TANFIELD GROUP PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Registered in England & Wales
Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2008

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DIRECTORS, ADVISERS AND OFFICERS

DIRECTORS

Executive

DS Kell	Chief Executive
CD Brooks	Finance Director
BJ Campbell	Managing Director Powered Access
GE Allison	Managing Director Zero Emission Vehicles

Non-executive

RRE Stanley	Chairman
Dr JN Bridge	Non executive Director
M Groak	Non executive Director
C Billiet	Non executive Director

SECRETARY

CD Brooks

REGISTERED OFFICE

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

AUDITORS

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

SOLICITORS

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

NOMINATED ADVISOR

Arbuthnot Securities
Arbuthnot House
20 Ropemaker St
London
EC2Y 9AR

NOMINATED BROKERS

Arbuthnot Securities
Arbuthnot House
20 Ropemaker St
London
EC2Y 9AR

REGISTRARS

Capita IRG plc
Bourne House
34 Beckenham
BR3 4TH

FINANCIAL AND BUSINESS REVIEW

Financial Highlights

- Turnover: £146m, +18% (2007: £123m)
- Profit before exceptional items: £1.7m (2007: £12.8m)
- Net cash at year end £11.1m
- Impairment of goodwill, intangibles, inventory and receivables of £89.6m
- Loss after impairment £88.5m

Corporate Highlights

- 30% cost base reduction in 2008
- Further 27% cost base reduction in 2009
- Strong balance sheet remains after impairments
- US joint venture and customers

Chairman's Statement

After a profitable first half of the year, the Group encountered a downturn in its end markets in the second half of 2008.

The Powered Access Division was impacted by the swift decline in the economy, which led to a blanket suspension of fleet replacement and expansion programmes by major equipment rental companies along with the almost complete withdrawal of financing globally for new aerial work platforms.

The Zero Emission Vehicles Division experienced some supply chain constraints in 2008, coupled with several order postponements. Several customers involved in urban delivery operations delayed the step up from trials to volume fleet orders, in response to concerns over the effects of the economic downturn on their own revenues.

Despite these challenges, we still succeeded in growing sales during 2008. Turnover in the period was £145.7m, an increase of 18% on 2007 (£123.3m) partially reflecting a full year of Snorkel. Profit from operations before restructuring of £1.7m represented a 87% decline, reflecting the more challenging trading conditions of the second half of 2008.

As discussed in our Interim Results, during 2008 the Board undertook a review of Tanfield's goodwill and other assets, particularly those arising from the acquisition of Snorkel Holdings LLC in 2007. The result was a series of impairments totalling £89.7m.

The balance sheet after the impairments remains strong with net assets of £85.8m and excess of current assets over current liabilities of £61.5m. Cash at 31 December 2008 was £11.1m and this position is being maintained.

This has been a challenging year for the Group. However, we are a business that is lean, nimble and focused, with a highly experienced management team, which reacted promptly and decisively to the adverse market conditions.

Tanfield is well placed to trade through the downturn and to move rapidly when its end markets improve. I have great faith in the ability of all our people. I would like to thank everyone involved with Tanfield for their dedication and hard work and their continued efforts.

Chief Executive's Review

Trading conditions, particularly in our Powered Access markets, remain challenging with little visibility.

The swift and decisive steps taken to downsize the business have substantially mitigated the risk. This prompt action means that we can operate the business at a much lower break-even level than previously. Changes in the conditions of our end markets are constantly monitored, and we will take further actions, if necessary.

During 2008 we reduced our cost base by 30%, including an annualised wage bill reduction of £11m. Since the New Year, we have implemented shorter working weeks across all business units and geographical territories. Furthermore, the Executive Directors have volunteered a 20% pay reduction during this period.

The management maintains rigorous control of overheads and continually reviews the Group's cost base. Given the restricted nature of the market, our visibility for 2009, in line with our peers, is limited, except to indicate that we expect to see a contraction in 2009 compared to 2008.

Powered Access

We continue to demonstrate that we can react quickly to the dynamic market conditions experienced in this sector. While the global outlook remains weak, we are maintaining our presence in all markets through our distributors and dealers. Across the industry there remains a significant oversupply of powered access platforms and this will take some time to work through.

We are aggressively targeting the spare parts and refurbishment business, which is growing as owners seek to extend the working life of their aerial lifts. Our focus on the end user market has proven invaluable during this challenging period, as has our strategy of developing a dedicated distribution network. We continue to expand this global network and to support our dealers through targeted marketing initiatives, ensuring that they stay close to customers throughout the downturn. The relationships with dealers, distributors and customers that we forge during this period will position us well for when the market recovers. Despite the unique circumstances of the current recession, the longer term outlook for the powered access sector remains strong.

Zero Emission Vehicles

We continue to expand and strengthen our supply chain and we now have several motor, battery and electronics suppliers able to meet our stringent quality and availability requirements.

The precipitous fall in demand across the entire commercial vehicle industry has impacted the electric vehicle sector. In spite of these unprecedented market conditions, our battery electric commercial vehicle offering is steadily gaining traction.

We have entered into Heads of Terms for a joint venture, Smith Electric Vehicles US Corporation (SEV US Corp) to assemble our commercial electric vehicles for the North American market. Tanfield will own a 49% equity stake in SEV US Corp, with the balance in the hands of private US investors. SEV US Corp will produce vehicles from a facility in Kansas City, Missouri. SEV US Corp will invest $10m to fund its launch and has secured $3m in incentives from State and local government. The first US production model will be the Smith Newton truck, commencing in the third quarter of 2009.

We believe that the new US administration's proactive approach to electric vehicles has unlocked latent demand from major American corporations for our products. A number of these US corporates have signed letters of intent to become launch partners for our vehicles. These companies are willing to pay a premium for our electric vans and trucks, in order to gain early adopter advantage in what they perceive as the mainstream automotive technology of the near future.

Tanfield has signed a collaboration agreement with Ford Motor Company to assemble the Ford Transit Connect battery electric vehicle (BEV) in North America. Due for launch in 2010, this light van will be the first BEV to deliver on Ford's aggressive new electrification strategy. SEV US Corp will produce the vehicle in the USA on our behalf. The BEV Connect (Ampere) will also be available in the European market, assembled by Smith in the UK.

Along with owning a 49% stake in SEV US Corp, our JV agreement includes a royalty payment per vehicle sold, £1m of which will be paid in advance. Given that Newton will not go into production until Q3, we anticipate relatively low numbers of vehicles for 2009. However, SEV US Corp retains the flexibility to ramp up production for 2010 and beyond.

In the UK, we continue to work closely with central Government and our Regional Development Agency, One North East, to further develop the electric vehicle agenda. Tanfield is a member of the newly-formed London Electric Vehicle Partnership, created with the desire to maintain London at the global forefront of EV adoption. We are shortlisted for the Department for Transport's Low Carbon Vehicle Procurement Programme, with the aim of commercialising electric and low carbon vans through public sector procurement and expect a final decision on our inclusion shortly.

With the European side of Ford, we recently unveiled a proof of concept vehicle – the "Tourneo Connect BEV" - which demonstrates the potential for our technologies to cross over into passenger vehicles. Given the positive response to this vehicle we are working with Ford to fully assess the market opportunity.

Summary

The management team is clearly focused on the generation of cash through operations and maximising the effectiveness of the working capital within the Group.

The Group is debt-free, without banking covenants or interest costs and we do not anticipate this changing in the short to mid-term. We therefore believe we are well positioned to continue to ride out this downturn.

