The Tanfield Group Plc

(“Tanfield”, “Group”, or “the Company”)

Interim Results for the six month period to 30 June 2011

29 September 2011

The Tanfield Group Plc, a leading manufacturer of aerial work platforms, announces its unaudited interim results for the six month period ended 30 June 2011.

- Global aerial lift market recovering
- Turnover increased to £24.6m (H1 2010: £19.6m / H2 2010: £23.8m)
- Operating losses reduced to £7.0m (H1 2010: Operating loss: £7.7m / H2 2010 Operating loss: £8.1m)
- Net cash at 30 June of £4.7m (31 December 2010: £3.6m)
- Order book at 30 June of £20.9m (31 December 2010: £7.7m)
- Supply chain capabilities limiting rate of growth

Darren Kell, CEO of Tanfield, said: "Global demand for aerial work platforms is returning, driven by major fleet operators replacing ageing equipment. However, this has created bottlenecks as the supply chain struggles to restore the capacity it lost during the protracted downturn.

“Our order book rose 170% over the first half year and has improved further since the half year end. We are working hard to resolve the supply chain issues so that we can bring orders through to sales at a faster rate and take the business back to profitability."

Further information:

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Summary

Trading for the first half was in line with the Board's expectations, with turnover increasing 25 per cent to £24.6 million, compared to £19.6 million in the same period last year. Net cash improved to £4.7m (31 December 2010: £3.6 million). The order book at 30 June 2011 stood at £20.9m, a 170% improvement since the last period (31 December 2010: £7.7m).

The increase in demand is largely driven by Snorkel customers replacing ageing equipment, plus the strength of the Snorkel brand’s international distributor network. Given the capacity that has been removed from the market during the downturn, even this replacement is enough to absorb the available capacity. As a result, pricing has improved and margins have increased.

Order intake has continued to exceed sales in spite of increased lead times for many products. Lead times have increased owing to a combination of supply chain issues and careful management of our working capital. The global supply chain to the aerial lift industry is still rebuilding capacity that it lost during the downturn. Certain supply chain partners were able to accommodate our increasing demand in the first half, from their built up inventory and stock – however, once exhausted, it became clear that many were in turn facing their own supply chain issues and working capital constraints. The fragile condition of many suppliers, post market recovery, has resulted in shorter payment terms, putting increased pressure on the Company's working capital. The Company is therefore controlling its growth rate to ensure that it has sufficient working capital to fund the growth. This slower, controlled growth rate will extend the time taken for the Company to reach break even. The Board expects this scenario to continue throughout the second half of 2011.

Snorkel – The Powered Access Market

The worldwide economic recession led to significantly reduced demand for aerial work platforms across the industry's main markets of North America and Western Europe. The extended moratorium on capital expenditure within our customer base meant that many companies did not purchase equipment for a number of years. Clearly this situation was unsustainable as the equipment wears out and must be renewed in order to maintain an acceptable standard and competitive fleet age. Recovery in our markets is now therefore being driven by fleet replacement, rather than fleet expansion. True market growth is expected to return once increased demand within the non-residential construction and facilities maintenance markets increases the utilisation of equipment beyond acceptable parameters. The Company is preparing for that tipping point.

We are making gains in China, where we now produce several all-electric lifts for the local market. The construction boom in Brazil represents a significant opportunity to increase our presence in Latin America and we have recently appointed our first agent in this important market.

Following the completion of the re-brand and harmonisation of our UpRight Powered Access division, the Snorkel brand is now firmly established and has been fully embraced by our distributor network. Our engineers are engaged in a new product design programme that improves commonality of parts across our volume products and combines Snorkel's durability with enhanced machine performance.

Snorkel continues to attract high quality companies to act as its distributors. During the period, for example, we appointed the multi-billion euro Enka group as our distributor in Turkey.

Funding

Net cash improved by £1.1m during the six months to £4.7m at 30 June 2011 and we remain focused on the optimisation of our working capital.

