Tanfield Group plc

Interim Results

Six months to June 30, 2005

Highlights

1. Turnover Growth £10.4 million from £5.1 million (6 months to June 2004)
2. Operating profit £332k compared to loss of (£5.2) million. (year to Dec 2004)
3. Strengthened Balance Sheet £8.3 million net assets from £1 million (at Jan 1 2005)
4. Continued growth in order book.
5. Launch of new products:
   Aerial Access
   Electric Vehicles

Tanfield Group Plc (TGL) is pleased to announce its unaudited interim results for the six month period to June 2005 and also takes the opportunity to comment on recent trading performance and future prospects.

Following the large scale restructuring in 2004 the financial results for the six months to June 2005 demonstrate strong growth, profitability and a robust balance sheet.

Turnover for the six month period grew to £10.4m which compares to £11.8m for the full year to December 2004 and £5.1m for the 6 months to June 2004. This follows significant organic growth in Tanfield Holdings, our engineering business, and the acquisition and subsequent growth of Smiths Electric Vehicles (SEV).

Operating profit for the period of £332k compares favourably to the loss of £(5.2)m in the year to December 2004 and the Group showed growth in its Gross margin, up from 23% in 2004 to 26% for the period.

This profitable growth underlines the benefits of the strategy for the Group as announced last year, to concentrate on value added engineering work with Blue chip customers together with the expansion of the OEM product ranges of Electric Vehicles and Aerial Access equipment. The results have been enhanced by the success of the operational strategy at the Tanfield site which has significantly reduced the unit cost of manufacture and improved output volumes. The Tanfield site now operates as a single, efficient manufacturing unit covering all the Group divisions.

The balance sheet has been significantly strengthened during the period with net assets at the end of June of £8.3m compared to £1m at the end of December 2004. We now have Net Current Assets of £2.8m compared to Net Current Liabilities of £1.7m at December 2004, and debt has reduced by £2.3m to stand at £2.3m at June 2005.

During the period a new £4m Group bank facility was implemented which not only increases the working capital facilities available to the Group but will also significantly reduce the cost of borrowing. Furthermore the Group has raised mortgage funding to allow it to acquire the long leasehold on two of its key buildings on the Tanfield site for a consideration of £1.16m. The relocation of the SEV manufacturing operation from its existing site at Gateshead to Tanfield is now complete.

Trading Update

Smiths Electric Vehicles:

The prior year acquisition of SEV Group has proved to be a success which the Directors believe has significantly increased the growth potential for the Group. As noted above the SEV operation is now integrated into the Tanfield site with consequent cost savings.

Aerial Access

The Aerial Access division has shown growth in both existing and new markets. More aggressive marketing of what was already a well respected product range has seen growth in both the United States and mainland Europe. Better distribution channels, new agents and improvements to the range have assisted this growth. Monthly output capacity of the Access Vehicles has increased from 12 vehicles to over 70 vehicles in the 11 months since SEV was acquired. Furthermore a new range of Aerial Access lifts based on a standardised build program with enhanced features and telescopic booms were launched this month. This product range has been well received by the market. We expect this will allow us to capture a larger market share in our target regions. Distribution of the product range will be increased over the next two months by appointing more agents in mainland and Eastern Europe.

Electric Vehicle

The most exciting development has been the significant growth in the order book for Electric Vehicles. The Group expects this division to demonstrate substantial growth in the future. We have won increased orders for vehicles in the airport, public and delivery sectors. A new electric delivery vehicle and a new range of electric tugs are to be launched in October 2005. The control technology on these vehicles will allow the Group to migrate into the 'donor vehicle' sector, whereby we use standard body shells from the commercial vehicle automotive sector and build in our electric drive and control systems, as well as continuing to promote the Group's own range of vehicles. The Directors believe that this will present a full electric delivery vehicle offering to the operators within closed urban environments.

Service and Maintenance

We are continuing to see further growth potential in the Service and Maintenance division based out of our nationwide chain of Depots. SEV currently has over 80 people employed in servicing and maintaining electric vehicles throughout the UK. As announced yesterday the potential for the Dairy Crest business is to more than double the size of this division. This gives existing and future buyers of electric vehicles the confidence that there is a high level of support for their fleets.