Our experience and first mover advantage in the electric vehicle sector means we can capitalise upon the growing momentum behind this market, particularly once the trading environment normalises. Any UK-based public procurement initiatives, such as those we are witnessing in the USA, will help to significantly accelerate the penetration of electric vehicles into the corporate and SME markets. Similarly the infrastructure stimulus packages in the North American market, once active, will ultimately have an impact on the construction sector and we will benefit in turn.

The Board remains confident of its ability to manage the growth of the business when macroeconomic conditions, the availability of credit, and customer confidence in our end-markets improve.

Finance Director's report

The Revenue for the year of £145.7m (an 18% increase on 2007's revenue of £123.3m) reflected the deteriorating market conditions faced by the company in 2008, given a first half reported revenue of £93m and a full year of Snorkel. Revenue reduced month on month from June onwards, ending the year at a low of £6.5m in the month of December.

Significant cost base reductions have been implemented both by reducing headcount and minimising other areas of spend including property costs by terminating leases. This has reduced the break-even point in response to the lower revenues. The speed of response to the market changes has allowed the company to report a Profit from Operations of £1.7m before non-recurring items.

Amortisation of Intangibles

Profit from operations is reported after charging amortisation. Of the £2.0m amortisation charged, £0.9m arose from the write down of intangibles in the first half of the year that were impaired at the half year (see below). This is not expected to recur.

Net operating expenses

Operating expenses are stated net of operating income, which includes income from Government Grants and one off costs of establishing a credit line of £145k and aborted acquisition costs of £250k.

Profit from Operations before Impairments and Restructuring costs

The Profit from Operations before Impairments and Restructuring costs was £1.7m (2007 £12.8m) reflecting the challenging market conditions in the second half of the year.

Restructuring costs

Restructuring costs of £372k in the year arose from costs related to the headcount reduction implemented. This amount is relatively small given the size of the headcount reduction reflecting the short service history of many employees and redundancy regulations in the US.

Impairment of Assets

The huge changes in market prospects for the Powered Access division required a re-assessment of the carrying value of a number of assets on the balance sheet. This review gave rise to impairments in a number of categories; intangible assets and goodwill arising from the acquisitions of Snorkel and UpRight following a reappraisal of those cash generating units' value in use calculations, £44.5m; inventory, because of the impact of current trading conditions on product mix, overall volumes, supplier failure and resourcing decisions, £22.2m; trade receivables, reflecting an assessment of the impact of customers' financial viability in current market conditions and our debt collection strategies on their collectability, £22.9m. These impairments were made at June 2008 and the impairment levels reflect the asset values at that time. The year-end asset balances reflect the reduction in trading levels experienced since June. The receivable and inventory impairments have been reviewed since June in response to the further worsening of the market.

Finance Expenses
Finance Expenses in the year include the costs of marking to market an interest rate collar £516k.

Loss before tax
Given the impairments, the Loss before tax was £88.8m. The Group net assets after charging this loss were £85.8m.

Taxation
The loss before tax creates trading losses that can be carried forward and used against future profits. In recognition of these losses, a deferred tax asset of £1.8m has been created and added to the balance sheet.

Earnings per share before impairments and restructuring costs
Earnings per share before one off costs was (23.91p) (2007: 3.59p). No dividend has been declared. (2007: nil)

Net Cash
At 31 December 2008, the Group had cash of £11.1m. The cash allows the business to trade without exposure to financial covenants from banks or other institutions.

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2008.

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 31 December 2008 reflects the impact on the Tanfield Group plc of the decline in its global markets and its response to that decline.

Turnover for the twelve month period grew to £146m which compares to £123m for the full year to December 2007. Although this is a growth of 18%, this reflects a strong first 5 months and then a decline month on month since June 2008.

Profit from operations before impairments and restructuring costs and tax for the period of £1.7m shows a significant reduction from the £12.8m profit in the year to December 2007. The 2007 figure included an amount of £2m in relation to the recovery of a Snorkel customer debt.

A review was undertaken of the carrying value of assets in the Powered Access division given the significant changes to market prospects. This review gave rise to impairments of those assets totaling £90m.

After restructuring and impairments, the loss before tax for the period of £88.7m reflects the impact of the impairments.

The balance sheet remains very robust after impairments, with net assets at the end of December of £86m (£165m: December 2007). Net Current Assets were £62m (2007: £110m) with cash balances in excess of £11m and no borrowing. This demonstrates that the company has significant levels of working capital allowing it to work through the current trading conditions.

No dividend has been paid or proposed for the year (2007: £nil). The loss of £89m (2007: Profit of £10.4m) has been transferred to reserves.

REVIEW OF THE BUSINESS

The year was dominated by the deterioration in trading conditions in our main markets and the company's response to that deterioration.

A detailed review of the business is included in the Business and Financial Review on pages 2 to 5.

FUTURE DEVELOPMENTS

The main focus in the short and medium term is one of managing through the difficult trading conditions, taking all appropriate steps to minimise costs and preserve cash while retaining skills and resources to respond to any market improvements when they arise.

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

DIRECTORS' REPORT (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the group has made no political or charitable donations (2007 - £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 cash balances raised from share issues by the company and 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 2008 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 through 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 REPORT

DIRECTORS

The present membership of the board is set out on page 1. GE Allison was appointed to the board on 23rd Sept 2008.

Directors shareholding	Ordinary shares of £ 0.01each	
	31/12/2008	31/12/2007
Beneficial		
RRE Stanley	27,769,292	19,649,292
DS Kell	1,700,000	-
CD Brooks	112,463	-
BJ Campbell	111,979	6,119
M Groak	-	-
G Allison	104,207	-
JN Bridge	47,500	27,541
C Billiet	294,000	-

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 13 to 16.

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 2008 were 77 days. (2007 – 64 days)

SUBSTANTIAL SHAREHOLDINGS

On 31 December 2008 the following held substantial shares in the company. No other person has reported an interest of more than 3% in the ordinary shares.

Nortrust Nominees	42,314,575
Barclayshare Nominees	32,799,010
TD Waterhouse Nominees (Europe)	28,063,410
HSDL Nominees	21,502,543
Productive Nominees	21,217,112
HSBC Global Custody Nominee (UK)	20,525,985
LR Nominees	19,406,957
Prudential Client HSBC GIS Nominee	14,644,718
Hargreaves Lansdown (Nominees)	11,751,518

As disclosed in the Directors report RRE Stanley holds shares of 7.5% 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

A resolution to reappoint Baker Tilly UK Audit LLP as auditors will be put to the members at the annual general meeting. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

DIRECTORS' REPORT (continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors in office on the date of approval of the financial statements 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

Director

16 April 2009

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 Non-Executive Chairman and Chief Executive, three other Executive Directors, and three independent Non-Executive Directors. Geoffrey Allison was appointed to the board on 23 September 2008.

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 13 to 16.

CORPORATE GOVERNANCE (continued)

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.

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.

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.

Notice of Annual General Meeting will be issued in due course.

CORPORATE GOVERNANCE (continued)

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 2008, the Group has complied with the provisions set out in Section 1 of the Combined Code.

Darren Kell
Chief Executive

16 April 2009

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. Whilst bonuses awarded in prior years relating to prior year performance were paid in 2008, no bonuses were awarded or paid in relation to 2008 performance.

Share options

The executive and non-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. No share options were awarded in 2008.

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' REMUNERATION REPORT (continued)

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.

