The Tanfield Group Plc

Interim Results

Six months to 30 June 2006

Tanfield Group is pleased to announce its unaudited interim results for the 6 month period to June 2006, and also takes the opportunity to comment on recent trading performance and future prospects.

Highlights:

Financial

- Turnover increased by almost 60% against H1 2005
- Significant pre-tax profit increase against H1 2005
- Net current assets quadrupled against year end 2005
- High organic growth in both key divisions
- Net assets doubled against year end 2005
- Gross profit margin maintained

Business

- Increase in rate of order intake
- Increase in acceptance of new electric vehicles.
- Restructuring of business divisions.
- Public sector assisted funding programme for fleet demonstration vehicles.
- Board changes
- New assembly facility

Chairman's Statement

The financial results for the six months to June 2006 demonstrate how the Group is building strongly on its improved performance in 2005, with an exceptional level of growth and maintained profitability.

Turnover for the six months grew by almost 60% to £16.5m from £10.4m in the equivalent period in 2005. This is almost entirely organic growth from continuing operations. The acquisition during this period (see UpRight below) was completed on June 9th 2006 and had limited impact on sales figures.

The highest growth area was the Zero Emission Vehicle division, where turnover for the six month period was £8.8m, against a full year figure in 2005 of £9.6m.

For the Powered Access segment, turnover rose to £3.1m in the 6 months to June, against a full year figure in 2005 of £4.4m.

The increase in turnover has been achieved while maintaining gross profit at 54%, (55% in the first 6 months of 2005). Profit before tax was £1.94m before restructuring costs, after goodwill write-off and depreciation, compared with £0.19m in the first half of 2005 and £1.69m for the full year ending December 31st 2005.

The balance sheet reflects the full impact of the acquisition of the Powered Access Division of Upright International Manufacturing Limited. The acquisition was structured as an Asset Purchased Agreement.

The assets purchased were current assets such as stock, WIP and debtors. The increases in those balances since December 31st 2005 largely result from the acquisition that took place at the end of the period. The net assets at the end of the period were £23.2m (£11.7m as at December 31st 2005). Net Current Assets were £12.3m (£2.5m at December 31st 2005).

At June 30th 2006, the company had £0.6m of cash balances while utilising only £0.7m of the £4m Group Banking facility. This headroom will be required to support the growth forecast. The gearing at June 30th was 9.2% (19.7% at December 31st 2005). Interest Cover at June 30th was 16 times (1.7 times at June 2005).

Trading Update:

Restructuring

To reflect the changes in the operational activities of certain areas of the business and maximise the synergies that exist within these areas, the Group is restructuring its activities into two specific business divisions, namely Zero Emission Specialist Vehicles and Powered Access equipment.

The Zero Emission Specialist Vehicles division will incorporate all of the Group's vehicle operations: Smith Electric Vehicles, Norquip, Jumbotugs and the SEV service network. The lead brand in this division will be Smith Electric Vehicles.

The Powered Access division will encompass the operations of Aerial Access, along with the newly-acquired UpRight Powered Access. The lead brand will be UpRight.

This strategy will allow us to focus on and invest in building on the strong brand equity that already exists in the customer bases for these lead brands, while also clearly defining the two main operational areas of the Group.

The Group's existing Engineering Division will increasingly become the key supplier to the two divisions and their sub-brands. We are already seeing a significant increase in the percentage of throughput from engineering destined for the group's OEM operations.

The acquisition of Upright brought Tanfield access to a supply chain utilising high volume supply from low cost regions. The Group will seek to exploit this in conjunction with the flexibility provided by its Engineering Division.

Zero Emission Specialist Vehicles

I am pleased to report continued growth in both the order book for this division and indeed greater market awareness and demand. The market drivers for the adoption of these products are stronger than ever.

This, allied to a further rise in oil pricing and the implementation of further congestion and pollution charging, is creating significant interest in the division's product portfolio.

Throughout the first six months of the year we have delivered vehicles to the airport, delivery and waste collection sectors, plus the public sector. These vehicles are all based on our Faraday platform, which has proved tremendously successful and has been well received by the end users.