Dividends

Given the focus on cash preservation, the Board has not declared a dividend for the period.

Outlook

Overall, the Board expects the trading performance in the second half of 2011 to be similar to the first half. Global demand for aerial work platforms is returning, driven by major fleet operators replacing ageing equipment. However, this has created bottlenecks as the supply chain struggles to restore the capacity it lost during the protracted downturn. Our order book rose 170% over the first half year and has improved further since the half year end. We are working hard to resolve the supply chain issues so that we can bring orders through to sales at a faster rate and take the business back to profitability.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDING 30 JUNE 2011

	Six months to 30 Jun 11 (unaudited) £000's	Six months to 30 Jun 10 (unaudited) £000's	Year to 31 Dec 10 (audited) £000's
Continuing operations			
Revenue	24,633	19,653	43,500
Changes in inventories of finished goods and WIP	(5,610)	(4,272)	(7,689)
Raw materials and consumables used	(12,464)	(9,582)	(27,025)
Staff costs	(8,577)	(7,401)	(14,747)
Depreciation and amortisation expense	(806)	(892)	(1,745)
Other operating expenses	(4,206)	(5,166)	(8,121)
Loss from continuing operations before impairments	**(7,030)**	**(7,660)**	**(15,827)**
Share of results of associates	-	-	-
Impairment of Receivables	-	-	(650)
Loss from continuing operations after impairments	**(7,030)**	**(7,660)**	**(16,477)**
Finance costs	(565)	(185)	(294)
Interest receivable	264	36	108
Net finance expense	**(301)**	**(149)**	**(186)**
Loss before taxation	**(7,331)**	**(7,809)**	**(16,663)**
Taxation	(58)	(34)	(1,950)
Loss for the period from continuing operations	**(7,389)**	**(7,843)**	**(18,613)**
Discontinued operations			
Loss for the period from discontinued operations	-	(2,162)	(5,375)
Profit on disposal of discontinued operations	173	-	-
Net loss for the period	**(7,216)**	**(10,005)**	**(23,988)**
Attributable to:			
Owners of the parent	(7,216)	(9,960)	(23,986)
Non-controlling interest	-	(45)	(2)
Earnings per share from continuing operations			
Basic (pence)	(7.7)	(13.2)	(29.8)
Diluted (pence)	(7.7)	(13.2)	(29.8)

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	30 Jun 11 (Unaudited) £000's	30 Jun 10 (Unaudited) £000's	31 Dec 10 (Audited) £000's
Non current assets			
Goodwill	-	356	-
Intangible assets	5,124	13,066	5,546
Property, plant and equipment	3,531	4,896	3,879
Deferred tax assets	-	1,915	-
Associate	-	-	-
Deferred consideration receivable	1,405	-	-
Trade and other receivables	250	900	250
	10,310	21,133	9,675
Current assets			
Inventories	23,458	39,720	25,408
Trade and other receivables	10,855	12,528	10,510
Investments	417	451	395
Current tax assets	11	72	11
Deferred consideration receivable	3,575	-	-
Cash and cash equivalents	4,682	2,228	3,637
	42,998	54,999	39,961
Assets classified as held for sale	-	-	13,194
	42,998	54,999	53,155
Total assets	**53,308**	**76,132**	**62,830**
Current liabilities			
Trade and other payables	13,235	16,757	11,293
Provisions	327	598	272
Tax liabilities	95	79	83
Obligations under finance leases	98	417	197
Other creditors	-	2,534	2,294
	13,755	20,385	14,139
Liabilities directly associated with assets classified as held for sale	-	-	3,832
	13,755	20,385	17,971
Non-current liabilities			
Obligations under finance leases	-	-	-
Deferred tax liabilities	375	375	375
	375	375	375
Total liabilities	14,130	20,760	18,346
Equity			
Share capital	4,727	3,704	4,704
Share premium	2,346	-	827
Share option reserve	1,764	1,764	1,764
Special reserve	66,837	66,837	66,837
Merger reserve	1,534	1,534	1,534
Translation reserve	11,800	10,164	11,432
Profit and loss account	(49,827)	(28,585)	(42,611)
Equity attributable to the owners of the parent	**39,181**	**55,418**	**44,487**
Non controlling interests	(3)	(46)	(3)
Total equity and total liabilities	**53,308**	**76,132**	**62,830**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDING 30 JUNE 2011

