

Tanfield Group Plc

Interim Results for the six months ended 30 June 2004

Tanfield Group Plc (“Tanfield”) the technical solutions and manufacturing group, is pleased to announce its interim results for the six months ended 30 June 2004. The Directors also take this opportunity to outline the continuing strategy of Tanfield and developments within the business as it moves from being a sub-contract business with a short horizon order book to being a business focussed on delivered assemblies with longer term visibility of earnings, higher margins and a higher degree of lock in with customers and partners.

Summary of Key Developments:

Ongoing divestment of lower margin business

In line with the strategy outlined in the announcement of the end of year results in March the Group is continuing to exit the supply of automotive components. This has involved an exceptional write off of £1.64 million in the interim results. The turnover from this business has been replaced by higher added value assembly and sub assembly solution contracts elsewhere within the Group.

Growth in order book

The Group’s order book at the end of the period was over double the size that it was at the same time last year. The value of a number of existing contracts has increased and the Group has been successful in winning new business during the period.

Health Sector

The contract that was announced on 21 April 2004 in respect of goods for the National Health Service has risen from a minimum value of £0.9 million in the first year to £ 2.25 million. A five year single source supply agreement has been signed. It is expected that the contract size will increase over the next four years. Deliveries on this contract have commenced.

Defence Sector

Tanfield has been nominated as single supplier to a major customer who has been awarded a contract with the US Defence Department. The prototype phase of this contract will be worth £0.5 million in 2005 and is expected to increase substantially from 2006 thus driving a major step change in the overall size of our business. The Directors anticipate that the contract will run for at least 10 years.

In addition, the contract that was announced on 7 April 2004 in respect of goods for the defence sector has risen in contracted minimum value from £1.63 million to £3.4 million. Production commenced in June 2004 and is expected to continue until July 2005. Tanfield has also won a new contract from this customer worth a minimum of £1.4 million, which is expected to commence in November 2004.

The Group has been successful in winning further orders valued at over £1 million per annum over three years for a range of assemblies for several new fighting vehicles.

Industrial Vehicle Sector

A customer in the industrial vehicles sector has increased their build rate resulting in an increase in scheduled annual business to Tanfield Group from £1.2 million to £2.5 million per annum. Tanfield Group has also won a contract in a further outsourcing project for this customer starting in January 2005.

Another division of this customer has nominated Tanfield Group as their global supplier of an assembled telelift basket. The schedule on this contract runs to 2008 and currently has an annual value of over £2.5 million. Deliveries of this product have begun.

Power Generation Sector

The Group has won a contract to supply fabricated power generation assemblies to a UK multi national company. This is a five year contract with an annual value of at least £2 million. Tanfield is currently dealing with further enquiries from this company.

Acquisition

The Directors are in the final stages of completing the legal documentation relating to the proposed acquisition, which was referred to in the announcement released by the Company on 31 August 2004, and it is expected that a further announcement will be made in the near future.

Other developments

The interim results for the six months ended 30 June 2004 reflect a business, which has been successfully in transition. The Group has only been in existence in its current form for nine months and great progress has been made. The growth strategy has involved a major training and recruitment programme and a sacrificing of margin during the period to bring on new contracts. The number of people employed by us has grown from 160 to 230 during the period, in line with the order book and sales growth of the business. The business is currently trading well and in line with expectations.

Chairman's Comment:

Commenting on this announcement, Jon Pither, Chairman of Tanfield said:

“The growth in the order book and developments in Tanfield over recent periods provide a solid base for growth of the enlarged business.”

Roy Stanley, CEO
30 September 2004

TANFIELD GROUP PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30th June 2004

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 31 March 2003	Audited 15 months ended 31 December 2003
Note	£	£	£
TURNOVER	5,099,812	2,022,896	2,854,037
Cost of sales	(2,048,032)	(2,976,445)	(3,855,248)
Gross profit/(loss)	3,051,780	(953,549)	(1,001,211)
-Exceptional administrative expenses – lease exit costs	(482,190)	-	-
-Exceptional administrative expenses – impairment of fixed assets	(1,160,370)	-	(1,869,001)
Other administrative expenses	(3,624,232)	(3,157,134)	(4,008,557)
Total administrative expenses	(5,266,792)	(3,157,134)	(5,877,558)
Other operating income	-	25,046	-
OPERATING LOSS	(2,215,012)	(4,085,637)	(6,878,769)
Interest receivable and similar income	15,216	1,914	36,275
Interest payable and similar charges	(355,156)	(49,767)	(145,799)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(2,554,952)	(4,133,490)	(6,988,293)
Tax on loss on ordinary activities	-	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(2,554,952)	(4,133,490)	(6,988,293)
Equity minority interest	-	-	-
RETAINED LOSS FOR THE FINANCIAL YEAR/PERIOD WITHDRAWN FROM RESERVES	(2,554,952)	(4,133,490)	(6,988,293)
Basic loss per ordinary shares	3 (4.14p)	(27.01p)	(45.08p)

All activities derived from continuing operations.

