

**TANFIELD GROUP PLC  
REPORT AND FINANCIAL  
STATEMENTS 2009**

**Registered in England & Wales**

**Company number 04061965**

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

# REPORT AND FINANCIAL STATEMENTS 2009

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# TANFIELD GROUP PLC FINANCIAL STATEMENTS

## DIRECTORS AND ADVISERS

### DIRECTORS

#### EXECUTIVE

DS Kell  
CD Brooks  
BJ Campbell  
GE Allison

Chief Executive  
Finance Director  
Managing Director Powered Access  
Managing Director Zero Emission Vehicles

#### NON-EXECUTIVE

RRE Stanley  
J Pither  
Dr JN Bridge  
M Groak  
C Billiet  
JM Wooding

Chairman (to 31 December 2009) Non executive Director (from 1 Jan 10)  
Chairman (appointed to the board 22 Dec 09 and appointed as Chairman on 1 Jan 10)  
Non executive Director  
Non executive Director  
Non executive Director (resigned 19 June 09)  
Non executive Director (appointed 19 June 09)

#### SECRETARY

CD Brooks

### REGISTERED OFFICE AND ADVISORS

#### REGISTERED OFFICE

Vigo Centre  
Birtley Road  
Washington  
Tyne and Wear  
NE38 9DA

#### NOMINATED ADVISOR

Arbuthnot Securities  
Arbuthnot House  
20 Ropemaker St  
London  
EC2Y 9AR

#### AUDITORS

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

#### NOMINATED BROKERS

Arbuthnot Securities  
Arbuthnot House  
20 Ropemaker St  
London  
EC2Y 9AR

#### SOLICITORS

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

#### REGISTRARS

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Hudersfield  
HD8 0GA

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### FINANCIAL AND BUSINESS REVIEW

#### Key performance indicators for the year end 31 December 2009

	2009	2008	
	£000's	£000's	%
Revenue	58,159	145,734	(60.0)
Operating margin %	38%	48%	(10.0)
EBITDA(before impairments)	(18,488)	4,528	(508.3)
Cash	5,414	11,130	(51.4)
Headcount (No)	653	1,150	(43.2)
Orderbook – Electric vehicles	7,500	5,000	50.0
Orderbook – Powered Access	2,200	4,200	(47.6)

#### CHAIRMAN'S STATEMENT

Trading throughout 2009 was in line with our expectations, with no improvement in the significant depression in global demand for aerial work platforms and muted sales of electric commercial vehicles, caused by lack of credit.

Towards the end of the year, we began to see signs of improvement in the Zero Emission Vehicles division and I am delighted to report that this business has continued to gain traction in early 2010. We see little or no expectation of improvement in the Powered Access division until 2011 at the earliest and continue to manage the business accordingly.

As we predicted, 2009 was a tough year for the Group and we expect 2010 will also be challenging.

The management team has executed a plan to sustain the business during the economic recession and to prepare it for the eventual upturn. We continue to prudently manage cash and implement cost reduction programmes, while retaining core employee skills and competencies.

With a stable balance sheet and clear strategies to manage the downturn, I believe Tanfield is well positioned for long term success. I would like to thank all of our people for their efforts during a demanding year. The team really pulled together to overcome the challenges faced by the Group and is focused on preparing Tanfield for a brighter future.

#### CHIEF EXECUTIVE'S REVIEW

##### Summary

Throughout 2009, both our core business units continued to be adversely impacted by the global economic downturn. In particular, the lack of access to credit continued to inhibit our customers in the Zero Emission Vehicles and Powered Access divisions. Turnover declined 60% to £58m, resulting in a loss of £21m for the year.

We acted decisively at the start of 2009, implementing headcount reductions coupled with initiatives including shorter working weeks and periods of unpaid leave. This resulted in a reduction of staff costs by 42%, while preserving the core skills base of the workforce.

Our strategy remains to focus on cash generation ahead of profitability and to retain the employees and skills that we will need to build for future success.

##### Powered Access: Turnover of £42m (2008: £114m)

Tanfield succeeded in selling excess inventory during 2009 and machine stocks are now within our target levels. Our overall performance was in line with that of the wider market and our peers.

However, market pricing in the aerial lift industry remained artificially low during the period, as major equipment rental houses off-loaded excess stock and competitors offered heavy discounts to reduce their own inventory levels.

During 2009, Tanfield further expanded and enhanced its global dealer network, with the appointment of new distributors in Latin America, North Africa and Europe. The Company also appointed a national network of sales agents in North America, to target smaller, family-owned equipment rental companies.

Throughout the year, our design engineers have focused on developing new aerial lifts and updating existing models, taking cost out and enhancing machine performance. The full benefit of these enhancements however will only be derived when the market recovers and production runs increase.

Furthermore, a significant amount of the industry's stock overhang was utilised during the period, depleting stock at a market level and improving order transparency.

The overall sector outlook remains challenging, with no sign of any industry improvement in 2010. Depressed demand continues, particularly in North America and Europe.

However, we are hopeful of increased interest within the newly developing markets – sales in these areas will only replace some of the lost demand from mature markets. It is only once these core markets start to substantially recover however that we will be able to increase production volumes to an economically attractive level.

##### Zero Emission Vehicles: Turnover of £15m (2008: £25m)

Through its Smith Electric Vehicles brand, this division is now acknowledged worldwide as the leading manufacturer of electric commercial vehicles. Despite the tough trading environment, the division stretched its lead over its nearest competitors during the period, growing UK market share and making inroads into export markets.

Sales throughout 2009 continued to be disadvantaged by the global recession. The lack of funding available for leasing or contract hire

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

as the means of financing for the majority of our customers, was a major issue and impacted adversely on product sales.

Tanfield continues to focus on export sales into countries that offer incentives to stimulate the demand for electric vehicles. The company has appointed new distributors in Hong Kong, Southern China and France, adding to existing dealers in The Netherlands and the Republic of Ireland. We are also supplying an initial 10 Smith Edison vans to Ford of Europe, which is a partner in a major trial of electric vehicles in Germany.

In the UK, Tanfield was one of four producers of low carbon vans to be selected for the Government's Low Carbon Vehicle Procurement Programme. Tanfield has been commissioned to supply 67% of the electric vans required for Phase One; more than double the numbers supplied by its two main competitors combined. We remain on schedule with the supply of 51 Smith Edison vans to Sainsbury's, for its online shopping delivery service in London.

We are now fully engaged in three research and development projects, part-funded by the Technology Strategy Board, to improve electric vehicle efficiencies. Tanfield is also working on a prototype electric vehicle that incorporates a hydrogen fuel cell range extender.