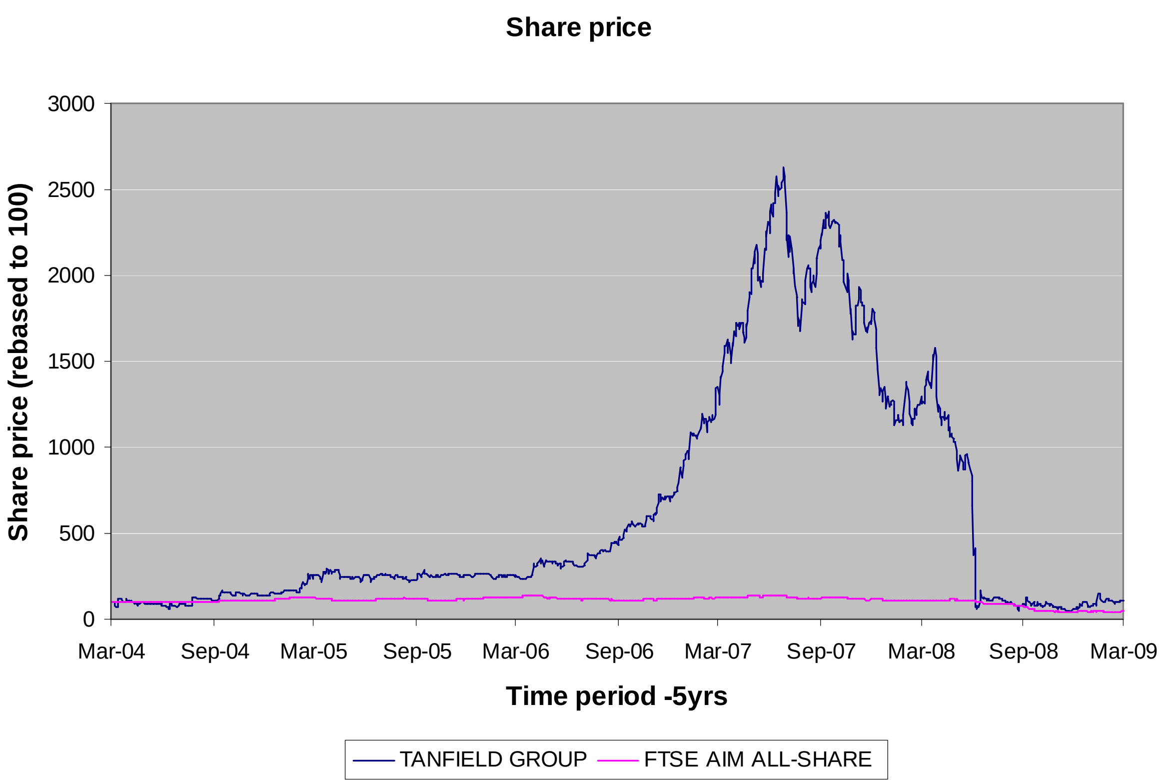
Non-executive directors

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.

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:

	2008	2007
	£000's	£000's
Emoluments	1,379	1,339
Gain on exercise of share options	-	10,015
Money purchase pension contributions	87	60
Total	1,466	11,414

DIRECTORS' REMUNERATION REPORT (continued)

Directors emoluments

	Salary £000's	Benefits in kind £000's	Bonuses £000's	Total 2008 £000's	Total 2007 £000's	Pension Total 2008 £000's	Pension Total 2007 £000's
Executive Directors							
RRE Stanley	119	18	150	287	369	18	19
DS Kell	227	18	167	412	438	22	16
CD Brooks	161	18	92	271	270	15	12
BJ Campbell	161	18	92	271	200	31	13
GE Allison*	24	-	24	48	-	1	-
Non Executive Directors							
JN Bridge	25	-	5	30	25	-	-
M Groak	25	-	5	30	25	-	-
C Billiet	25	-	5	30	12	-	-
	767	72	540	1,379	1,339	87	60

*GE Allison was appointed to the board on 23 Sept 2008.

Directors share options

	As at 31/12/2007	Granted/ Lapsed	Exercised	As at 31/12/2008	Exercise Price (pence)	Market Price at date of exercise (pence)	Date from which normally exercisable*	Expiry Date
DS Kell	2,056,671	-	-	2,056,671	20p		01/03/2009	01/03/2016
	4,300,000	-	-	4,300,000	20p		02/01/2010	02/01/2017
	6,356,671	-	-	6,356,671				
RRE Stanley	4,000,000	-	-	4,000,000	20p		02/01/2010	02/01/2017
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
	2,250,000	-	-	2,250,000				
BJ Campbell	700,000	-	-	700,000	1p		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
	2,550,000	-	-	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
	15,456,671	**-**	**-**	**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 31 December 2008 the market price of the ordinary shares was 5p. The range during 2008 was 3.5p to 124.75p.

DIRECTORS’ REMUNERATION REPORT (continued)

Approval

This report was approved by the board of directors and authorised for issue on 16 April 2009 and signed on its behalf by:

John Bridge
Chairman of Remuneration Committee

16 April 2009

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 of the state of the group's affairs as at 31 December 2008 and of its loss 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 2008;
- 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

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

16 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000's	2007 £000's
Continuing operations			
Revenue	2	**145,734**	**123,288**
Changes in inventories of finished goods and WIP		4,808	8,702
Raw materials and consumables used		(102,724)	(87,980)
Staff costs	4	(32,197)	(23,667)
Depreciation and amortisation expense	5	(3,195)	(2,724)
Other operating income		500	2,769
Other operating expenses		(11,221)	(7,560)
Restructuring costs	6	(372)	(1,270)
Profit from operations		**1,333**	**11,558**
Impairment of Goodwill	31	(31,895)	-
Impairment of Intangible assets	31	(12,605)	-
Impairment of Property, plant & equipment	11	(83)	-
Impairment of Inventories	31	(22,185)	-
Impairment of Receivables	31	(22,894)	-
(Loss) / profit from continuing operations		**(88,329)**	**11,558**
Finance income	7	457	1,210
Finance costs	7	(913)	(331)
(Loss) / profit before taxation		**(88,785)**	**12,437**
Income tax expense	8	239	(560)
(Loss) / profit for the year from continuing operations		**(88,546)**	**11,877**
Discontinued operations			
Loss for year from discontinued operations	9	-	(1,484)
(Loss) / Profit for the year		**(88,546)**	**10,393**
Earnings per share	10		
From continuing operations			
Basic		(23.91)p	3.59p
Diluted		(23.91)p	3.41p
From continuing and discontinued operations			
Basic		(23.91)p	3.14p
Diluted		(23.91)p	2.99p