Engineering and project work is progressing well on the complimentary products to Faraday, namely Edison our 3.5t electric van platform and Newton our 7.5t electric truck.

These products will utilise the Faraday drive line technology but be packaged into body shells sourced from the volume commercial vehicle sector. The first products from this new generation of vehicles will be delivered to TNT Express and TNT Logistics and will be launched in October 2006.

The adoption of these “donor” vehicle products, with the efficient integration methods we have developed, will allow us to considerably increase the build rate, in order to satisfy market demand.

The natural environment for an electric vehicle is one where the vehicle starts and ends its day at a depot location where it can be re-charged; and where it does less than 120 miles per day, often with a multitude of start-stops for deliveries.

Internet shopping and grocery delivery companies; food distribution; parcel, mail and logistics companies; and waste collection and recycling companies all operate significant fleets that fall within these parameters.

We have received orders from or are in negotiations with most of the major fleet operators such as Sainsbury’s, TNT, and Enterprise plc, all of whom recognise the efficacy and compelling financial case for the use of zero emission vehicles within a closed urban environment.

The airport sector globally is aware of the impact of its “in-air” activities on the environment and is therefore highly motivated to minimise emissions on ground-based operations. We are experiencing significant order intake and enquiries for the Group’s traditional airport product range; plus a high level of interest in utilising the Smith platform for all manner of aviation ground support vehicles

Growth in service and maintenance activity continues in line with the increased output in vehicles as well as new projects won to maintain vehicles within the dairy sector. The implementation phase of the Dairy Crest contract is now complete and this has expanded the number of our mobile service engineers to over 130 and the Group’s service depot locations to 17.

The Directors believe that this increased coverage will be invaluable in our efforts to win further new fleet sales of electric vehicles, as it gives tremendous confidence to existing and future electric vehicle purchasers that a significant infrastructure is in place to support and maintain their vehicles.

Tanfield is experiencing a high degree of interest in its zero emission products from companies and organisations overseas and is therefore considering carefully its options with regard to the potential for leveraging the Group’s products into other markets.

Fleet Demonstration Funding Programme

I am please to advise that we have structured an agreement with Cenex, a public-private partnership established to develop and encourage the adoption of low carbon technologies in the automotive sector, for the full funding of a demonstration fleet of 30 zero emission commercial vehicles. These vehicles will be used to seed the fleets of end users with significant potential volume requirements, to demonstrate the efficacy of electric commercial vehicles. This is a rolling programme that will be transitioned in to new vehicles as and when end users purchase the demonstration vehicles. This programme will significantly increase our demonstration fleet effectiveness and accelerate the sales process.

Powered Access

I am pleased to report that the acquisition of UpRight was completed on June 9th 2006 and has had a twofold positive impact. It has directly impacted on sales figures while also trebling the number of sales outlets for the Group’s existing Aerial Access brand.

UpRight is the third most recognised brand in powered access equipment globally and it is this significant brand equity that has allowed us to quickly develop the market for its products. The products are well recognised as market leaders and are complimentary to the existing Aerial Access products currently offered by the Group.

We have strengthened and reinvigorated distribution channels for the product range. Allied to the growth the Group had already achieved for Aerial Access distribution channels, this means there is a ready route to market for the combined powered access offering.

The sales and marketing function has been strengthened and we have commenced the first stage in an aggressive sales plan to grow the business.

As an example, the UpRight brand was recently re-launched in Spain, with new distributors and new sales management, and within the first week of operation we received orders from Spain in excess of £0.5m.

The acquisition and our plans for the business have been very well received by the market and this has allowed us to tap into significant latent demand for product. Additionally, we have been able to cross-sell other Group products into and through the UpRight distribution base.

Order intake has accelerated throughout the first months of ownership to the point where we are now experiencing a level four times that of the UpRight business at point of acquisition.

Our strategy is to reintroduce several of the historic product models and expand the range offered to the market – as well as offering derivative products and offering certain Aerial Access products under the UpRight brand.