Tanfield's associate company, Smith Electric Vehicles US Corp ("SEVUS"), is now established as the leading supplier of electric commercial vehicles in the North American market. SEVUS continues to secure both private and public sector interest in commercial electric vehicles, while winning substantial support from US Federal agencies.

### Other: Turnover of £1.4m (2008: £6.3m)

Tanfield's Engineering business supplies sub-assemblies and fabrications to the construction equipment sector. These customers continued to experience a decline in sales during 2009, reflected in lower turnover for this business unit.

### Outlook

On the 10<sup>th</sup> of March the company announced that it had received a non-binding, conditional offer from SEVUS for the Company's Smith Electric Vehicle division. The Board granted a 4 month period of exclusivity to SEVUS to finalise this offer and understands that progress is being made in line with the proposed offer timeline and key milestones.

The Board believes that 2010 will signal the return of growth in the sales of commercial electric vehicles.

Worldwide demand for these products continues to increase and the division entered 2010 with a healthy order book that is now full through to the end of the summer.

The outlook for the Powered Access division remains challenging. As we predicted, the major equipment rental companies have confirmed they are unlikely to lift their moratorium on spend during 2010. Given that these customers account for an estimated two-thirds of all global sales of aerial lifts, we expect the entire aerial work platform market to remain depressed and highly competitive.

As we continue to focus on cash preservation, Tanfield is not proposing to pay a dividend for the period. The directors believe the business remains well positioned with a stable balance sheet and zero debt.

## FINANCE DIRECTOR'S REPORT

The Revenue for the year of £58.2m (down by £87.5m or 60% on 2008's revenue of £145.7m) reflected the ongoing poor market conditions suffered throughout 2009.

Whilst cost base reductions have been implemented wherever possible, the low level of pricing, particularly in the middle of the year, resulted in a Loss from Operations of £22.1m (2008 £88.3m).

### Post tax losses of associate

In the year, SEV US was incorporated. As yet, SEV US has not been profitable. The loss reported is limited to the costs of Tanfield's investment.

### Operating expenses

Whilst the Other operating expenses total reported at £12m remains the same as 2008, the 2008 figure benefited from foreign exchange movements and a profit on the sale of property plant and equipment. The net reduction excluding those items is £4m.

### Restructuring costs

The majority of the restructuring costs were carried out during 2008. No significant one off costs were incurred in the period.

### Impairment of assets

A further review of the carrying values of the assets was undertaken. A further impairment of £600k was believed to be necessary. Impairments in 2008 totalled £89.7m.

### Loss from operations

The Loss from Operations in the period was £22.1m (2008 £88.3). This was a trading loss, whereas the loss in 2008 arose from the impairments.

### Finance expenses

The increased interest cost of the period, excluding the interest rate collar, of £567k (2008: £397k) was offset by the increase in the value of the interest rate collar of £127k (2008 cost of £516k).

### Loss before tax

Given the Operating Loss, the Loss before Taxation was £22.5m (2008 £88.8m).

### Taxation

Given the losses there was little tax payable. The deferred tax asset assumptions remain the same so tax impact in the income statement arising from adjustments to the deferred tax asset is minimal.

### Earnings per share

Loss per share was 28.9p (2008: Loss 119.5p). No dividend has been declared. (2008: nil)

### Net Cash

At 31 December 2009, the Group had cash of £5.4m (2008 £11.1). Although the business has reported a loss in the period the operating cash flow was neutral. The cash movement of £5.7m resulted from the payment of £2.9m deferred consideration for the Snorkel acquisition and £2.9m fully settling an Invoice Discounting facility in Australia. The cash allows the business to trade without exposure to financial covenants from banks or other institutions.

# TANFIELD GROUP PLC FINANCIAL STATEMENTS

## DIRECTOR'S REPORT

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2009.

Tanfield Group PLC is a public listed parent company incorporated and domiciled in England and quoted on AIM.

### 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 2009 reflects the continuing 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 fell to £58m from £146m for the full year to December 2008. This reflects twelve months of very poor trading conditions in 2009, where 2008 showed a marked decline after a good start to the year.

The loss in the period of £21m arose from trading reflecting the poor market conditions, where the 2008 loss of £89m was largely a result of impairments.

As at the end of 2008, a review was undertaken of the carrying value of assets in the Powered Access division but it was concluded that following the impairments made in 2008 and current trading conditions, the values included were still appropriate and no further impairments were required.

The balance sheet remains robust, with net assets at the end of December of £64m (£86m: December 2008). Net Current Assets were £42m (2008: £62m) with cash balances in excess of £5.4m and no borrowing. This demonstrates that the company has sufficient working capital allowing it to work through the current trading conditions.

No dividend has been paid or proposed for the year (2008: £nil). The loss of £21m (2008: Loss of £89m) has been transferred to reserves.

### REVIEW OF THE BUSINESS

The year was dominated by the continuation of the very poor trading conditions in our main markets and the company's response to those trading conditions.

A detailed review of the business is included in the financial and business review on pages 4 to 5 including the KPIs on page 4.

### 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.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the group has made no political or charitable donations (2008 - £nil).

### FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, finance leases 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 2009 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.

### RISKS AND UNCERTAINTIES

The business is reliant on continued sales within its end markets, the pricing levels in those markets and the continued performance of its supply chain. These markets have been subject to falling demand and future performance in those markets is uncertain. The group buys the majority of its powered access components and sells the majority of its powered access products in US dollars. Whilst that allows a natural hedge of those products, it does affect pricing in non US dollar markets, adding to the uncertainty.

### 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

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### DIRECTORS

The present membership of the board is set out on page 3. C. Billiet resigned on 19 June 2009. J M Wooding was appointed on 19 June 2009. J Pither was appointed on 22 Dec 2009.

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 9 to 10.

### 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 2009 were 87 days. (2008 – 77 days)

### SUBSTANTIAL SHAREHOLDINGS

On 31 December 2009 the following held substantial shares in the company. No other person has reported an interest of more than 3% in the ordinary shares.

	No.	%
NORTRUST NOMINEES LIMITED	9,211,757	12.44%
TD WATERHOUSE NOMINEES (EUROPE)	6,759,775	9.13%
BARCLAYSHARE NOMINEES LIMITED	5,899,426	7.96%
HSDL NOMINEES LIMITED	4,811,349	6.50%
UBS PRIVATE BANKING NOMINEES LTD	4,325,962	5.84%
HSBC GLOBAL CUSTODY NOMINEE (UK)	3,884,940	5.24%
L R NOMINEES LIMITED	3,246,283	4.38%
HARGREAVES LANSDOWN (NOMINEES)	2,729,060	3.68%
PRUDENTIAL CLIENT HSBC GIS NOMINEE	2,607,898	3.52%
JAMES CAPEL (NOMINEES) LIMITED	2,569,923	3.47%

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.