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Note	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
ASSETS					
Non current assets					
Goodwill	12	356	32,244	-	-
Intangible assets	13	15,153	22,685	-	-
Property, plant and equipment	11	6,346	6,098	-	-
Deferred tax assets	22	1,779	785	-	278
Trade and other receivables	16	1,500	-	-	-
Investments	14	-	-	15,124	50,048
		25,134	61,812	15,124	50,326
Current assets					
Inventories	15	60,560	60,352	-	-
Trade and other receivables	16	20,595	47,197	59,732	82,133
Investments	17	251	120	-	-
Current tax assets		-	1,459	-	-
Cash and cash equivalents	16	11,130	27,952	5,372	24,607
		92,536	137,080	65,104	106,740
TOTAL ASSETS		**117,670**	**198,892**	**80,228**	**157,066**
LIABILITIES					
Current liabilities					
Trade and other payables	18	19,807	26,406	769	327
Tax liabilities		687	-	-	-
Obligations under finance leases	20	565	684	10	120
Other creditors	21	9,954	467	5,720	-
		31,013	27,557	6,499	447
Non-current liabilities					
Other creditors	21	-	5,021	-	5,021
Obligations under finance leases	20	569	1,100	-	10
Deferred tax liabilities	22	307	-	-	-
		876	6,121	-	5,031
TOTAL LIABILITIES		**31,889**	**33,678**	**6,499**	**5,478**
EQUITY					
Share capital	24	3,704	3,703	3,704	3,703
Share premium	27	138,511	138,493	138,511	138,493
Share option reserve	27	1,653	992	1,653	992
Loan stock equity reserve	27	-	-	-	-
Merger reserve	27	1,534	1,534	1,534	1,534
Capital reduction reserve	27	7,228	7,228	7,228	7,228
Translation reserve	25	9,290	879	-	338
Profit and loss account	26	(76,139)	12,385	(78,901)	(700)
TOTAL EQUITY		**85,781**	**165,214**	**73,729**	**151,588**
TOTAL EQUITY AND LIABILITIES		**117,670**	**198,892**	**80,228**	**157,066**

The financial statements on pages 20 to 55 were approved by the board of directors and authorised for issue on 16 April 2009 and are signed on its behalf by:

Charles Brooks FD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Share premium	Share Option reserve	Loan Stock reserve	Merger reserve	Capital Reduction reserve	Translation reserve	Profit and loss account	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
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 1 January 2008	**3,703**	**138,493**	**992**	**-**	**1,534**	**7,228**	**879**	**12,385**	**165,214**
Issue of ordinary share capital (net of expenses)	-	-	-	-	-	-	-	-	-
Exercise of convertible loan stock	-	-	-	-	-	-	-	-	-
Share options exercised	1	18	-	-	-	-	-	-	19
Exercise of share options	-	-	-	-	-	-	-	-	-
Share option provision	-	-	661	-	-	-	-	22	683
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	-	-	-	-	-	-	8,411	-	8,411
Net loss for the year	-	-	-	-	-	-	-	(88,546)	(88,546)
Balance at 31 December 2008	**3,704**	**138,511**	**1,653**	**-**	**1,534**	**7,228**	**9,290**	**(76,139)**	**85,781**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Share premium	Share Option reserve	Loan Stock reserve	Merger reserve	Capital Reduction reserve	Translation reserve	Profit and loss account	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 January 2007	**2,921**	**29,578**	**255**	**6**	**1,534**	**7,228**	**-**	**(505)**	**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	-	-	-	-	-	-	338	-	338
Net loss for the year	-	-	-	-	-	-	-	(291)	(291)
Balance at 1 January 2008	**3,703**	**138,493**	**992**	**-**	**1,534**	**7,228**	**338**	**(700)**	**151,588**
Issue of ordinary share capital (net of expenses)	-	-	-	-	-	-	-	-	-
Exercise of convertible loan stock	-	-	-	-	-	-	-	-	-
Share options exercised	1	18	-	-	-	-	-	-	19
Exercise of share options	-	-	-	-	-	-	-	-	-
Share option provision	-	-	661	-	-	-	-	22	683
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	-	-	-	-	-	-	(338)	-	(338)
Net loss for the year	-	-	-	-	-	-	-	(78,223)	(78,223)
Balance at 31 December 2008	**3,704**	**138,511**	**1,653**	**-**	**1,534**	**7,228**	**-**	**(78,901)**	**73,729**

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

		Group		Company	
		2008	2007	2008	2007
	Note	£000's	£000's	£000's	£000's
Operating Activities					
Cash used in operations	29	(10,935)	(29,041)	(20,491)	(56,574)
Income taxes received (paid)		510	(2,943)	-	-
Interest paid		(913)	(331)	(38)	(32)
Net Cash used in Operating activities		**(11,338)**	**(32,315)**	**(20,529)**	**(56,606)**
Investing Activities					
Acquisition of subsidiaries, net of overdraft acquired		-	(44,564)	-	-
Purchase of investments in subsidiary undertakings		-	-	-	(42,591)
Purchase of property, plant and equipment		(1,087)	(1,851)	-	-
Payment of deferred consideration		(252)	-	(252)	-
Proceeds from sale of property, plant and equipment		623	758	-	-
Purchase of investments		(45)	(23)	-	-
Purchase of intangible fixed assets		(6,431)	(2,949)	-	-
Interest received		457	1,210	785	1,089
Net cash used in investing activities		**(6,735)**	**(47,419)**	**533**	**(41,502)**
Financing Activities					
Proceeds from issuance of ordinary shares		19	109,622	19	109,622
Repayment of borrowings		-	(14,904)	-	-
Repayments of obligations under finance leases		(693)	(621)	(120)	-
Net cash from financing		**(674)**	**94,097**	**(101)**	**109,622**
Net (Decrease) Increase in Cash and Cash Equivalents		**(18,747)**	**14,363**	**(20,097)**	**11,514**
Cash and Cash Equivalents at beginning of Year		27,952	13,546	24,607	13,093
Effect of foreign exchange changes		1,925	43	862	-
Cash and Cash Equivalents at end of Year		**11,130**	**27,952**	**5,372**	**24,607**

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"), IFRIC interpretations and the Companies Act 1985 applicable to Companies reporting under 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.

CONSOLIDATED FINANCIAL STATEMENTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (cont)
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

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.

Investments

Investments are included at cost less amounts written off.

CONSOLIDATED FINANCIAL STATEMENTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

CONSOLIDATED FINANCIAL STATEMENTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

CONSOLIDATED FINANCIAL STATEMENTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

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.

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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 and a discount rate in order to calculate present value.

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 review the assumptions made at the time of acquisitions in the light of current evidence in the market, and estimated useful economic lives and revisited the carrying value of each intangible asset. Significant changes in the carrying values assessed are charged through the income statement as an impairment.

Trade receivables
The Group regularly assesses the recoverability of its trade receivables based on a range of factors including the age of the receivable, creditworthiness of the customer, any credits required to release payments, and changes in that customer's access to credit to fund their purchases. When determining the recoverability of an account the Group makes estimations as to the financial condition of each customer, their importance in providing a route to market, any debt collection strategy in place and their ability to subsequently make payment or provide other future revenue benefits.

Inventories
In accordance with IAS2 the group regularly reviews its inventory to ensure it is carried at the lower of cost or net realisable value. The management constantly reviews slow moving and obsolete items arising from changes in the product mix demanded by customers, reductions in overall volumes, supplier failures and strategic resourcing decisions. Obsolescence provisions are calculated based on current market values and future sales of inventories. In situations where market demand changes, significantly altering production volumes, inventories are reviewed to ensure that components have a realistic likelihood of being used in current models in a reasonable timeframe. If this review identifies significant levels of obsolete inventory, this obsolescence is charged to the income statement as an impairment.

Adoption of International accounting standards

IFRS 2 (Amendment) "Share-based payment" (effective for periods commencing on or after 1 January 2009). This amendment clarifies that vesting conditions are service conditions and performance conditions only and that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Management do not believe that the impact of the change in disclosure will be significant

IFRS 3 (Revised) "Business combinations" (effective for business combinations occurring in accounting periods beginning on or after 1 July 2009). This standard continues to apply the acquisition method to business combinations. However, it introduces a number of changes that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Group will apply this standard from 1 Jan 2010 as applicable.

