	Company £000's
Balance at 1 January 2007	**—**	**—**
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	879	—
Foreign exchange differences on retranslation of Investments in subsidiary undertakings	—	338
Balance at 31 December 2007	**879**	**338**

29. Retained Earnings

	Group £000's	Company £000's
At 1 January 2006	**(737)**	**—**
Profit/(loss) for the year	2,504	(634)
Share options exercised	129	129
At 1 January 2007	**1,896**	**(505)**
Profit/(loss) for the year	10,393	(291)
Share options exercised	96	96
Balance at 31 December 2007	**12,385**	**(700)**

30. (a) Reconciliation of profit from operations to net cash used in operating activities

	Group		Company	
	2007 £000's	2006 £000's	**2007 £000's**	2006 £000's
Operating Activities (continuing and discontinuing)				
Profit (loss) from operations	**10,074**	3,455	**(1,853)**	(700)
Adjustments for:				
Depreciation of property, plant and equipment	**991**	825	**—**	—
Negative goodwill	**—**	(2,130)	**—**	—
Amortisation of intangible fixed assets	**1,752**	539	**—**	—
(Gain) Loss on disposal of fixed assets	**57**	(7)	**—**	—
Impairment of property, plant and equipment	**47**	—	**—**	—
Impairment of Intangible assets	**71**	—	**—**	—
Loss on intercompany loan write off	**—**	—	**1,400**	—
Goodwill impairment	**402**	—	**—**	—
Loss on impairment of investments	**—**	—	**175**	—
Operating cash flows before movements in working capital	**13,394**	2,682	**(278)**	(700)
(Increase) in receivables	**(19,049)**	(7,031)	**(57,290)**	(15,751)
Increase (decrease) in payables	**9,779**	1,708	**994**	(177)
(Decrease) in provisions	**(4,416)**	(322)	**—**	—
(Increase) in inventories	**(28,749)**	(4,285)	**—**	—
Net Cash used in Operating activities	**(29,041)**	(7,248)	**(56,574)**	(16,628)

(b) Cash and cash equivalents

	Group 2007 £000's	Group 2006 £000's	**Company 2007 £000's**	Company 2006 £000's
Gross cash and cash equivalents as reported	**27,952**	13,605	**24,607**	13,093
Bank overdrafts	**—**	(59)	**—**	—
Net cash and cash equivalents	**27,952**	13,546	**24,607**	13,093

31. Acquisition

On 30 July 2007, the Group acquired 100% of Snorkel Holdings LLC and its subsidiary companies in the United States of America, Australia and New Zealand for a consideration of £48.1m. This transaction has been accounted for by the purchase method of accounting.

Net assets acquired:	Book value 2007 £000's	Fair value adjustments 2007 £000's	Fair value 2007 £000's
Order Book	—	1,509	1,509
Trademarks	—	1,112	1,112
Customer Lists	—	1,998	1,998
Manufacturing Schedules	—	10,938	10,938
Plant, Property and equipment	1,158	—	1,158
Inventories	17,117	—	17,117
Trade and other receivables	13,851	—	13,851
Deferred tax assets	1,025	—	1,025
Cash and cash equivalents	(1,973)	—	(1,973)
Trade and other payables	(12,976)	—	(12,976)
Bank loans and overdrafts	(13,535)	—	(13,535)
	4,667	15,557	20,224
Goodwill			27,323
Total Consideration			47,547

Satisfied by:	
Cash	41,760
Deferred consideration	4,956
Legal Expenses	831
Total	47,547

Net cash outflow arising on acquisition:	
Cash consideration	42,591
Bank balances and overdrafts acquired	1,973
	44,564

Snorkel Holdings LLC contributed £33.7m of revenue and £3.9m of net profit for the period between the date of acquisition and the balance sheet date. If this acquisition had occurred on 1 January 2007 Group revenue would have been £170.4m and net profit £17.0m.

The deferred consideration is to be satisfied in cash and shares on the first or secondary anniversary of completion of the acquisition dependent on various purchase conditions. The directors believe this to be more likely on the second anniversary.

The deferred cash consideration of $5m is currently held in escrow and accruing interest.

The deferred shares consideration is dependant on the Tanfield share price but will equate to approximately $5m. The liability is currently shown in other creditors payable in more than one year (note 21) and can be reconciled as:

Deferred consideration fair value at acquisition	4,956
Accrued interest and exchange movements	65
Carrying value at 31 December 2007	**5,021**

Goodwill represented a strategic premium to immediately establish a full line offering of powered access products, thereby allowing Tanfield to compete with other major players, to immediately establish critical mass in the US, Australia and New Zealand markets and to acquire assembled sales manufacturing and distribution workforces in those territories.