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.

### 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

28 May 2010

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## 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 2008 (effective for periods commencing on or after 29 June 2008) 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. A fourth Non-Executive director was appointed in December.

### 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.

### 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 9 to 10.

### Audit Committee

The Audit Committee comprised the Non-Executive Directors Martin Groak (Chair), Jerry Wooding and John Bridge. Meetings are also attended, by invitation, by the 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.

### 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.



Darren Kell  
Chief Executive 28 May 2010



## TANFIELD GROUP PLC FINANCIAL STATEMENTS

# 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. No bonuses were awarded or paid in relation to 2009 (2008: £nil) 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 2009 (2008: nil).

### 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' 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.

### Board changes

On 19 June 2009 Colin Billiet stepped down as a non executive director and was replaced by Jerry Wooding.

On 22 Dec 2009 John Pither was appointed as a Non executive director and made Chairman on the 1 Jan 2010. Roy Stanley stepped down as Chairman on 1 Jan 2010.

### Directors interests

The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2009 and 1 January 2009 are shown below:

	Number of shares	
	2009	2008 <sup>a</sup>
RRE Stanley	5,553,858	5,553,858
DS Kell	340,000	340,000
CD Brooks	22,491	22,491
BJ Campbell	22,395	22,395
GE Allison	20,841	20,841
JN Bridge	20,508	10,508
M Groak	-	-
JM Wooding	-	-
<b>Total</b>	<b>5,980,093</b>	<b>5,970,093</b>

<sup>a</sup> For comparative purposes the number of share at 1 January have been restated to account for the 5 for 1 share consolidation.

The directors, as a group, beneficially own 8% of the company's shares.

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.

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### DIRECTORS REMUNERATION REPORT continued

#### Remuneration review

Directors emolument for the financial year were as follows:

	Salary	Benefits in kind	Bonuses	Total 2009	Total 2008	Pension Total 2009	Pension Total 2008
RRE Stanley	30	18	-	48	287	9	18
DS Kell	206	18	-	224	412	25	22
CD Brooks <sup>a</sup>	133	18	-	151	271	15	15
BJ Campbell	133	18	-	151	271	16	31
GE Allison	79	-	-	79	48	8	1
JN Bridge	26	-	-	26	30	-	-
M Groak	26	-	-	26	30	-	-
C Billiet <sup>b</sup>	13	-	-	13	30	-	-
JM Wooding <sup>c</sup>	16	-	-	16	-	-	-
J Pither <sup>d</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>662</b>	<b>72</b>	<b>-</b>	<b>734</b>	<b>1,379</b>	<b>73</b>	<b>87</b>

<sup>a</sup> In addition to CD Brooks' emoluments he received a loan of £31k which was outstanding at the balance sheet date. The loan is due to be repaid in 2010.

<sup>b</sup> C Billiet left the company on 19 June 09

<sup>c</sup> JM Wooding joined the company on 19 June 09. Mr Wooding is paid through Simkat Consultants.

<sup>d</sup> J Pither joined the company on 22 Dec 10.

Directors share options held at 31 December 2009 were as follows:

	31 December 2008 <sup>e</sup>	Granted/ Lapsed	Exercised	31 December 2009	Option price per share <sup>e</sup>	Date from which normally exercisable <sup>f</sup>	Expiry Date
DS Kell	411,334	-	-	411,334	100p	01/03/2009	01/03/2016
	860,000	-	-	860,000	100p	02/01/2010	02/01/2017
RRE Stanley	800,000	-	-	800,000	100p	02/01/2010	02/01/2017
CD Brooks	250,000	-	-	250,000	115p	14/06/2009	14/06/2016
	200,000	-	-	200,000	100p	02/01/2010	02/01/2017
BJ Campbell	140,000	-	-	140,000	5p	14/09/2008	14/09/2015
	50,000	-	-	50,000	100p	01/03/2009	01/03/2016
	320,000	-	-	320,000	100p	02/01/2010	02/01/2017
JN Bridge	30,000	-	-	30,000	100p	01/03/2009	01/03/2016
M Groak	30,000	-	-	30,000	100p	01/03/2009	01/03/2016
<b>Total</b>	<b>3,091,334</b>			<b>3,091,334</b>			

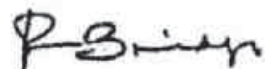
<sup>e</sup> Subject to the clauses in the option agreements for adjustment of the option price in the event of a variations in capital or a demerger, the share option price and the number of options have been adjusted to reflect the 5 for 1 share consolidation. Certain option agreements allow for the option price to reduce in the event of a demerger.

<sup>f</sup> Certain share option agreements have a clause that allows the options to be exercised early if market capitalisation exceeds a certain level

<sup>g</sup> On 31 December 2009 the market price of the ordinary shares was 27p. The range during 2009 was 24.25p to 82.50p

#### Approval

This report was approved by the board of directors and authorised for issue on 28 May 2010 and signed on its behalf by:



**John Bridge**  
Chairman of Remuneration Committee

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 European Union ("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 2006 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.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

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 IFRSs 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 adequate accounting records that are sufficient to show and explain the group's and the company's transactions and 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 Companies Act 2006. 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 responsible for the maintenance and integrity of the corporate and financial information included on 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.