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.

CONSOLIDATED FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 1 (Revised) "Presentation of financial statements" (effective for annual periods beginning on or after 1 January 2009). The new standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group will apply this revision to IAS 1 from 1 January 2009 and is currently evaluating whether it will present one or two statements.

IAS 23 (Amendment) "Borrowing costs" (effective for annual periods beginning on or after 1 January 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, removing the option to immediately expense those borrowing costs. The group currently has no borrowing costs.

IFRS 1 (Amendment) "First-time adoption of IFRSs" and IAS 27 (Amendment) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The amendments to IFRS 1 allows an entity to determine the cost of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The Group will apply these amendments from 1 January 2009. This will have no impact on the Company as the financial statements are already prepared under IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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.

2 Revenue (Group)

An analysis of the Group's Revenue is as follows:	**2008 £000's**	**2007 £000's**
Continuing Operations		
Powered Access Platforms	114,388	90,064
Zero Emission Vehicles	25,087	26,109
Other	6,259	7,115
	145,734	123,288

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

3 Business and Geographical Segments

For the twelve months ending 31st December 2008

	Powered Access Platforms £000's	Zero Emission Vehicles £000's	Other Segments £000's	Consolidated £000's
Revenue				
External Sales	114,388	25,087	6,259	145,734
Inter-segment sales				
Total revenue	114,388	25,087	6,259	145,734
Result				
Segment Result before restructuring	(82,689)	(1,389)	(3,879)	(87,957)
Restructuring Costs	(263)	(38)	(71)	(372)
Segment Result	(82,952)	(1,427)	(3,950)	(88,329)
Unallocated corporate expenses				-
Loss from operations				(88,329)
Finance costs				(456)
Loss before tax				(88,785)
Income tax expense				239
Loss after tax				(88,546)
Other information				
Capital additions	2,179	5,317	22	7,518
Depreciation and amortisation	2,025	904	265	3,195
Impairments	88,385	1,097	180	89,662
Balance Sheet				
Assets:				
Segment assets	38,557	21,388	57,725	117,670
Consolidated total assets	38,557	21,388	57,725	117,670
Liabilities:				
Segment Liabilities	19,133	3,677	9,079	31,889
Consolidated total liabilities	19,133	3,677	9,079	31,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

3 Business and Geographical Segments

For the twelve months ending 31st December 2007

	Powered Access Platforms £000's	Zero Emission Vehicles £000's	Other Segments £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				11,558
Finance costs				879
Profit before tax				12,437
Income tax expense				(560)
Profit after tax				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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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.

	2008	2007
	£000's	£000's
UK	28,721	43,982
Europe	25,983	29,249
USA	58,349	35,597
Other	32,681	14,460
	145,734	123,288

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	
	2008	**2007**	**2008**	**2007**
	£000's	£000's	£000's	£000's
UK	63,313	122,007	6,989	5,888
USA	37,179	64,172	442	64
Japan	3,965	3,133	24	-
Australasia	13,213	9,580	62	20
	117,670	198,892	7,517	5,972

4 Staff Costs

Group **Average monthly number of employees**	**2008** **No.**	**2007** **No.**
Production	834	812
Head Office and Administration	316	323
Total	1,150	1,135

Aggregate remuneration comprised	**2008**	**2007**
Continuing	**£000's**	**£000's**
Wages and Salaries	28,756	20,313
Share scheme expense	683	833
Social Security Costs	2,431	2,008
Other Pension Costs	327	513
Total staff costs from continuing operations	32,197	23,667
Discontinuing		
Wages and Salaries	-	138
Social Security Costs	-	13
Other Pension Costs	-	2
Total staff costs	32,197	23,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

Staff costs (continued)

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 13 to 16.

5 Depreciation and Amortisation

	2008	2007
Continuing	**£000's**	**£000's**
Depreciation of property, plant & equipment	1,165	974
Amortisation of intangible fixed assets	2,030	1,750
Total depreciation and amortisation from continuing operations	3,195	2,724
Discontinuing		
Depreciation of property, plant & equipment	-	17
Amortisation of intangible fixed assets	-	2
Total depreciation and amortisation charge	3,195	2,743

6 Profit from continuing operations (Group)

	2008 £000's	2007 £000's
Operating lease rentals	939	1,417
Depreciation of property, plant & equipment		
- owned assets	894	581
- leased assets	271	410
Amortisation of intangible fixed assets	2,030	1,752
(Profit)/Loss on sale of property, plant & equipment	(587)	57
Grants received	(500)	(750)
One off bank charges relating to interest rate swap	145	-
Staff costs (see Note 4)	31,514	22,987
Income from Snorkel bad debt previously written off	-	(2,019)
Share options granted (see Note 4)	683	833
Restructuring costs	372	1,270
Net (profit) on foreign exchange	(2,433)	(2,186)
Auditors' remuneration (see below)	228	195
Research and development costs	308	-
Impairment of Goodwill	31,895	-
Impairment of Intangible assets	12,605	-
Impairment of property, plant & equipment	83	-
Impairment of Inventories	22,185	-
Impairment of Receivables	22,894	-

Restructuring costs of £372k relate to employee costs and expenses incurred while resizing the Group in line with current market conditions and future expectations.

Prior year costs of £1,157k relate to employee costs and expenses incurred during the alignment of the businesses after the Snorkel acquisition.

Also in the prior year, other restructuring costs of £113k are from the acquisition of the Upright business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

6 Profit from Operations (Group) continued

	2008 £000's	2007 £000's
Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non audit services		
Audit Services		
- statutory audit of parent and consolidated accounts	148	155
Other Services		
- audit of subsidiaries pursuant to legislation, where such services are provided by Baker Tilly UK Audit LLP	-	-
- work provided by associates of Baker Tilly UK Audit LLP in respect of consolidation returns or local legislative requirements	30	-
Other services relating to taxation		
- compliance services	40	40
Services relating to Corporate finance	10	191
	228	386
Comprising:		
- audit services	178	155
- non audit services	50	231
	228	386

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 £78,223k (2007: £291k loss).

7 Finance costs and interest receivable (Group)

Continuing operations	**2008 £000's**	**2007 £000's**
Interest on bank overdrafts and loans	650	142
Interest on Invoice Discounting	146	40
Interest on obligations under finance leases	117	149
Total borrowing costs	913	331
Less Interest Receivable	(457)	(1,210)
	456	(879)

The Invoice Discounting interest relates solely to Snorkel Elevating Work Platforms PTY Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

8 Income Tax Expense (Group)

	2008 £000's	2007 £000's
Current Tax		
Domestic – current year	(278)	1,201
Domestic – prior year	-	(1,038)
Foreign	727	176
	449	339
Deferred Tax		
Current year	(688)	200
Prior Year	-	21
	(688)	221
	(239)	560

	2008 £000's	2007 £000's
(Loss) / Profit before tax	(88,546)	10,953
Tax at the domestic income tax rate 28% (2007: 30%)	(24,793)	3,286
Tax effect of expenses that are not deductible in determining taxable profit	(3,356)	(2,917)
Capital allowances in excess of depreciation	(286)	(359)
Short term timing differences	-	-
Tax losses for which no relief available	-	-
Tax adjustments and relief	29,362	1,099
Accounting adjustments	-	(229)
Prior Year Tax adjustments	-	(988)
Deferred tax asset recognised in the period	(688)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	668
Tax expense	(239)	560