32. Non-cash transactions

Additions to fixtures and equipment during the year amounting to £1,172k were financed by new finance leases.

33. Contingent Liabilities

There are no contingent liabilities of which the Directors are aware.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

34. Operating Lease Arrangements

The Group as a lessee:

At the balance sheet date, the Group had total commitments under non-cancellable operating leases, which fall due as follows:

	2007 £000's	2006 £000's
Within one year	**1,888**	349
In the second to fifth years inclusive	**4,767**	510
Greater than five years	**19,093**	—
	25,748	859

Operating lease payments represent rentals payable by the Group for certain of its office properties and fixed assets. The average lease term is 5 years the minimum lease term is 3 years.

The company signed a lease agreement in 2007 with regard to its head office property at Vigo centre, Birtley. The lease was for a period of 25 years with an annual rental of £850k.

35. Share Based Payments (Group)

Equity settled share based payment transactions

Details of the Company's and group share option scheme are given in the Directors Remuneration Report on pages 31 to 33.

Movement in outstanding options

	2007		2006	
	Options (Number)	**Weighted average exercise price (£)**	Options (Number)	Weighted average exercise price (£)
Outstanding at 1 January	**14,453,671**	**0.188**	4,057,342	0.017
Granted during the year	**12,083,333**	**0.22**	11,925,000	0.225
Forfeited during the year	**—**	**—**		
Exercised during the year	**(6,872,000)**	**0.107**	(1,528,671)	0.019
Expired during the year	**—**		—	
Outstanding at 31 December	**19,665,004**	**0.228**	14,453,671	0.188
Exercisable at 31 December	**8,415,004**		14,453,671	

The weighted average share price at the date of exercise for share options exercised during the year was £1.63. The options outstanding at 31 December 2007 had a weighted average exercise price of £0.228, and a weighted average remaining contractual life of 9.1 years. The range of exercise price is 1p to 60p.

On 28 December 2007 the market price of the ordinary shares was 138p. The range during 2007 was 55p to 203.5p.

Income statement charge

A charge to the income statement of £833k has been made for options issued on or after 7 November 2002 that had not vested as at 1 January 2005 in accordance with IFRS2 'Share Based Payments'.

The inputs into the Black-Scholes model are as follows:

	2007
Weighted average share price	**22.01p**
Weighted average exercise price	**42.58p**
Expected volatility	**43.2%**
Expected life	**3 years**
Risk free rate	**4.6%**
Expected dividends	**—**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

36. Financial risk management

Credit Risk

The group is exposed to credit risk due to its trade receivables due from customers and cash deposits with financial institutions.

The Group has no concentration of customer credit risk, with exposure spread over a large number of counterparties and customers. The Group has implemented policies and uses procedures to ensure that sales are made only to customers with appropriate credit history. Customer credit is insured against default to reduce risk where this is appropriate.

The Group has placed deposits with a diversified group of financial institutions with suitable credit rating to manage its credit risk to any one financial institution.

Liquidity Risk

The Group is exposed to liquidity risk arising from having insufficient funds to meet the financing needs of the Group.

The Group holds funds on deposit and has short term committed facilities that are designed to ensure that the Group has sufficient funds available for the forecast requirements of the Group. As well as forecasting the Group's core liquidity needs, the Group Financial Management ensure subsidiary companies' liquidity needs are met.

Foreign Exchange Risk

The Group is exposed to movements in foreign exchange rates due to its commercial trading denominated in foreign currencies, the net assets of its foreign operations into the consolidated statements and foreign currency denominated costs.

Where possible the Group uses natural hedging of currencies where customer and purchase currencies are matched, otherwise the Group uses currency derivative financial instruments such as foreign exchange contracts to reduce exposure.

The material foreign currency denominated costs include the purchase of components from low cost based countries, principally in US dollars.

Interest rate risk

The Group is exposed to interest rate risk due to its cash deposits. Cash and cash equivalents are the only interest bearing financial assets held by the Group.

37. Related Party Transactions

Group

Transactions between the Company and its subsidiaries and between subsidiaries, which are related parties, have been eliminated on consolidation. These transactions are a management charge from Tanfield Group PLC to is subsidiaries. The bank hold a cross guarantee in relation to all the Group Company bank accounts. There are no other related party transactions.

Company

Details of the Company's share in Group undertakings are given in note 14.

The Company entered into transactions with its subsidiaries as disclosed below.

	Subsidiaries	
	2007 £000's	2006 £000's
Management charge for provision of services	**3,425**	1,302
Amounts owed by related parties at year end	**81,772**	25,801

Remuneration of key management personnel

The remuneration of the key management personnel, which includes Directors, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 31 to 33.