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### REPORT OF THE INDEPENDENT AUDITORS

#### Independent auditors' report to the members of Tanfield Group PLC

We have audited the group and parent company financial statements ("the financial statements") which comprise the Group Income Statement, Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Recognised Income and Expense, the Group and Parent Company Statements of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As more fully explained in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Respective responsibilities of directors and auditors

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

28 May 2010

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £000's	2008 £000's
<b>Revenue</b>	1	<b>58,159</b>	<b>145,734</b>
Changes in inventories of finished goods and WIP	12	(6,358)	4,808
Raw materials and consumables used		(39,945)	(102,724)
Staff costs	2	(18,645)	(32,197)
Depreciation and amortisation expense	3	(3,007)	(3,195)
Other operating income	4	-	500
Other operating expenses	4	(11,648)	(11,221)
Restructuring costs	8	-	(372)
<b>(Loss) profit from operations before impairments</b>		<b>(21,444)</b>	<b>1,333</b>
Share of results of associates	26	(51)	-
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		(600)	(22,894)
<b>Loss from operations after impairments</b>		<b>(22,095)</b>	<b>(88,329)</b>
Finance expense	5	(567)	(913)
Finance income	5	207	457
<b>Net finance expense</b>		<b>(360)</b>	<b>(456)</b>
<b>Loss before taxation</b>		<b>(22,455)</b>	<b>(88,785)</b>
Taxation	6	1,066	239
<b>Net Loss for the year</b>		<b>(21,389)</b>	<b>(88,546)</b>
<b>Attributable to:</b>			
Owners of the parent		(21,388)	(88,546)
Non-controlling interest		(1)	-
<b>Earnings per share</b>			(Restated)
Basic	7	(28.9)p	(119.5)p
Diluted	7	(28.9)p	(119.5)p

# TANFIELD GROUP PLC FINANCIAL STATEMENTS

## BALANCE SHEETS (Company registration number 04061965)

AS AT 31 DECEMBER 2009

	Notes	Group		Company	
		2009 £000's	2008 £000's	2009 £000's	2008 £000's
<b>Non current assets</b>					
Goodwill	10	356	356	-	-
Intangible assets	11	13,825	15,153	-	-
Property, plant and equipment	9	5,200	6,346	-	-
Deferred tax assets	19	1,915	1,779	-	-
Associate	26	-	-	-	-
Trade and other receivables	15	900	1,500	-	-
Investments	33	-	-	2,111	15,124
		22,196	25,134	2,111	15,124
<b>Current assets</b>					
Inventories	12	44,615	60,560	-	-
Trade and other receivables	15	11,878	20,595	57,468	59,732
Investments	13	275	251	-	-
Current tax assets		72	-	-	-
Cash and cash equivalents	14	5,414	11,130	907	5,372
		62,254	92,536	58,375	65,104
<b>Total assets</b>		<b>84,450</b>	<b>117,670</b>	<b>60,486</b>	<b>80,228</b>
<b>Current liabilities</b>					
Trade and other payables	16	16,178	19,807	1,549	769
Provisions	25	527	-	-	-
Tax liabilities		45	687	-	-
Obligations under finance leases	17	480	565	-	10
Other creditors	18	2,553	9,954	2,228	5,720
		19,783	31,013	3,777	6,499
<b>Non-current liabilities</b>					
Other creditors		-	-	-	-
Obligations under finance leases	17	156	569	-	-
Deferred tax liabilities	19	375	307	-	-
		531	876	-	-
<b>Total liabilities</b>		<b>20,314</b>	<b>31,889</b>	<b>3,777</b>	<b>6,499</b>
<b>Equity</b>					
Share capital	20	3,704	3,704	3,704	3,704
Share premium	20	-	138,511	-	138,511
Share option reserve	21	1,764	1,653	1,764	1,653
Special reserve	21	66,837	-	66,837	-
Merger reserve	21	1,534	1,534	1,534	1,534
Capital reduction reserve	21	-	7,228	-	7,228
Translation reserve	21	8,923	9,290	-	-
Profit and loss account	22	(18,625)	(76,139)	(17,130)	(78,901)
<b>Total parent shareholders' equity</b>		<b>64,137</b>	<b>85,781</b>	<b>56,709</b>	<b>73,729</b>
Minority interests	24	(1)	-	-	-
<b>Total equity and total liabilities</b>		<b>84,450</b>	<b>117,670</b>	<b>60,486</b>	<b>80,228</b>

The financial statements on pages 13 to 43 were approved by the board of directors and authorised for issue on 28 May 2009 and are signed on its behalf by:



**Charles Brooks**  
Group Finance Director

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

#### CONSOLIDATED

	Share capital	Share premium	Shares option reserve	Merger reserve	Capital reduction reserve	Special reserve	Translation reserve	Retained earnings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2008	3,703	138,493	992	1,534	7,228	-	879	12,385	165,214
Loss for the year	-	-	-	-	-	-	-	(88,546)	(88,546)
Exchange differences	-	-	-	-	-	-	8,411	-	8,411
Share options exercised	1	18	-	-	-	-	-	-	19
Share option provision	-	-	661	-	-	-	-	22	683
<b>At 1 January 2009</b>	<b>3,704</b>	<b>138,511</b>	<b>1,653</b>	<b>1,534</b>	<b>7,228</b>	-	<b>9,290</b>	<b>(76,139)</b>	<b>85,781</b>
Loss for the year	-	-	-	-	-	-	-	(21,388)	(21,388)
Exchange differences	-	-	-	-	-	-	(367)	-	(367)
Share option provision	-	-	111	-	-	-	-	-	111
Cancellation of share premium account (note 20)	-	(138,511)	-	-	(7,228)	66,837	-	78,902	-
<b>At 31 December 2009</b>	<b>3,704</b>	-	<b>1,764</b>	<b>1,534</b>	-	<b>66,837</b>	<b>8,923</b>	<b>(18,625)</b>	<b>64,137</b>

#### COMPANY

	Share capital	Share premium	Shares option reserve	Merger reserve	Capital reduction reserve	Special reserve	Translation reserve	Retained earnings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2008	3,703	138,493	992	1,534	7,228	-	338	(700)	151,588
Loss for the year	-	-	-	-	-	-	-	(78,223)	(78,223)
Exchange differences	-	-	-	-	-	-	(338)	-	(338)
Share options exercised	1	18	-	-	-	-	-	-	19
Share option provision	-	-	661	-	-	-	-	22	683
<b>At 1 January 2009</b>	<b>3,704</b>	<b>138,511</b>	<b>1,653</b>	<b>1,534</b>	<b>7,228</b>	-	-	<b>(78,901)</b>	<b>73,729</b>
Loss for the year	-	-	-	-	-	-	-	(17,131)	(17,131)
Exchange differences	-	-	-	-	-	-	-	-	-
Share option provision	-	-	111	-	-	-	-	-	111
Cancellation of share premium account (note 20)	-	(138,511)	-	-	(7,228)	66,837	-	78,902	-
<b>At 31 December 2009</b>	<b>3,704</b>	-	<b>1,764</b>	<b>1,534</b>	-	<b>66,837</b>	-	<b>(17,130)</b>	<b>56,709</b>