We have also taken over the production of UpRight equipment at the vendor's facility in Ireland. This allows us to manage the transition of the production lines from Ireland to the North East of England. This process also allows us to manage and control the production of existing orders. It is testament to the capability of our operational team that we have been able to more than double throughput at this facility within three weeks of gaining control.

Tanfield Centre

We have signed a lease on a new 250,000 sq foot dedicated assembly facility - "Tanfield Centre" - close to the Group's existing facilities. To offset the cost of establishing this factory we have negotiated a rent-free period of 15 months and have been offered a £1.95 million grant from the local Regional Development Agency. The new facility will become the main site for the final assembly of all Group products, including those manufactured under the UpRight brand. This will provide scalability of its operations and allow us to deliver further rapid growth.

Board Changes

It is with pleasure that I announce two Board changes. The Board has appointed Darren Kell as Chief Executive of the Group and Brendan Campbell as Operations Director of the Group.

Over recent months, a number of senior management appointments have been made within the Group and its divisions. This means that there is now in place an experienced and enthusiastic team to manage and lead this dynamic and rapidly growing business. There is clear succession planning and strength in depth.

Summary

Following another period of significant growth and the successful organic profitable growth of the core businesses, we are now embarking upon a new phase in the Group's development.

The sectors in which we operate are exciting and dynamic and offer us tremendous potential for further profitable growth.

The acquisition of the UpRight business puts us firmly in the front ranks of the fast-growing powered access market and widens our opportunities globally through our operations in Japan and USA.

Our new production facility will allow us to fulfil market demand for the Group's products and operate more efficiently.

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

Roy Stanley,
Chairman

Tanfield Group PLC

Consolidated Income Statement

For six months ending 30th June 2006

	Notes	Unaudited 6 months to 30th June 2006 £000's	Unaudited 6 months to 30th June 2005 £000's	Audited Year ended 31 December2005 £000's
Revenue		16,494	10,443	22,431
Other operating income		-	-	42
Changes in inventories of finished goods and WIP		2,593	1,392	1,983
Raw materials and consumables used		(10,184)	(6,031)	(9,111)
Reversal of previously impaired assets		-	-	69
Staff costs		(5,385)	(4,489)	(9,049)
Depreciation and amortisation expense		173	(269)	475
Other operating expenses		(1,622)	(574)	(4,729)
Restructuring costs		(211)		
Profit from operations		1,858	472	2,109
Finance costs		(126)	(280)	(109)
Net Profit for Year		1,732	192	2,000
Income tax expense	2	-	-	(344)
Profit for the year from continuing operations		1,732	192	1,656
Discontinued operations				
Loss for period from discontinued operations		-	-	37
Net profit for the year		1,732	192	1,694
Earnings per share				
From continuing operations				
Basic	4	0.80p	0.13p	1.00p
Diluted		0.78p	0.12p	0.97p
From continuing and discontinued operations				
Basic		0.80p	0.13p	1.03p
Diluted		0.78p	0.12 p	0.99p

Tanfield Group PLC

Consolidated Balance Sheet
As at 30th June 2006

	Unaudited 30th June 2006 £000's	Audited 2005 £000's
ASSETS		
Non Current Assets		
Property, Plant and Equipment	4,113	4,015
Goodwill	5,143	5,143
Intangible Assets	4,183	3,213
	13,440	12,371
Current Assets		
Inventories	14,307	4,377
Trade and Other Receivables	8,191	5,701
Cash and Cash Equivalents	595	1,478
	23,092	11,555
TOTAL ASSETS	36,532	23,927
LIABILITIES		
Current liabilities		
Trade and Other Payables	7,957	5,511
Tax Liabilities	299	299
Obligations Under Finance Leases	366	631
Bank Loans and Overdrafts	695	1,048
Other Creditors	1,432	1,583
Provisions	-	-
	10,749	9,072
Non Current Liabilities		
Bank Loans	1,022	1,392
Other Creditors	198	212
Deferred Tax Liability	45	45
Obligations Under Finance Leases	653	723
Convertible Loan Notes	69	69
Provisions	615	661
	2,602	3,101
TOTAL LIABILITIES	13,351	12,173
Equity		
Share Capital	2,421	1,905
Share Premium Account	10,690	1,509
Share option reserve	308	308
Loan Stock Equity Reserve	6	6
Merger Reserve	1,534	1,534
Capital Reduction Reserve	7,228	7,228
Profit And Loss Account	994	(737)
Total Equity	23,181	11,753
Total Equity & Liabilities	36,532	23,926