	Six months to 30 Jun 11 (unaudited) £000's	Six months to 30 Jun 10 (unaudited) £000's	Year to 31 Dec 10 (audited) £000's
Continuing operations			
Loss before interest and taxation	(6,857)	(7,660)	(16,477)
Depreciation and amortisation	806	892	1,745
Profit on disposal of discontinued operations	(173)	-	-
Loss on disposal of fixed assets	-	-	23
Impairment of receivables	-	-	650
Operating cash flows before movements in working capital	**(6,224)**	**(6,768)**	**(14,059)**
(Increase) decrease in receivables	(441)	198	611
Increase (decrease) in payables	2,563	(305)	(2,656)
Increase (decrease) in provisions	55	73	(28)
Decrease in inventories	1,561	3,133	13,111
Net cash (used in) operations – continuing operations	**(2,486)**	**(3,669)**	**(3,021)**
Discontinued operations			
Loss before interest and taxation	-	(2,159)	(5,369)
Depreciation and amortisation	-	562	655
Loss on disposal of fixed assets	-	-	11
Operating cash flows before movements in working capital	**-**	**(1,597)**	**(4,703)**
(Increase) decrease in receivables	-	(556)	1,194
Increase (decrease) in payables	-	714	(197)
Increase in provisions	-	-	300
Decrease in inventories	-	2,543	3,410
Net cash from operations – discontinued operations	**-**	**1,104**	**4**
Cash used in operations	**(2,486)**	**(2,565)**	**(3,017)**
Interest paid	(143)	(188)	(300)
Income taxes (paid) received	(37)	-	80
Net cash used in operating activities	**(2,666)**	**(2,753)**	**(3,237)**
Cash flow from Investing Activities			
Purchase of property, plant and equipment	(79)	(59)	(313)
Deferred consideration received	3,774	-	-
Purchase of investments	(32)	(143)	(70)
Purchase of intangible fixed assets	(1)	(136)	(375)
Exclusivity agreement cash received	-	-	491
Interest received	123	36	108
Net cash (used in) from investing activities	**3,785**	**(302)**	**(159)**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares net of costs	-	-	1,827
Repayments of obligations under finance leases	(97)	(227)	(458)
Net cash (used in) from financing activities	**(97)**	**(227)**	**1,369**
Effect of exchange rate changes on cash and cash equivalents	23	96	250
Net increase (decrease) in cash and cash equivalents	**1,045**	**(3,186)**	**(1,777)**
Cash and cash equivalents at the start of year	3,637	5,414	5,414
Cash and cash equivalents at the end of the year	**4,682**	**2,228**	**3,637**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the parent									
	Share capital £000's	Share premium £000's	Shares option reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Special reserve £000's	Translation reserve £000's	Retained earnings £000's	Non-controlling interests £000's	Total £000's
For the six month period ended 30 June 2011										
Balance at 1 January 2011	**4,704**	**827**	**1,764**	**1,534**	**-**	**66,837**	**11,432**	**(42,611)**	**(3)**	**44,484**
Comprehensive income										
Loss for the period	-	-	-	-	-	-		(7,216)	-	(7,216)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	368	-	-	368
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**368**	**-**	**-**	**368**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**368**	**(7,216)**	**-**	**(6,848)**
Transactions with owners in their capacity as owners:-										
Issue of shares	23	1,519	-	-	-	-	-	-	-	1,542
At 30 June 2011	**4,727**	**2,346**	**1,764**	**1,534**	**-**	**66,837**	**11,800**	**(49,827)**	**(3)**	**39,178**
For the six month period ended 30 June 2010										
Balance at 1 January 2010	**3,704**	**-**	**1,764**	**1,534**	**-**	**66,837**	**8,923**	**(18,625)**	**(1)**	**64,136**
Comprehensive income										
Loss for the period	-	-	-	-	-	-	-	(9,960)	(45)	(10,005)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	1,241	-	-	1,241
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,241**	**-**	**-**	**1,241**
Total comprehensive income for the year	-	-	-	-	-	-	1,241	(9,960)	(45)	(8,764)
At 30 June 2010	**3,704**	**-**	**1,764**	**1,534**	**-**	**66,837**	**10,164**	**(28,585)**	**(46)**	**55,372**
For the twelve month period ended 31 December 2010										
Balance at 31 December 2009	**3,704**	**-**	**1,764**	**1,534**	**-**	**66,837**	**8,923**	**(18,625)**	**(1)**	**64,136**
Comprehensive income										
Loss for the year	-	-	-	-	-	-		(23,986)	(2)	(23,988)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	2,509	-	-	2,509
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,509**	**-**	**-**	**2,509**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,509**	**(23,986)**	**(2)**	**(21,479)**
Transactions with owners in their capacity as owners:-										
Issue of shares	1,000	827	-	-	-	-	-	-	-	1,827
At 31 December 2010	**4,704**	**827**	**1,764**	**1,534**	**-**	**66,837**	**11,432**	**(42,611)**	**(3)**	**44,484**