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Group		Company	
	2009	2008	2009	2008
	£000's	£000's	£000's	£000's
<b>Cash flow from operating activities</b>				
(Loss) profit before interest and taxation	(22,095)	(88,329)	(17,191)	(78,570)
Depreciation and amortisation	3,007	3,195	-	-
(Gain) on deferred consideration reassessment	(926)	-	(926)	-
(Gain) Loss on disposal of fixed assets	55	(587)	-	-
(Gain) Loss on disposal of Intangible assets	69	-	-	-
Impairment of goodwill	-	31,895	-	-
Impairment of intangible assets	-	12,605	-	-
Impairment of property, plant and equipment	-	83	-	-
Impairment of inventories	-	22,185	-	-
Impairment of receivables	600	22,894	-	-
Loss on intercompany loan write off	-	-	3,691	51,618
Loss on impairment of investments	51	-	13,064	34,535
<b>Operating cash flows before movements in working capital</b>	<b>(19,239)</b>	<b>3,941</b>	<b>(1,362)</b>	<b>7,583</b>
Decrease (increase) in receivables	8,668	4,585	(1,429)	(29,199)
(Decrease) increase in payables	(2,981)	(8,140)	892	1,125
(Decrease) Increase in provisions	(2,840)	2,612	-	-
Decrease (increase) in inventories	14,821	(13,933)	-	-
<b>Net cash used in operating activities</b>	<b>(1,571)</b>	<b>(10,935)</b>	<b>(1,899)</b>	<b>(20,491)</b>
Interest paid	(567)	(913)	(16)	(38)
Income taxes received	241	510	-	-
<b>Net cash used in operating activities</b>	<b>(1,897)</b>	<b>(11,338)</b>	<b>(1,915)</b>	<b>(20,529)</b>
<b>Cash flow from Investing Activities</b>				
Purchase of investments in Associates	(51)	-	(51)	-
Purchase of property, plant and equipment	(243)	(1,087)	-	-
Payment of deferred consideration	(2,904)	(252)	(2,904)	(252)
Proceeds from sale of property, plant and equipment	58	623	-	-
Purchase of investments	(51)	(45)	-	-
Purchase of intangible fixed assets	(544)	(6,431)	-	-
Interest received	207	457	77	785
<b>Net cash (used in) / from investing activities</b>	<b>(3,528)</b>	<b>(6,735)</b>	<b>(2,878)</b>	<b>533</b>
<b>Cash flow from financing activities</b>				
(Costs) Proceeds from issuance of ordinary shares	-	19	-	19
Repayments of obligations under finance leases	(504)	(693)	(10)	(120)
<b>Net cash used in financing activities</b>	<b>(504)</b>	<b>(674)</b>	<b>(10)</b>	<b>(101)</b>
Effect of exchange rate changes on cash and cash equivalents	213	1,925	339	862
<b>Net decrease in cash and cash equivalents</b>	<b>(5,716)</b>	<b>(16,822)</b>	<b>(4,464)</b>	<b>(19,235)</b>
Cash and cash equivalents at the start of year	11,130	27,952	5,371	24,607
<b>Cash and cash equivalents at the end of the year</b>	<b>5,414</b>	<b>11,130</b>	<b>907</b>	<b>5,372</b>



## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

#### (i) Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"), IFRIC interpretations and the requirements of the Companies Act applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, modified for the revaluation of certain financial assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below in "Critical accounting estimates and key judgements".

#### (ii) Going Concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The Group has cash balances is debt free and expects to continue to release further cash from working capital to fund business needs.

The Group has prepared trading forecasts through to December 2014 which include detailed cash flow calculations. The forecasts are based on detailed assumptions as to sales performance by month, product mix and working capital assumptions. The forecasts assume a similar level turnover in 2010 to 2009 for the Powered Access division but improved sales levels for Electric Vehicles. The Powered Access forecasts are underpinned by order intake rates, the Electric Vehicles increase is supported by order book levels as well as prospects and intake rates.

During 2009, the powered access division released cash from inventories, this is forecast to continue in the first part of 2010, with the proportion of sales requiring purchase of new components increasing throughout the year. These proportions are based on product mix assumptions.

There is inherent uncertainty in any forecast. Such uncertainties include the lack of visibility regarding sales in the current economic and financial climate, however the level of orders taken and prospects is more than adequate to indicate activity levels that support the forecast sales for 2010. Furthermore the company faces additional uncertainties: the risk that the actions that are planned and being put into effect might take more time to complete than forecast; the movement in dollar and euro exchange rates. The Directors feel that a reasonably balanced approach has been taken to these risks in the forecast.

The Directors are confident that the assumptions underlying their forecasts are reasonable and that the Group will be able to operate within its cash balances. Having taken the uncertainties into account the Board believes that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustment to the value of the balance sheet assets or provisions for further liabilities, which would result should the going concern concept not be valid.

#### (iii) Basis of consolidation

The group financial statements consolidate the financial statements of Tanfield Group plc ('the company') and its subsidiaries, and they incorporate its share of the results of its associates using the equity method of accounting .

- A subsidiary is an entity that is controlled by another entity, known as the parent. Control is power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- An associate is an entity over which another entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies.

The results of subsidiaries acquired or disposed are consolidated from and up to the date of change of control.

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 any minority interest.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation

Investments in associates are initially recognised at cost. Subsequent to acquisition, the carrying value of the group's share of post acquisition reserves, less any impairment in the value of individual assets. The income statement reflects the group's share of the results of operations after tax of the associate.

#### (iv) Revenue

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.

#### (v) Leases

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

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

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.

### (vi) Foreign currencies

Transactions in currencies other than sterling, the presentational and functional currency of the group, 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.

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.

### (vii) Intangible assets

Identifiable intangible assets are recognised when the group controls the asset, it is probable that future economic benefits attributable to the asset will flow to the group and the cost of the asset can be reliably measured. All intangible assets, other than Goodwill, are amortised over their useful economic life.

#### 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 and is included as a non current asset.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. 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.

#### Computer Software

Computer software comprises computer software purchased from third parties and is carried at cost less accumulated amortisation.

#### Computer Software

Computer software comprises computer software purchased from third parties and is carried at cost less accumulated amortisation.

#### Manufacturing schedules and other intangibles

Manufacturing schedules and other intangible assets have been brought in on the acquisition of businesses and capitalised at a fair value. The intangible assets are carried at cost less accumulated amortisation and impairment losses.

#### Estimated useful economic lives

The estimated useful economic lives assigned to the principal categories of intangible assets are as follows:

- |                           |               |
|---------------------------|---------------|
| • Computer software       | 5 years       |
| • Manufacturing schedules | 10 years      |
| • Other intangible assets | 2 to 10 years |

### (viii) Research and development

Research expenditure is recognised as an expense in the period in which it is incurred.