Tanfield Group Plc

Consolidated Cash Flow Statement

For the six months ending 30th June 2006

	Note	Unaudited 6 months to 30th June 2006 £000's	Unaudited 6 months to 30th June 2005 £000's	Audited Year Ended 31 December 2005 £000's
Operating Activities				
Cash used in operations	6	(2,324)	(2,355)	(1,990)
Interest paid		(126)	(558)	(207)
Tax paid		-	-	-
Net Cash from Operating activities		(2,450)	(2,912)	(2,197)
Investing Activities				
Acquisitions		(6,523)	(329)	(324)
Purchase of property, plant and equipment		(548)	(1,681)	(2,562)
Proceeds from sale of property, plant and equipment				
Purchase of intangible fixed assets		-	-	(1,488)
Interest received		-	98	98
Net cash used in investing activities		(7,071)	(1,912)	(4,276)
Financing Activities				
Issue of ordinary share capital		9,696	5,323	6,886
Repayment of bank loans		(331)	686	742
Capital element of finance leases		(335)	(244)	(121)
Net cash used in financing		9,030	5,766	7,507
Net Increase/(Decrease) in Cash and Cash Equivalents		(491)	941	1,034
Cash and cash Equivalents at beginning of Year		960	(74)	(74)
Cash and Cash equivalents at end of the year		469	866	960

Tanfield Group PLC

Consolidated Statement of Changes in Equity

For the six month period ended 30th June 2006

	Attributable to equity holders of the company							
	Share capital	**Share Option Reserve**	**Share Premium**	**Capital Reduction Reserve**	**Loan Stock Reserve**	**Merger Reserve**	**Profit and Loss Account**	**Total Equity**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Balance at 1 January 2006	1,905	308	1,509	7,228	6	1,534	(737)	11,753
- prior period adjustments							-	-
- as restated	1,905	308	1,509	7,228	6	1,534	(737)	11,753
Exercise of share options	15	-	14	-		-	-	30
Net gains/(losses) not recognised in the income statement								-
Issue of new share capital	500		9,166	-		-	-	9,666
Capital Reduction			-	-	-		-	-
Conversion of convertible loan notes	-		-	-	-	-	-	-
Shares issued for consideration	-		-	-		-	-	-
Net profit for the year	-		-	-		-	1,732	1,732
Dividends								
Balance at 30 June 2006	**2,421**	**308**	**10,690**	**7,228**	**6**	**1,534**	**994**	**23,181**

For the six month period ended 30th June 2005

	Attributable to equity holders of the company							
	Share capital	**Share Option Reserve**	**Share Premium**	**Capital Reduction Reserve**	**Loan Stock Reserve**	**Merger Reserve**	**Profit and Loss Account**	**Total Equity**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Balance at 1 January 2005	1,328	410	18,632	-	170	1,534	(20,717)	1,356
- prior period adjustments							78	78
- as restated	1,328	410	18,632	-	170	1,534	(20,639)	1,434
Exercise of share options	7	(136)	-	-		-	248	118
Net gains/(losses) not recognised in the income statement								-
Issue of new share capital	275		5,089	-		-	-	5,364
Capital Reduction			-	-	-		-	-
Conversion of convertible loan notes	200		1,581	-	(163)	-	-	1,618
Shares issued for consideration	9		81	-		-	-	90
Net profit for the year	-		-	-		-	192	192
Dividends								
Balance at 30 June 2005	**1,819**	**273**	**25,383**	**-**	**6**	**1,534**	**(20,199)**	**8,816**

NOTES

1. Basis of preparation

The financial statements for the six months ended 30 June 2006 have been neither audited nor reviewed, nor have the financial statements for the six months ended 30 June 2005. 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 2005.