9 Discontinued Operations

Group	2008 £000's	2007 £000's
Revenue	-	219
Operating costs	-	(1,301)
Goodwill Impairment	-	(402)
Profit/(loss) before tax	-	(1,484)
Income tax expense	-	-
Profit/(Loss) on ordinary activities after tax	-	(1,484)

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. Also included are costs relating to a non trading company, Express 2 Automotive Ltd, in respect of leasing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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	**2008 £000's**	**2007 £000's**
Earnings		
Earnings for the purposes of earnings per share	(88,546)	10,393
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	370,361,089	331,253,401
Effect of dilutive potential ordinary shares		
Share Options	9,298,615	16,584,411
Weighted average number of ordinary shares for the purposes of diluted earnings per share	379,659,704	347,837,812
Basic earnings per share	**(23.91)p**	**3.14p**
Diluted earnings per share	**(23.91)p**	**2.99p**

From continuing operations	**2008 £000's**	**2007 £000's**
Earnings		
Earnings for the purposes of diluted earnings per share	(88,546)	11,877
Basic earnings per share	**(23.91)p**	**3.59p**
Diluted earnings per share	**(23.91)p**	**3.41p**

From discontinued

	2008	**2007**
Basic and diluted loss per share	**-**	**(0.45)p**

From continuing operations before exceptional items	**2008 £000's**	**2007 £000's**
Earnings		
Earnings for the purposes of earnings per share	(88,546)	11,877
Impairments	89,662	-
Restructuring	372	1,270
Earnings for the purposes of earnings per share before exceptional items	1,488	13,147
Basic earnings per share	**0.40p**	**3.97p**
Diluted earnings per share	**0.39p**	**3.78p**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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
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 1 January 2008	2,373	6,478	1,711	906	11,468
Additions	90	664	258	75	1,087
Disposals	(167)	(2,292)	(1,031)	(212)	(3,702)
Reclassification	33	127	(83)	(77)	-
Exchange Differences	44	378	114	16	552
At 31 December 2008	2,373	5,355	969	708	9,405
Depreciation:					
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 1 January 2008	452	3,693	1,013	212	5,370
Charge for the year	131	562	248	224	1,165
Exchange differences	2	75	23	5	105
Impairment of assets	-	-	83	-	83
Eliminated on disposals	(167)	(2,292)	(1,029)	(176)	(3,664)
Reclassification	-	-	(9)	9	-
At 31 December 2008	418	2,038	329	274	3,059
Carrying amount:					
At 31 December 2008	1,955	3,317	640	434	6,346
At 31 December 2007	1,921	2,785	698	694	6,098

The net book value of assets held under finance leases and hire purchase agreements is £1,321k (2007:£1,647k). The balances relate solely to plant and machinery.

The impairment of £83k relates to legacy I.T system costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

12 Goodwill

Group	2008 £000's	2007 £000's
Cost		
1 January	33,147	5,644
Recognised on acquisition of subsidiary undertakings	-	27,323
Exchange differences	7	180
31 December	**33,154**	**33,147**
Accumulated impairment losses		
1 January	903	501
Impairment losses (see Note 31)	31,895	402
Exchange differences	-	-
31 December	**32,798**	**903**
Carrying Amount	**356**	**32,244**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

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

	2008 £000's	2007 £000's
Powered Access	-	31,888
Zero emission vehicles	356	356
Carrying values	**356**	**32,244**

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired (see note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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 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 1 January 2008	4,508	11,086	9,302	387	25,283
Additions	6,396	-	-	35	6,431
Disposals	-	-	(112)	(135)	(247)
Exchange differences	-	4,206	1,776	3	5,985
At 31 December 2008	10,904	15,292	10,966	290	37,452
Amortisation:					
At 1 January 2007	146	-	475	154	775
Charge for the year	171	456	1,089	36	1,752
Impairment	-	-	71	-	71
At 1 January 2008	317	456	1,635	190	2,598
Charge for the year	451	456	1,065	58	2,030
Disposals	-	-	(112)	(135)	(247)
Impairment	-	8,303	4,302	-	12,605
Exchange differences	-	3,536	1,776	1	5,313
At 31 December 2008	768	12,751	8,666	114	22,299
Carrying amount:					
At 31 December 2008	10,136	2,541	2,300	176	15,153
At 31 December 2007	4,191	10,630	7,667	197	22,685

The development costs in the year are in relation to the new product developments carried out in the year which includes the Ampere 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 2007. The brought forward values of other intangible assets arose on the acquisition of the Norquip, SEV and Upright businesses.

The impairment balance of £12,605k is made up of £12,094k provided against the intangible asset created on the acquisition of Snorkel International Inc (see Note 31) and £511k relating to the discontinued Norquip product line.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

14 Subsidiaries (Group)

Details of the Company's subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity	Aggregate capital reserves £000	Profit / (loss) after Taxation £000
Tanfield Engineering Systems Ltd	UK	100	100	Engineering	(30,746)	(37,476)
Tanfield Engineering Systems US (Inc)	US	100	100	Powered Access	(778)	(422)
HBWP Inc	US	100	100	Dormant	-	-
Snorkel Holdings LLC	US	100	100	Holding Company	-	-
Snorkel International Inc	US	100	100	Powered Access	7,045	(5,808)
Snorkel Elevating Work Platforms PTY Limited	AUS	100	100	Powered Access	(444)	(2,518)
Snorkel Elevating Work Platforms Limited	NZ	100	100	Powered Access	522	209
Snorkel Europe BV	Netherlands	100	100	Powered Access	-	-
SEV Group Ltd	UK	100	100	Vehicle Service, Hire & Maintenance	(2,670)	(1,259)
E-Comeleon Ltd	UK	100	100	Non Trading	-	-
JoeKnowsIt? Ltd	UK	74	74	Non Trading	-	-
ClickHere Ltd	UK	100	100	Non Trading	-	-
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	-	-
Tanfield Powered Access Ltd	UK	100	100	Non Trading	-	-
Tanfield Asia Pacific PTE. Ltd	Singapore	100	100	Powered Access	632	(11)

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.

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

	2008 £000's	2007 £000's
Snorkel International	13,013	47,937
Tanfield Engineering Systems Limited	2,111	2,111
E-Comeleon Limited	-	-
	15,124	50,048

During the year an impairment of £34,535k was made against the investment in Snorkel International Inc.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

15 Inventories

Group	2008 £000's	2007 £000's
Raw materials and consumables	33,665	38,221
Work-in-progress	2,087	5,731
Finished Goods and goods for resale	24,808	16,400
	60,560	60,352

During the year an impairment of £22.2m was made against obsolete and slow moving stock (Note 31).

16 Financial assets

Trade and other receivables	**Group**		**Company**	
	2008	**2007**	**2008**	**2007**
Current	**£000's**	**£000's**	**£000's**	**£000's**
Trade amounts receivable	21,243	44,146	-	-
Allowance for estimated irrecoverable amounts	(1,483)	(112)	-	-
Amounts due from subsidiary undertakings	-	-	59,688	81,772
Other Taxes	203	954	-	305
Other debtors and prepayments	632	2,209	44	56
	20,595	47,197	59,732	82,133
Non-current				
Trade amounts receivable	1,500	-	-	-

	2008	**2007**
Average credit period taken on goods	51	142

The following table provides analysis of trade and other receivables that were past due at 31 December, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2008 £'000	2007 £'000
Up to three months	2,915	2,701
Up to six months	825	757

During the year an impairment of £22.9m (2007: £Nil) was made against potentially bad and irrecoverable debts (Note 31) from whom payment was over due by more than three months.