Development expenditure is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the group from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. (10 to 15 years)

### (ix) Plant, property and equipment

Plant, property and equipment is included in the balance sheet at historical cost, less accumulated depreciation and any impairment losses.

On disposal of property, plant and equipment, the difference between sales proceeds and the net book value at the date of disposal is recorded in the income statement.

#### Depreciation

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                  | 3- 10 years                    |
| • Short Leasehold Property Alterations | over the lifetime of the lease |
| • Fixtures, fittings and equipment     | 3- 10 years                    |
| • Motor Vehicles                       | 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.

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### (x) Asset Impairment (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.

### (xi) 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.

### (xii) 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

### (xiii) Borrowing costs

All borrowing costs are expensed in the income statement in the period in which they are incurred.

### (xiv) Financial instruments

#### Recognition of financial assets and financial liabilities

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.

#### Financial assets

Trade and other receivables.

Financial assets within Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and are subsequently carried at amortised cost using the effective interest method less provisions made for doubtful receivables.

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Provisions are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand less short term bank overdrafts.

#### Financial liabilities

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.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received

#### Trade and other payables

Financial liabilities within Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at historical cost.

#### Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method.

#### Derivative financial instruments and hedge accounting

The Group transacts derivative financial instruments to manage the underlying exposure to foreign exchange risks and interest rate risk. The Group does not enter into 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.

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### (xv) 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.

### (xvi) Post retirement benefits

The group operates a defined contribution scheme which is administered by an independent trustee. The group contributions are charged to the income statement as they are incurred.

### (xvii) 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. For management information purposes the group is currently separated into two main distinctive operating units, namely Powered Access Platforms and Electric Vehicles. All other operations are classed as "other" and include unallocated group costs.

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.

### (xviii) 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.

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.

### (xix) Termination benefits

Termination benefits (leaver costs) are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to the affected employees leaving the group.

### (xx) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

### (xxi) Investments

Investments are included at cost less amounts written off.

## Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the group's accounting policies. We continually evaluate our estimates, assumptions and judgements based on the most up to date information available.

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

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### **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.

### **Warranty Provision**

The Group has reviewed the warranties that it has offered with the sales of its vehicles, and has established a warranty provision to cover the estimated future warranty costs of products sold over the remaining life of the warranty. The estimate of future warranty costs assumes that the recent product developments continue to reduce the warranty support necessary from that in previous periods.

### **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.

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### Accounting standards, interpretations and amendments to published accounts

The Group considered the implications, if any, of the following amendments to IFRSs during the year ended 31 December 2009.

New and amended standards and interpretations effective from 1 January 2009 adopted by the group

**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.

**IFRS 8 'Operating Segments' (effective for periods commencing on or after 1 January 2009).**

IFRS 8 requires the identification of operating segments based on internal reporting to the chief operating decision maker and extends the scope of IAS14, 'Segmental Reporting'.

**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.

**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 under IAS23.

**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 had no impact on the Company as the financial statements were already prepared under IFRS.

New and amended standards and interpretations effective from 1 January 2010 not yet adopted by the group

**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 January 2010 as applicable.

**IAS 27 (Revised) "Consolidated and separate financial statements" (Effective 1 January 2010).**

IAS 27 (Revised) requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in Goodwill or gains or losses being recorded. IAS 27 (Revised) also specifies that when control is lost, any remaining interest should be re-measured to fair value and a gain or loss recorded through the income statement. The management is currently assessing the impact on the group's financial statements.

**IFRIC 17 "Distribution of non-cash assets to owners" (Effective 1 January 2010).**

IFRIC 17 provides guidance on how an entity should measure distributions other than cash when it pays dividends to its owners. The standard requires the dividend payable to be measured at the fair value of the assets to be distributed, and any difference between the fair value and the book value of the assets is recorded in the income statement. The group does not expect the adoption of this guidance to have a significant impact on the group's financial statements.

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### NOTES TO THE ACCOUNTS

#### 1. Segmental analysis

##### Business segments

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 and the group holding company

Intra-group revenue generated from the sale of products and services is agreed between the relevant business.

##### Operating results by line of business

	2009		2008	
	Revenue £000's	Loss £000's	Revenue £000's	Loss £000's
Powered Access Platforms	41,708	(15,457)	114,388	(82,689)
Zero Emission Vehicles	15,057	(5,427)	25,087	(1,389)
Other	1,394	(1,160)	6,259	(3,879)
<b>Segment revenue / loss</b>	<b>58,159</b>	<b>(22,044)</b>	<b>145,734</b>	<b>(87,957)</b>
Share of post tax loss of associate		(51)		-
Restructuring costs		-		(372)
Finance income		207		457
Finance costs		(567)		(913)
Taxation		1,066		239
<b>Loss for the year</b>		<b>(21,389)</b>		<b>(88,546)</b>

##### Assets and liabilities by line of business<sup>1</sup>

	2009 £000's	2008 £000's
<b>Assets</b>		
Powered Access Platforms	60,562	86,745
Zero Emission Vehicles	18,943	21,389
Other <sup>2</sup>	2,958	7,757
<b>Total segment assets</b>	<b>82,463</b>	<b>115,891</b>
Current tax assets	72	-
Deferred tax assets	1,915	1,779
<b>Total assets</b>	<b>84,450</b>	<b>117,670</b>
<b>Liabilities</b>		
Powered Access Platforms	(10,792)	(17,389)
Zero Emission Vehicles	(3,675)	(3,674)
Other	(3,175)	(3,102)
<b>Total segment liabilities</b>	<b>(17,642)</b>	<b>(24,165)</b>
Current tax liabilities	(45)	(687)
Deferred tax liabilities	(375)	(307)
Retirement benefit obligations	(24)	(27)
Deferred consideration <sup>2</sup>	(2,228)	(6,703)
<b>Total liabilities</b>	<b>(20,314)</b>	<b>(31,889)</b>

<sup>1</sup> Intercompany loans have been omitted from the asset and liabilities by line of business summary.

<sup>2</sup> The deferred consideration was reduced by cash payments made from "Other"

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 1. Segmental analysis continued

#### Geographical information

The analysis of revenue by geographical area is on the basis of the final destination country.