The figures for the year ended 31 December 2005 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 30th June 2006.

3. Business and Geographical Segment Information

	Powered Access Platforms £000's	**Zero Emission Vehicles £000's**	**Engineering £000's**	**Consolidated £000's**
Revenue				
External Sales	3,128	8,883	4,483	16,494
Inter-segment sales				
Total revenue	3,128	8,883	4,483	16,494
Result				
Segment Result before restructuring	367	1,279	423	2,068
Restructuring Costs	211	-	-	211
Segment Result	156	1,279	423	1,858
Unallocated corporate expenses	-	-	-	-
Profit from operations	156	1,279	423	1,858
Finance costs	24	68	34	126
Profit before tax	132	1,211	388	1,732
Income tax expense	0	-	0	0
Profit after tax	132	1,211	388	1,732
Other information				
Capital additions	1,243	415	68	1,726
Depreciation and amortisation	(355)	433	94	173
Impairment losses recognised in income	0	0	0	0
Balance Sheet				
Assets:				
Segment assets	16,062	10,558	9,587	36,207
Consolidated total assets	16,062	10,558	9,587	36,207
Liabilities:				
Segment Liabilities	3,542	5,610	3,874	13,026
Consolidated total liabilities	3,542	5,610	3,874	13,026

4. Earnings per share

Including discontinuing operations

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

Earnings	6 months ended 30/06/2006	6 months ended 30/06/2005	Year Ended 31/12/2005
Earnings for the purposes of basic earnings per share	1,732	192	1,694
Effect of dilutive potential ordinary shares:	14	14	14
- interest on convertible loan notes			
Earnings for the purposes of diluted earnings per share	1,718	179	1,680
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	216,053,300	146,563,869	165,038,027
Convertible Loan Notes	789,474	789,474	789,474
Share Options	2,928,671	3,057,342	4,057,342
Weighted average number of ordinary shares for the purposes of diluted earnings per share	219,771,444	150,410,684	168,884,843

From continuing operations

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

Earnings	Year Ended 31/12/2006	Year Ended 31/12/2006	Year Ended 31/12/2005
Earnings for the purposes of basic earnings per share	1,732	192	1,656
Effect of dilutive potential ordinary shares:	14	14	14
- interest on convertible loan notes			
Earnings for the purposes of diluted earnings per share	1,718	179	1,642
Earnings per share from continuing operations			
Basic	0.80p	0.13p	1.00p
Diluted	0.78p	0.12p	0.97p

5. Acquisition.

On 8th June 2006, the Group acquired the PartsRight business and the UpRight brand of powered access equipment from Upright International Manufacturing a consideration of £6.8m. This has been accounted for by the purchase method of accounting.

	Fair Value 2006
Net Assets Acquired	£'000s
Inventories	5,497
Debtor Book	1,004
Order Book	327
Other Intangible Assets	533
IPR	347
	7,708
Goodwill	(860)
Total Consideration	6,848
Satisfied by :	
Cash	6,848
Net cash outflow arising on acquisition	6,848

6. Reconciliation of profit from operations to net cash used in operating activities

	6 months to 30th June 2006	6 months to 30th June 2005	Year Ended 31 December 2005
	£000's	£000's	£000's
Operating Activities			
Profit before tax and interest expense	1,858	472	2,147
Depreciation of property, plant and equipment	450	374	742
Write off of negative goodwill	(860)	-	(1,356)
Impairment of property, plant and equipment	-	-	-
Amortisation of intangible fixed assets	238	-	159
(Profit)/Loss on disposal of fixed assets	-	(105)	102
(Increase)/decrease in debtors	(1,487)	(1,251)	(1,622)
(Decrease)/Increase in creditors	1,957	134	205
(Decrease)/Increase in provisions	(46)	(475)	(787)
(Increase)/decrease in inventories	(4,434)	(1,504)	(1,579)
Net Cash from Operating activities	(2,324)	(2,355)	(1,990)

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.