Norquip:
The acquisition of the Norquip business for £280k in May is already starting to bear fruit. This acquisition has increased our product offering, particularly in the airport sector, and allows the Group to integrate this product range with our Electric drive train. We have received orders for 4 vehicles and have a level of enquiries which if converted would generate £5m of sales.

Tanfield Holdings:
As mentioned above we have seen significant organic growth within the Tanfield Holdings engineering business. Concentration on the move away from simply manufacturing components towards assemblies and turnkey solutions has proved successful with a number of new Blue chip customers together with growth with existing customers. In addition, these orders offer a significantly higher proportion of value added work and hence higher margin. Tanfield Holdings monthly run rate has grown significantly during the first half year and we are confident of being able to grow further, particularly in the Health, Defence and Off Highway markets.

Summary

Following a year of large scale restructuring in 2004 and the strategic acquisitions of SEV Group and Norquip the Group is now demonstrating markedly improved profitable growth. We have a number of exciting new products in the Aerial Access and Electric Vehicle sectors which are soon to be launched and we are seeing continuing organic growth in all our chosen target markets. We are also now operating from a position of renewed financial strength.

I would like to take this opportunity to thank all our people for their efforts over the past 12 months and for the continuing support of all our stakeholders.

Roy Stanley
Chairman Tanfield Group plc

Tanfield Group PLC
Consolidated Profit and Loss Account
For the six months ended 30th June 2005

	Note	Unaudited 6 Months to 30th June 2005	Unaudited 6 Months to 30th June 2004	Audited Year ended 31 December 2004
		£	£	£
TURNOVER				
Existing Operations		10,273,809	5,099,812	10,686,989
Acquisitions	4	168,808	-	-
Continuing operations		10,442,617	5,099,812	10,686,989
Discontinued operations				1,077,750
		10,442,617	5,099,812	11,764,739
Cost of Sales				
-Exceptional cost of sales	5	-	-	(252,760)
-Other cost of sales		(7,738,591)	(2,048,032)	(8,766,955)
Total cost of sales		(7,738,591)	(2,048,032)	(9,019,715)
Gross Profit		2,704,026	3,051,780	2,745,024
Administrative Expenses				
-Exceptional administrative expenses	5	-	(1,642,560)	(1,859,000)
-Other administrative expenses		(2,372,314)	(3,624,232)	(6,061,473)
Total administrative expenses		(2,372,314)	(5,266,792)	(7,920,473)
OPERATING PROFIT/(LOSS)				
Existing Operations		332,807	(2,215,012)	(4,815,487)
Acquisitions	4	(1,096)	-	-
Continuing operations		331,712	(2,215,012)	(4,815,487)
Discontinued operations		-	-	(359,962)
OPERATING PROFIT/(LOSS)		**331,712**	**(2,215,012)**	**(5,175,449)**
Interest Receivable and similar income		97,938	15,216	18,916
Interest Payable and similar charges		(377,959)	(355,156)	(848,117)
PROFIT/(LOSS) ON ORDINARY ACTIVITES BEFORE TAXATION		**51,691**	**(2,554,952)**	**(6,004,650)**
Tax on loss on ordinary activities	2	-	-	38,446
RETAINED PROFIT/(LOSS) FOR FINANCIAL YEAR/PERIOD		**51,691**	**(2,554,952)**	**(5,966,204)**
Basic Profit/(loss) per ordinary share	6	**0.04p**	**(4.14)p**	**(4.49)p**
Diluted Earnings per share	6	**0.04p**	-	-