Revenue by geographic area	2009 £000's	2008 £000's
Entity's country of domicile – United Kingdom	16,451	28,721
Europe excluding UK	7,570	25,983
Americas	15,933	58,349
Australasia	10,973	17,627
Other (includes Asia, Africa and rest of the world not classified above)	7,232	15,054
<b>Total</b>	<b>58,159</b>	<b>145,734</b>

Total amortisation and depreciation, and capital expenditure by geographic area	Amortisation and Depreciation		Capital expenditure	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Powered Access equipment				
UK	854	723	59	1,650
USA	694	1,208	-	442
Asia	11	4	97	24
Australasia	80	91	89	63
Electric Vehicles				
UK	1,148	904	542	5,317
Other				
UK	220	265	-	22
<b>Total</b>	<b>3,007</b>	<b>3,195</b>	<b>787</b>	<b>7,518</b>

Total assets and capital expenditure are allocated to geographical areas based on the location of the asset

Non current assets (excluding financial instruments and deferred tax assets)	2009 £000's	2008 £000's
Located in the entity's country of domicile – United Kingdom	15,707	17,417
Located In foreign countries in which the Group holds assets:		
Americas	3,152	3,965
Australasia	430	375
Other	92	98
<b>Total</b>	<b>19,381</b>	<b>21,855</b>

### 2. Staff costs

Aggregate remuneration comprised	2009 £000's	2008 £000's
Wages and Salaries	16,376	28,756
Share scheme expense	111	683
Social Security Costs	1,874	2,431
Other Pension Costs	284	327
<b>Total staff costs</b>	<b>18,645</b>	<b>32,197</b>

Group	2009 No.	2008 No.
<b>Average monthly number of employees</b>		
Production	424	834
Head Office, Administration and sales & distribution	229	316
<b>Total</b>	<b>653</b>	<b>1,150</b>

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 9 to 10.



## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 3. Depreciation and amortisation

	2009 £000's	2008 £000's
Depreciation of property, plant & equipment	1,203	1,165
Amortisation of intangible fixed assets	1,804	2,030
<b>Total depreciation and amortisation charge</b>	<b>3,007</b>	<b>3,195</b>
Depreciation of property, plant & equipment		
- owned assets	988	894
- leased assets	215	271

### 4. Other operating Income & expenses

	2009 £000's	2008 £000's
<b>Other operating income</b>	<b>£000's</b>	<b>£000's</b>
Grants received	-	<b>500</b>
<b>Other operating expenses</b>		
Operating lease rentals	869	939
Net (profit) on foreign exchange	1,053	(2,433)
Auditors' remuneration (see below)	196	228
Research and development costs	42	308
One off bank charges relating to interest rate swap	-	145
(Profit)/Loss on disposal of Intangible assets	69	-
(Profit)/Loss on disposal of property, plant & equipment	55	(587)
(Gain) on deferred consideration reassessment	(926)	-
Warranty provisions	527	-
Other operating expenses	9,763	12,621
<b>Total operating expenses</b>	<b>11,648</b>	<b>11,221</b>

#### Auditors' remuneration

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of both audit and non audit services are as follows:

	2009 £000's	2008 £000's
Audit Services		
• statutory audit of parent and consolidated accounts	146	148
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	10	30
Other services relating to taxation		
• compliance services	40	40
Services relating to Corporate finance	-	10
	196	228
Comprising		
• Audit services	156	178
• Non audit services	40	50

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 £17,131k (2008: £78,223k).

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 5. Finance expense and finance income

	2009	2008
	£000's	£000's
<b>Finance expense</b>		
Interest on bank overdrafts, loans, financial instruments & invoice discounting <sup>a</sup>	494	280
Interest on obligations under finance leases	73	117
Fair value loss on Interest rate swap (note 28)	-	516
<b>Total finance expense</b>	<b>567</b>	<b>913</b>

<sup>a</sup> The Invoice Discounting facility was fully settled and discontinued during the year.

	2009	2008
	£000's	£000's
<b>Finance income</b>		
Interest on cash and cash equivalents	80	457
Fair value gain on Interest rate swap (note 28)	127	-
<b>Total finance income</b>	<b>207</b>	<b>457</b>

### 6. Taxation

#### Analysis of taxation (credit) expense for the year

	2009	2008
	£000's	£000's
<b>United Kingdom</b>		
Corporation tax at 28% (2008: 28%)	-	(278)
Adjustments in respect of prior periods	-	-
<b>Non UK Taxation</b>		
Current	139	727
Adjustments in respect of prior periods	(1,137)	-
<b>Total current taxation (credit) expense</b>	<b>(998)</b>	<b>449</b>
Deferred tax		
Origination and reversal of temporary differences	(68)	(688)
<b>Total deferred tax (credit) expense</b>	<b>(68)</b>	<b>(688)</b>
<b>Total taxation (credit) expense in the income statement</b>	<b>(1,066)</b>	<b>(239)</b>

#### Factors affecting taxation (credit) expense

The taxation (credit) expense on the (loss) profit for the year differs from the amount computed by applying the corporation tax rate to the (loss) profit before taxation as a result of the following factors:

	2009	2008
	£000's	£000's
<b>(Loss) before taxation</b>	<b>(22,455)</b>	<b>(88,785)</b>
Notional taxation (credit) expense at UK rate of 28% (2008: 28%)	(6,287)	(24,860)
Effects of:		
Non (taxable) deductible expenses	(153)	(3,356)
Deferred tax asset not recognised in the period	6,511	28,455
Adjustments in respect of prior periods	(1,137)	-
<b>Total taxation (credit) expense</b>	<b>(1,066)</b>	<b>(239)</b>

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 7. (Loss) earnings per share

Basic (loss) earning per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of shares in issue during the period.

In calculating the dilution per share, share options outstanding and other potential ordinary shares have been taken into account where the impact of these is dilutive. The average share price during the year, rebased to account for the 5 for 1 share consolidation, was 49.95p (2008: 43.62p).

The weighted average number of shares were:

	2009	(Restated) 2008
	Thousands of shares	Thousands of shares
<b>Basic<sup>a</sup></b>	<b>74,077</b>	<b>74,077</b>
Potential dilutive ordinary shares from share options	164	159
<b>Total Diluted</b>	<b>74,241</b>	<b>74,236</b>

#### Loss per share

(Loss) attributable to equity shareholders of the parent	(21,389)	(88,546)
Basic (loss) per share (p)	(28.9)	(119.5)
Diluted (loss) per share (p) <sup>b</sup>	(28.9)	(119.5)

#### (Loss) earnings per share before one off items

Adjusted (Loss) earnings attributable to equity shareholders of the parent before one off items	(21,715)	1,488
Basic (loss) earnings per share (p)	(29.3)	200.9
Diluted (loss) earnings per share (p)	(29.3)	200.4

<sup>a</sup> The basic number of shares in 2008 has been restated for comparison purposes from 370,386 thousand to 74,077 thousand shares to account for the 5 for 1 share consolidation which took place on 19 June 2009.