TANFIELD GROUP PLC
CONSOLIDATED BALANCE SHEET
As at 30th June 2004

	Unaudited 30 June 2004	Unaudited 31 March 2003	Audited 31 December 2003
	£	£	£
FIXED ASSETS			
Intangible assets	4,425,751	692,937	4,556,411
Tangible assets	1,415,801	1,390,325	2,962,325
	5,841,552	2,083,262	7,518,736
CURRENT ASSETS			
Stocks	769,277	192,788	779,000
Debtors	1,946,436	588,867	1,228,057
Cash at bank and in hand	3,188,503	930,251	3,171,604
	5,904,215	1,711,906	5,178,661
CREDITORS: amounts falling due within one year	(10,665,328)	(988,372)	(8,554,196)
NET CURRENT (LIABILITIES) / ASSETS	(4,761,167)	723,534	(3,375,535)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,080,385	2,806,796	4,143,201
CREDITORS: amounts falling due after more than one year	(3,102,781)	(1,007,751)	(3,417,895)
PROVISION FOR LIABILITIES AND CHARGES	(351,019)	-	(543,769)
	(2,373,415)	1,799,045	181,537
CAPITAL AND RESERVES			
Called up share capital	617,347	153,021	617,347
Shares to be issued	298,706	555,469	298,706
Other reserve	111,150	111,150	111,150
Share premium account	12,528,605	12,416,999	12,528,605
Merger reserve	1,533,740	615,614	1,533,740
Profit and loss account	(17,462,963)	(12,053,208)	(14,908,011)
TOTAL EQUITY SHAREHOLDERS' (DEFICIT) / FUNDS	(2,373,415)	1,799,045	181,537

TANFIELD GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June 2004

	Note	Unaudited 6 months ended 30 June 2004 £	Unaudited 6 months ended 31 March 2003 £	Audited 15 months ended 31 December 2003 £
Net cash outflow from operating activities	4	(757,133)	(1,687,421)	(2,009,152)
Returns on investments and servicing of finance		(339,939)	(47,853)	(109,524)
Taxation		-	24,679	24,679
Acquisitions and disposals		-	-	(2,328,817)
Capital expenditure & financial investment		184,751	(168,864)	(155,483)
Cash outflow before financing		(912,321)	(1,879,459)	(4,578,297)
Financing		(483,090)	(176,024)	1,309,989
Decrease in cash in the period		(1,395,411)	(2,055,483)	(3,268,308)

NOTES

1. Basis of preparation

The financial statements for the six months ended 30 June 2004 have been neither audited nor reviewed, nor have the financial statements for the six months ended 31 March 2003. 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 2003.

The figures for the 15 months ended 31 December 2003 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act and have been delivered to 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; it did however contain an explanatory paragraph.

2. Taxation

The tax charge in the period is based on the anticipated effective rate of tax for the year ended 31 December 2004.

3. Loss per ordinary share

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 2004	Unaudited 6 months ended 30 March 2003	Audited 15 months ended 31 December 2003
Weighted average number of shares	61,734,716	15,302,104	15,501,846
Loss on ordinary activities after taxation (£)	2,554,953	4,133,490	6,988,292

4. Net cash outflow from operating activities

	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 March 2003	Audited 15 months ended 31 December 2003
Operating loss	(2,215,012)	(4,085,637)	(6,878,768)
Depreciation on tangible fixed assets	237,936	1,118,729	753,424
Impairment of tangible fixed assets	1,160,370	-	1,196,934
Amortisation of intangible fixed assets	154,791	158,584	11,270
Impairment of intangible fixed assets	-	-	672,067
Loss on disposal of tangible fixed assets	-	-	488,951
(Decrease)/Increase in provisions	(192,750)	-	309,769
Decrease/(Increase) in stocks	9,723	326,591	326,797
Decrease/(Increase) in debtors	(743,831)	4,091,167	4,606,657
(Decrease)/Increase in creditors	831,640	(3,296,855)	(3,496,253)
Net cash outflow from operating activities	(757,133)	(1,687,421)	(2,009,152)

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.