Tanfield Group PLC
Consolidated Balance Sheet
As at 30th June 2005

	Note	Unaudited 30 June 2005	Unaudited 30 June 2004	Audited 31 December 2004
FIXED ASSETS		**£**	**£**	**£**
Intangible Assets		5,591,208	4,425,751	5,236,731
Tangible Assets		3,752,421	1,415,801	2,332,537
		9,343,629	**5,841,552**	**7,569,268**
CURRENT ASSETS				
Stocks		3,921,418	769,277	2,417,395
Debtors		5,330,034	1,946,436	4,042,035
Cash at bank and in hand		1,015,972	3,188,503	8,745,702
		10,267,424	5,904,216	15,205,132
CREDITORS: amounts falling due within one year		(7,511,036)	(10,665,383)	(16,878,345)
NET CURRENT ASSETS/(LIABILITIES)		**2,756,388**	**(4,761,167)**	**(1,673,213)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,100,017**	**1,080,385**	**5,896,055**
CREDITORS: amounts falling due after more than one year				
Convertible Debt		(75,000)	(1,831,880)	(1,831,880)
Other Creditors		(2,690,193)	(1,270,901)	(1,547,641)
PROVISIONS FOR LIABILITIES AND CHARGES	**7**	(1,012,452)	(351,019)	(1,487,532)
		8,322,372	**(2,373,415)**	**1,029,002**
CAPITAL AND RESERVES				
Called Up Share Capital		1,818,616	617,347	1,327,847
Shares to be issued		162,304	298,706	298,706
Other reserve		-	111,150	111,150
Share Premium Account		25,301,685	12,528,605	18,631,774
Merger Reserve		1,614,740	1,533,740	1,533,740
Profit and Loss Account		(20,574,973)	(17,462,963)	(20,874,215)
TOTAL EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		**8,322,372**	**(2,373,415)**	**1,029,002**

Tanfield Group PLC
Consolidated Cash Flow Statement
For the six months ended 30th June 2005

	Note	Unaudited 6 Months to 30th June 2005	Unaudited 6 Months to 30th June 2004	Audited Year ended 31 December 2004
		£	**£**	**£**
Net cash outflow from operating activities	**8**	(2,354,329)	(757,133)	(2,614,290)
Returns on investments and servicing of finance		(460,021)	(339,939)	(601,201)
Taxation		0	0	0
Acquisitions and disposals		(328,818)	0	(2,541,354)
Capital expenditure & financial investment		(1,681,350)	184,751	8,910
Cash Outflow before financing		(4,824,518)	(912,321)	(5,747,935)
Financing		5,765,509	(483,090)	5,956,030
Increase/(Decrease) in cash in the period		**940,991**	**(1,395,411)**	**208,095**

NOTES

1. Basis of preparation

The financial statements for the six months ended 30 June 2005 have been neither audited nor reviewed, nor have the financial statements for the six months ended 30 June 2004. They have been prepared on a consistent basis using accounting policies set out in the Tanfield Group Plc statutory accounts for the period ended 31 December 2004.

The figures for the year ended 31 December 2004 do not constitute the company's statutory accounts for that period within the meaning of Section 240 of the Companies Act but have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors have reported on those accounts and that report was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

2. Taxation

The tax charge in the period is based on the anticipated effective rate of tax for the period to 31st December 2005.

3. Acquisitions

During the period the Group acquired the entire issued share capital of Clickhere Limited for a total initial consideration of £120,000. This comprised 900,000 ordinary shares with a nominal value of 1p each together with cash of £30,000. The provisionally assessed fair value of the net liabilities of the acquired company was £95,434 (including net overdraft of £18,018) and goodwill of £215,434 arose after the application of merger relief.

Also during the period the Group entered an agreement whereby it acquired the trade and certain assets of both Norquip Limited and Saxon Specialist Vehicles Limited from their parent Ennstone plc in exchange for cash consideration of £280,000. The directors have not yet completed their investigation into the fair value of all assets acquired although their provisional assessment is that intellectual property acquired has a fair value of £280,000, sundry stock items acquired have a fair value of £nil, and that no goodwill arose on acquisition. This assessment will be completed and updated as necessary within the annual accounts as allowed by FRS 7.