Directors Emoluments

	2007 £000's	2006 £000's
Short-term employee benefits	**1,339**	685
Post employment benefits	**60**	34
Gain on exercise of share options	**10,015**	257
Total	**11,414**	976

Directors' transactions

There were no other transactions with Directors during the year. There have been no related party transactions with any Director.

Tanfield Group Plc
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Tanfield Group Plc, Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA on Friday 26 September 2008 at 10.00 a.m. for the following purposes:

Ordinary Business
To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions of the Company:

1. To receive the financial statements for the year ended 31 December 2007 and the reports of the directors and auditors thereon.
2. To re-elect RRE Stanley as a director, who retires by rotation in accordance with the Articles of Association.
3. To re-elect M Groak as a director, who retires by rotation in accordance with the Articles of Association.
4. To re-appoint Baker Tilly UK Audit LLP as auditors and to authorise the directors to fix their remuneration.

Special Business
To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution of the Company:

1. THAT the Directors of the Company be and are hereby generally and unconditionally authorised (in substitution for any previous authority) for the purposes of section 80 of the Companies Act 1985 (as amended) ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) on such terms and in such manner as they shall think fit, up to an aggregate nominal value equal to £1,234,620 at any time (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) during the period from the date hereof until the conclusion of the Company's annual general meeting held in 2009, provided that the Directors of the Company may make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities after such expiry under this authority in pursuance of any such offer or agreement as if this authority had not expired. The authority hereby given may at any time (subject to the provisions of section 80 of the Act) be renewed, revoked or varied by ordinary resolution of the Company in general meeting.

To consider and, if thought fit, to pass the following resolutions as Special Resolutions of the Company:

2. THAT the Directors of the Company be given power pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the Section 80 authority referred to above as if Section 89(1) of the Act did not apply to any such allotment, such power to expire at the conclusion of the Company's annual general meeting held in 2009 or, if earlier, the revocation of the Section 80 authority referred to above, provided that before such expiry the Directors of the Company may make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities after such expiry under this power in pursuance of any such offer or agreement as if this power had not expired. This power is limited to:

   a) the allotment of equity securities for cash in connection with a rights issue to holders of Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares") where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any recognised stock exchange, in any territory; and

   b) the allotment (other than pursuant to paragraph (a) of this Special Resolution) of equity securities up to a maximum aggregate nominal amount of £370,386.

   This power applies in relation to any sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the Section 80 authority referred to above" were omitted.

3. THAT the Company be and is generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of Ordinary Shares provided that:

   a. the maximum aggregate number of Ordinary Shares authorised to be purchased is 55,557,913 (representing 15% of the Company's issued ordinary share capital);

   b. the minimum price which may be paid for such shares is £0.01 per Ordinary Share;

   c. the maximum price which may be paid for an Ordinary Share shall not be more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the share is purchased; and

   d. unless previously revoked, varied or renewed, this authority shall expire at the conclusion of the Company's next Annual General Meeting.

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution of the Company:

4. THAT the Company may send or supply documents or information to members by making them available on a website or other electronic means.

By order of the Board

C D Brooks ACA
Company Secretary

2008

Registered Office: Vigo Centre, Birtley Road, Washington, Tyne and Wear NE38 9DA.

Notes

1. Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those holders of ordinary shares of 1p each of the Company registered in the Company's Register of Members at:

1.1 10.00 a.m. on 24 September 2008; or

1.2 if this meeting is adjourned, at 10.00 a.m. 48 hours prior to the adjourned meeting;
shall be entitled to vote at the meeting in respect of the number of ordinary shares of 1p each of the Company registered in their name at that time. Subsequent changes to the Register of Members as at 10.00 a.m. on 24 September 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Appointment of Proxies

2.1 If you are a member of the Company at the time set out in 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to your proxy form.

2.2 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

2.3 The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:

2.3.1 completed and signed;

2.3.2 sent or delivered to Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR; and

2.3.3 received by Capita Registrars no later than 48 hours before the meeting.

2.4 In the case of a member which is a Company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

3. Attending in person

The sending of a completed form of proxy to the Company's Registrar will not preclude members from attending and voting at the meeting, or any adjournment thereof, in person, should they so wish.

4. Documents on display

Copies of the directors' service contracts with the Company and any of its subsidiary companies will be available:

4.1 for at least 15 minutes prior to the meeting; and

4.2 during the meeting.

Designed & Produced
by ckd
www.ckdcorp.co.uk

Photography
Charlie Fawell

Printed by
statexcolourprint

FSC
Mixed Sources
Product group from well-managed
forests and other controlled sources
Cert no. SGS-COC-3058
www.fsc.org

Tanfield Group Plc
Vigo Centre, Birtley Road
Washington
Tyne & Wear
NE38 9DA, UK

Tel +44 (0) 845 1557 755
Fax +44 (0) 845 1557 756