1 Basis of preparation

The consolidated Interim Report of the Group for the six months ended 30 June 2011 has been prepared in accordance with AIM Rule 18 and not in accordance with IAS 34 "Interim Financial Reporting" therefore it is not fully in compliance with IFRS.

The half year report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 December 2010 which is available on request from the Group's registered office, Vigo Centre, Birtley Road, Washington, Tyne and Wear NE38 9DA or can be downloaded from the corporate website www.tanfieldgroup.com.

2 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

LOSS PER SHARE

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

Number of shares

	Six months To 30 Jun 11	Six months to 30 Jun 10	Year to 31 Dec 10
Weighted average number of shares in thousands			
Basic	**94,234**	**75,552**	**80,183**
Potential dilutive ordinary shares from share options	1,792	164	143
Total diluted	**96,026**	**75,716**	**80,326**

Earnings

From continuing and discontinuing operations			
Earnings for the purposes of basic earning per share	**(7,216)**	**(9,960)**	**(23,986)**
Potential dilutive ordinary shares from share options	**-**	**-**	**-**
Earnings for the purposes of diluted earnings per share	**(7,216)**	**(9,960)**	**(23,986)**
From continuing operations			
Earnings for the purposes of basic earning per share	**(7,216)**	**(9,960)**	**(23,986)**
Adjustment to exclude the loss for the period from discontinued operations	-	2,162	5,375
Earnings for the purposes of diluted earnings per share	(7,216)	7,798	(18,611)
Adjustment for one off items:			
Impairments	-	-	650
Profit on disposal of discontinued operations	(173)	-	-
Loss for the purposes of loss per share before one off items	**(7,389)**	**(7,798)**	**(17,961)**
Loss per share from continuing operations			
Basic loss per share (pence)	(7.7)	(13.2)	(29.8)
Diluted loss per share (pence)	(7.7)	(13.2)	(29.8)
Loss per share from continuing operations before one off items			
Basic loss per share before one off items (pence)	(7.8)	(10.3)	(22.4)
Diluted loss per share before one off items (pence)	(7.8)	(10.3)	(22.4)

IAS33 defines dilution as a reduction in earnings per share or an increase in loss per share resulting from the assumption that options are exercised. As the potential dilutive ordinary shares from share options reduce the loss per share these share are omitted from the dilutive loss per share calculation.