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 2008

17 Investments

Group	2008	2007
	£000's	£000's
At 1 January	120	94
Additions	45	24
Exchange movements	86	2
At 31 December	251	120

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

18 Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£000's	£000's	£000's	£000's
Trade payables	9,314	15,692	465	179
Social security and other Taxes	1,085	1,004	219	-
Accruals and deferred Income	9,408	9,710	85	148
	19,807	26,406	769	327

	2008	2007
Average credit period taken on trade purchases	77	64

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

19 Financial instruments recognised in the balance sheet (Group)

	2008			2007		
	£000's Held for trading	£000's Held to maturity	£000's Total	£000's Held for trading	£000's Held to maturity	£000's Total
ASSETS						
Non current assets						
Trade and other receivables	1,500	-	1,500	-	-	-
	1,500	-	1,500	-	-	-
Current assets						
Trade amounts receivable	19,760	-	19,760	44,034	-	44,034
Investments	-	251	251	-	120	120
Cash and cash equivalents	11,130	-	11,130	27,952	-	27,952
	30,890	251	31,141	71,986	120	72,106
Total	**32,390**	**251**	**32,641**	**71,986**	**120**	**72,106**
LIABILITIES						
Current liabilities						
Trade and other payables	19,807	-	19,807	26,406	-	26,406
Finance leases	565	-	565	684	-	684
Other creditors	9,954	-	9,954	467	-	467
	30,326	-	30,326	27,557	-	27,557
Non current liabilities						
Finance leases	569	-	569	1,100	-	1,100
Other creditors	-	-	-	5,021	-	5,021
	569	-	569	6,121	-	6,121
Total	**30,895**	**-**	**30,895**	**33,678**	**-**	**33,678**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Obligations Under Finance Leases

Group	**Minimum lease Payments**		**Present value of minimum lease payments**	
	2008	**2007**	**2008**	**2007**
	£000's	**£000's**	**£000's**	**£000's**
Amounts payable under finance leases				
Within one year	640	829	565	684
In the second to fifth years (inclusive)	626	1,232	569	1,100
	1,266	2,061	1,134	1,784
Less future finance charges	(132)	(277)		
Present value of lease obligations	1,134	1,784	1,134	1,784
Less: Amount due for settlement within 12 months (shown under current liabilities)			(565)	(684)
Amount due for settlement after 12 months			569	1,100

Company	**Minimum lease Payments**		**Present value of minimum lease payments**	
	2008	**2007**	**2008**	**2007**
	£000's	**£000's**	**£000's**	**£000's**
Amounts payable under finance leases				
Within one year	10	127	10	120
In the second to fifth years (inclusive)	-	10	-	10
	10	137	10	130
Less future finance charges	-	(7)		
Present value of lease obligations	10	130	10	130
Less: Amount due for settlement within 12 months (shown under current liabilities)			(10)	(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 2008, the average effective borrowing rate was 10% (2007: 10%). Interest rates are fixed at the contract date.

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

The fair value of the Group's lease obligations approximate to their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 Other Creditors

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£000's	**£000's**	**£000's**	**£000's**
Buyback Lease Liability	342	386	-	-
Invoice Discounting	2,909	81	-	-
Deferred consideration	6,703	-	5,720	-
Other creditors payable within one year	9,954	467	5,720	-
Deferred consideration	-	5,021	-	5,021
Other Creditors	-	-	-	-
Other creditors payable after one year	-	5,021	-	5,021

The directors consider that the carrying amount of other creditors approximates to their fair value

22 Deferred Tax
Group

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£000's	**£000's**	**£000's**	**£000's**
Analysis for financial reporting purposes:				
Deferred tax (liabilities)	(307)	-	-	-
Deferred tax assets	1,779	785	-	278
Net asset / (liability) position at 31 December	1,472	785	-	278

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

At 1 January	785	(19)	278	-
Recognised on acquisition of subsidiary undertakings	-	1,025	-	-
Credit / (charge) to income for the year	687	(200)	(278)	278
Release to income for the prior year	-	(21)	-	-
At 31 December	1,472	785	-	278

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

Deferred tax assets / (liabilities)

	Group	**Group**	**Company**
	Tax losses £000's	Other £000's	Other £000's
At 1 January 2008	785	-	278
Credit / (charge) to income for the year	994	(307)	(278)
Release to income for the prior year	-	-	-
At 31 December 2008	1,779	(307)	-

At the balance sheet date, the group has unused tax losses of £49,237k (2007: £3,973k) available for offset against future profits of the same trade. A deferred tax asset has been recognised in respect of £1,779k (2007: £785k) of such losses. No deferred tax asset has been recognised in respect of the remaining £42,884k (2007: £1,356k) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 Provisions (Group)

	Legal Reserve £000's	Total £000's
At 1 January 2007	262	262
Utilisation of provision	(262)	(262)
At 1 January 2008	-	-
Utilisation of provision	-	-
At 31 December 2008	**-**	**-**

24 Share Capital

Group and Company	**2008 £000's**	**2007 £000's**
Authorised:		
500,000,000 (2007 – 500,000,000) Ordinary Shares of 1p each	5,000	5,000
Issued and Fully Paid:		
370,386,089 (2007 – 370,286,089) Ordinary shares of 1p each	3,704	3,703

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

On 14 April 2008, 100,000 share options were exercised at a price of £1 per share for a total consideration of £100,000.

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

25 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 1 January 2008	879	338
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	8,411	-
Foreign exchange differences on retranslation of Investments in subsidiary undertakings	-	(338)
Balance at 31 December 2008	**9,290**	**-**

26 Retained Earnings

	Group £000's	Company £000's
At 1 January 2007	1,896	(505)
Profit / (loss) for the year	10,393	(291)
Share options charged directly to equity	96	96
At 1 January 2008	12,385	(700)
Profit / (loss) for the year	(88,546)	(78,223)
Share options exercised charged directly to equity	22	22
Balance at 31 December 2008	**(76,139)**	**(78,901)**

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27 Capital reserves

Group

	Share capital	Share premium	Share Option reserve	Loan Stock reserve	Merger reserve	Capital Reduction reserve	Translation reserve	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 January 2008	3,703	138,493	992	-	1,534	7,228	879	152,829
Issue of Ordinary share capital (net of expenses)	-		-	-	-	-	-	-
Exercise of convertible loan stock	-	-	-	-	-	-	-	-
Share options exercised	1	18	-	-	-	-	-	19
Share option provision	-	-	661	-	-	-	-	661
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	-	-	-	-	-	-	8,411	8,411
Balance at 31 December 2008	**3,704**	**138,511**	**1,653**	**-**	**1,534**	**7,228**	**9,290**	**161,920**

Company

	Share capital	Share premium	Share Option reserve	Loan Stock reserve	Merger reserve	Capital Reduction reserve	Translation reserve	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 January 2008	**3,703**	**138,493**	**992**	**-**	**1,534**	**7,228**	**338**	**152,288**
Issue of Ordinary share capital (net of expenses)	-	-	-	-	-	-	-	-
Exercise of convertible loan stock	-	-	-	-	-	-	-	-
Share options exercised	1	18	-	-	-	-	-	19
Share option provision	-	-	661	-	-	-	-	661
Foreign exchange differences on retranslation of Investments in subsidiary undertakings	-	-	-	-	-	-	(338)	(338)
Balance at 31 December 2008	**3,704**	**138,511**	**1,653**	**-**	**1,534**	**7,228**	**-**	**152,630**