4. Segmental Information

SEGMENT INFORMATION

Classes of business

£'000	**Engineering**		**Vehicle Hire**		**Software Training**		**Graphical Imaging**		**Group**	
	6 mths Jun-05	**12 mths Dec-04**	**6 mths Jun-05**	**12 mths Dec-04**	**6 mths Jun-05**	**12 mths Dec-04**	**6 mths Jun-05**	**12 mths Dec-04**	**6 mths Jun-05**	**12 mths Dec-04**
Turnover										
Total Sales	10,553	11,483	927	406	171	34	12	134	11,662	12,057
Inter-segment sales	(1,220)	(292)	-	-	-	-	-	-	(1,220)	(292)
Sales to Third Parties	9,333	11,191	927	406	171	34	12	134	10,443	11,765
Finance charges (net)									(280)	(829)
Segment Profit/(Loss) before tax	368	(5,333)	118	143	(82)	(54)	(49)	(760)	355	
Common Costs									(303)	
Group Profit/(Loss before tax)									52	(6,004)
Net assets/(liabilities)	11,051	3,457	801	683	(728)	(591)	(2,802)	(2,520)	8,322	1,029

Common costs include goodwill and legal & professional charges which the directors do not believe can be allocated fairly across the segments.

The analyses presented above include the following amounts in respect of operations acquired during the 6 months to June 2005. The figures are all included within Software Training

Sales to third parties	£168,808
Loss before tax	£1,096
Net Liabilities	£96,230

The geographical analysis of turnover by destination is:

	6 Months to 30th June 2005 £	**Year ended 31st December 2004** £
United Kingdom	8,593,229	11,231,717
USA	1,374,812	271,757
Other European Countries	474,576	261,265
	10,442,617	11,764,739

5. Exceptional Items

	6 Months to 30th June 2005 £	6 Months to 30th June 2004 £	Year ended 31st December 2004 £
Exceptional cost of sales			
Stock Provision	-	-	252,760
Exceptional administrative costs			
Impairment of fixed assets	-	1,642,560	1,859,000

6. Profit/(Loss) per ordinary share

Basic Profit/(Loss) per share has been calculated using weighted average number of shares in issue during the relevant financial periods.

	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited 12 months ended 31 December 2004
Weighted average number of shares (no.)	146,563,869	**61,734,716**	72,209,946
Profit/(Loss) on ordinary activities after taxation (£)	51,691	**(2,554,952)**	(5,966,204)

The calculation of diluted earnings per share for the period ending 30 June 2005 is based upon a weighted average number of shares in issue of 147,261,709 after adjusting for 697,840 potentially dilutive ordinary shares arising from share options. No diluted loss per share was calculated for the periods ending 30 June 2004 or 31 December 2004 as the effect of outstanding share options and convertible debt was anti-dilutive.

7. Movement on provisions

PROVISIONS FOR LIABILITIES AND CHARGES

Group	**Warranty Provision** £	**Legal Reserve** £	**Onerous Lease** £	**Total** £
As at 1st January 2005	155,160	584,126	748,246	1,487,532
Utilised in period		(20,521)		(20,521)
(Released)/charged to profit and loss account		28,876	(483,435)	(454,559)
				0
As at 30th June 2005	155,160	592,481	264,811	1,012,452

8. Net cash outflow from operating activities

	Unaudited 6 months ended 30 June 2005	**Unaudited 6 months ended 30 June 2004**	**Audited 12 months ended 31 December 2004**
Operating profit/(loss) loss	331,712	(2,215,012)	(5,175,449)
Depreciation on tangible fixed assets	373,662	237,936	570,013
Impairment of tangible fixed assets	-	1,160,370	1,337,000
Amortisation of intangible fixed assets	140,957	154,791	235,548
Impairment of intangible fixed assets	-	-	-
(Profit)/Loss on disposal of tangible fixed assets	(104,586)	-	-
(Decrease)/Increase in provisions	(475,080)	(192,750)	283,602
(Increase)/Decrease in stocks	(1,504,023)	9,723	319,149
(Increase)/Decrease in debtors	(1,251,025)	(743,831)	(997,592)
Increase/(Decrease) in creditors	134,054	831,640	813,437
Net cash outflow from operating activities	(2,354,329)	(757,133)	(2,614,290)

Copies of this report are being forwarded to all shareholders and holders of the 2009 8.5% Convertible Loan Stock and further copies are available from the Company's Registered Office at Comeleon House, North Tanfield Industrial Estate, Tanfield Lea, Co Durham. DH9 9NX.