28 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 £327k (2007:£515k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2008, contributions of £27k (2007: £51k) 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 2008

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

	Group		Company	
	2008	2007	2008	2007
	£000's	£000's	£000's	£000's
Operating Activities (continuing and discontinuing)				
Profit (loss) from operations	(88,329)	10,074	(78,570)	(1,853)
Adjustments for:				
Depreciation of property, plant and equipment	1,165	991	-	-
Negative goodwill	-	-	-	-
Amortisation of intangible fixed assets	2,030	1,752	-	-
(Gain) Loss on disposal of fixed assets	(587)	57	-	-
Impairment of Goodwill	31,895	402	-	-
Impairment of Intangible assets	12,605	71	-	-
Impairment of property, plant and equipment	83	47	-	-
Impairment of Inventories	22,185		-	-
Impairment of Receivables	22,894		-	-
Loss on intercompany loan write off	-	-	51,618	1,400
Loss on impairment of investments	-	-	34,535	175
Operating cash flows before movements in working capital	**3,941**	**13,394**	**7,583**	**(278)**
Decrease (Increase) in receivables	4,585	(19,049)	(29,199)	(57,290)
Increase (decrease) in payables	(8,140)	9,779	1,125	994
(Decrease) in provisions	2,612	(4,416)	-	-
(Increase) in inventories	(13,933)	(28,749)	-	-
Net Cash used in Operating activities	**(10,935)**	**(29,041)**	**(20,491)**	**(56,574)**

30 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:

	2008	**2007**
	£000's	**£000's**
Within one year	2,422	1,888
In the second to fifth years inclusive	5,912	4,767
Greater than five years	16,710	19,093
	25,044	25,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 Impairments

The impairment losses recognised in the Consolidated Income Statement result from impairment reviews triggered by the significant changes in the market outlook for the Powered Access division, experienced during June 2008.

In particular, the company addressed the valuation of the Intangible Assets and Goodwill arising from the acquisition of Snorkel International Inc and its subsidiaries in August 2007.

In accordance with IAS 36 the Group values Goodwill at the lower of its carrying value or its recoverable amount, where the recoverable amount is the higher of the value if sold and its value in use. In addition IAS38 requires intangible assets with finite useful lives to follow the same impairment testing as Goodwill including the use of value in use calculations.

The impact of market changes in June and the uncertainty within this market going forward, described elsewhere in this statement, have meant that the assumptions in the value in use calculations, prepared to support previous valuations, are significantly altered.

The Group identified individual cash generating units for the purposes of IAS 36 within the group. Value in use calculations were prepared for Snorkel and its subsidiaries, UpRight and Smith Electric Vehicles. These have been compared with the assets for that unit and the impairments calculated accordingly.

The value in use calculations were prepared using amended pre-tax cash flow projections based on financial budgets for the period to December 2011 based on management experience and current trading expectations, extrapolated to a ten year period using conservative growth assumptions, given current uncertainty.

The key assumptions applied to the Snorkel calculations after 2011 on Gross Margin are 25%-30% and Growth Rate are in the range 2 -3%. The discount rate is set at 9.3% (2007 5%) to reflect the current market assessment of the time value of money and the specific risks of the cash generating unit.

The key assumptions applied to the UpRight calculations after 2011 on Gross Margin are 30% and on Growth Rate is in the range 0% - 3%. The discount rate is set at 9.3% (2007 5%) to reflect the current market assessment of the time value of money and the specific risks of the cash generating unit.

The key assumptions applied to the Smith Electric Vehicles calculations after 2011 on Gross Margin are 35% and Growth Rate are in the range 2% - 3%. The discount rate is set at 9.3% (2007 5%) to reflect the current market assessment of the time value of money and the specific risks of the cash generating unit. No impairment was made in Smith Electric Vehicles.

Based on the value in use calculations, the Group has determined that the value of the Goodwill has been impaired and as such an impairment charge of £31.9m (Snorkel £27.5m, UpRight £4.4m) (2007: nil) has been made to write down the carrying value of the asset.

Based on the value in use calculations the Group has determined that the value of the intangible assets has been impaired and as such an impairment charge of £12.6m (Snorkel £12.6) (2007: nil) has been made.

Allowance for doubtful receivables
A provision has been made against accounts that in the estimation of management may be impaired. Within each of the business segments an assessment has been made as to the impact of the dramatic reduction in volumes caused by the changes in market conditions and the reduction in availability of credit on the financial viability of customers, together with the importance of those customers in providing a route to market, and their effect on the recoverability of accounts receivable. The impairment was calculated, with reference to debt collection strategies in place, as the amount identified as problematic at specific customers less an estimate of the amount that may be collected when the market recovers discounted (9.3%) to reflect time to and probability of collection, that amount collected not limited to repayment of the principal but other revenue benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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During the year the Group charged £22.9m (2007: £Nil) to the income statement against trade receivables.

The Group holds a provision for impairment of receivables at 31 Dec 2008 amounting to £1.4 million (2007: £nil)

Inventories
In accordance with IAS2 the group regularly reviews its inventory to ensure it is carried at the lower of cost or net realisable value. At 31 December 2008 the management believes the carrying value of inventories to be impaired by £22.2m due to slow moving and obsolete items arising from changes in the product mix demanded by customers, reductions in overall volumes, supplier failures and strategic resourcing decisions. Obsolescence provisions have been calculated based on current market values and future sales of inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 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 13 to 16.

Movement in outstanding options

	2008		2007	
	Options (Number)	Weighted average exercise price (£)	Options (Number)	Weighted average exercise price (£)
Outstanding at 1 January	19,665,004	0.228	14,453,671	0.188
Granted during the year	-	-	12,083,333	0.22
Forfeited during the year	-		-	
Exercised during the year	(100,000)	0.01	(6,872,000)	0.107
Expired during the year	(83,333)	-	-	
Outstanding at 31 December	19,481,671	0.228	19,665,004	0.228
Exercisable at 31 December	8,231,671		8,415,004	

The weighted average share price at the date of exercise for share options exercised during the year was £1.00. The options outstanding at 31 December 2008 had a weighted average exercise price of £0.228, and a weighted average remaining contractual life of 8.1 years. The range of exercise price is 1p to 40p.

On 31 December 2008 the market price of the ordinary shares was 5p. The range during 2008 was 3.5p to 124.75p.

Income statement charge

A charge to the income statement of £684k 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:

	2008
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 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. Although the Group has implemented policies and uses procedures to ensure that sales are made only to customers with appropriate credit history, the group has seen many previously creditworthy customers default due to the underlying market conditions. During the year the Group has also seen credit insurance removed against many of its customers leaving the Group with a much greater exposure which is reflected in the group's trade receivables impairment.

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.

34 Non-cash transactions

Additions to fixtures and equipment during the year amounting to £Nil (2007: £1,172k) were financed by new finance leases.

35 Contingent Liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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36 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	
	2008	**2007**
	£000's	**£000's**
Management charge for provision of services	5,567	3,425
Amounts owed by related parties at year end	59,688	81,772

During the year the company impaired £7,944k against Snorkel International Inc outstanding loans and also forgave £43,645k in loans to Tanfield Engineering Systems Ltd.

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 13 to 16.

Directors Emoluments

	2008	2007
	£000's	£000's
Short-term employee benefits	1,379	1,339
Post employment benefits	87	60
Gain on exercise of share options	-	10,015
Total	1,466	11,414

Directors' transactions

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