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

The earnings attributable to equity shareholders used in the basic (loss) earnings per share calculations were:

	2009	2008
	£000's	£000's
<b>Loss attributable to equity shareholders of the parent</b>	<b>(21,389)</b>	<b>(88,546)</b>
Adjustment for One off items:		
Impairments	600	89,662
(Gain) on deferred consideration reassessment	(926)	-
Restructuring	-	372
<b>(Loss) earnings for the purposes of earnings per share before one off items</b>	<b>(21,715)</b>	<b>1,488</b>

The potential dilutive ordinary shares from share options used in the diluted (loss) earnings per share calculations were:

2009				2008			
No of share options	Exercise price (p)	Average share price during the year (p)	Number of shares deemed issued for no consideration	No of share options	Exercise price (p)	Average share price during the year (p)	Number of shares deemed issued for no consideration
180,000	5	49.95	164,284	180,000	5	43.62	159,367
2,901,334	100	49.95	Antidilutive	2,901,334	100	43.62	Antidilutive
250,000	115	49.95	Antidilutive	250,000	115	43.62	Antidilutive
375,000	200	49.95	Antidilutive	450,000	200	43.62	Antidilutive
120,000	300	49.95	Antidilutive	120,000	300	43.62	Antidilutive
			<b>164,284</b>				<b>159,367</b>

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 8. Restructuring costs

Restructuring costs relate to one off costs associated with resizing the business in line with market conditions and consist of employee related expenses. A summary of these costs are shown below:

	2009 £000's	2008 £000's
Restructuring costs	-	372

### 9. Property, plant and equipment

Group	Land and buildings £000's	Plant and Machinery <sup>a</sup> £000's	Fixtures, Fittings and equipment £000's	Motor Vehicles £000's	Total £000's
<b>Cost</b>					
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)
Reclassifications	33	127	(83)	(77)	-
Exchange differences	44	378	114	16	552
At 1 January 2009	2,373	5,355	969	708	9,405
Additions	30	78	83	52	243
Disposals	(94)	(75)	(37)	(156)	(362)
Exchange differences	15	(126)	1	24	(86)
<b>At 31 December 2009</b>	<b>2,324</b>	<b>5,232</b>	<b>1,016</b>	<b>628</b>	<b>9,200</b>
<b>Accumulated depreciation</b>					
At 1 January 2008	452	3,693	1,013	212	5,370
Charge for the year	131	562	248	224	1,165
Disposals	(167)	(2,292)	(1,029)	(176)	(3,664)
Impairments <sup>b</sup>	-	-	83	-	83
Reclassifications	-	-	(9)	9	-
Exchange differences	2	75	23	5	105
At 1 January 2009	418	2,038	329	274	3,059
Charge for the year	140	660	236	167	1,203
Disposals	(13)	(74)	(37)	(125)	(249)
Exchange differences	-	(31)	5	13	(13)
<b>At 31 December 2009</b>	<b>545</b>	<b>2,593</b>	<b>533</b>	<b>329</b>	<b>4,000</b>
<b>Carrying amount</b>					
<b>At 31 December 2009</b>	<b>1,779</b>	<b>2,639</b>	<b>483</b>	<b>299</b>	<b>5,200</b>
<b>At 31 December 2008</b>	<b>1,955</b>	<b>3,317</b>	<b>640</b>	<b>434</b>	<b>6,346</b>

<sup>a</sup> The carrying amount of the group plant and machinery includes an amount of £1,096k (2008: £1,321k) in respect of assets held under finance leases. The depreciation charge on those assets for 2009 was £215k (2008: £271k).

<sup>b</sup> The impairment related to the impairment of legacy I.T system costs.

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 10. Goodwill

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. The smallest groups of assets that generate cash inflows that are largely independent from other groups of assets have been identified by the group as Snorkel and its subsidiaries, Upright and Smith electric vehicles.

The group performs an annual impairment test or more frequently if there are indications that goodwill might be impaired, based on the cash generating units (CGUs). Goodwill is allocated to the groups CGUs as follows:

	Snorkel £000's	Upright £000's	Smith Electric Vehicles £000's	Consolidated £000's
At 1 January 2008	27,503	4,385	356	32,244
Acquisitions through business combinations	-	-	-	-
Impairments	(27,510)	(4,385)	-	(31,895)
Exchange differences	7	-	-	7
At 1 January 2009	-	-	356	356
Acquisitions through business combinations	-	-	-	-
Impairments	-	-	-	-
Exchange differences	-	-	-	-
<b>At 31 December 2009</b>	<b>-</b>	<b>-</b>	<b>356</b>	<b>356</b>

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 key assumptions used in performing the impairments test, by CGU, are shown below:

	Snorkel £000's	Upright £000's	Smith Electric Vehicles £000's
<b>2009</b>			
Method of determining recoverable amounts	Value in use	Value in use	Value in use
Discount rate	9.3%	9.3%	9.3%
Growth rates	2-3%	0-3%	2-3%
Gross margins	25-30%	30%	35%
<b>2008</b>			
Method of determining recoverable amounts	Value in use	Value in use	Value in use
Discount rate	9.3%	9.3%	9.3%
Growth rates	2-3%	0-3%	2-3%
Gross margins	25-30%	30%	35%

#### Recoverable amount

The value in use of each CGU is determined using pre tax cash flow projections derived from financial budgets for the next 3 years and are based on management experience and current trading expectations, extrapolated to a ten year period using conservative growth assumptions, given current uncertainty.

#### Discount rate

The discount rate applied to the pre tax cash flow projections reflects managements' current market assessment of the time value of money.

#### Growth rates and margins

Growth rates and gross margins are determined based on the historical rates along with the expected future prospects of the sector in which the CGU operates.

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### 10. Goodwill continued

#### Impairments

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 £nil (2008: £31.9m, Snorkel £27.5m, Upright £4.4m) has been made to write down the carrying value of the asset.

### 11. Intangible assets

#### Group

	Development Costs £000's	Manufacturing schedules £000's	Other Intangible Assets <sup>b</sup> £000's	Computer Software £000's	Total £000's
<b>Cost</b>					
At 1 January 2008	4,508	11,086	9,302	387	25,283
Additions <sup>a</sup>	6,396	-	-	35	6,431
Disposals	-	-	(112)	(135)	(247)
Exchange differences	-	4,206	1,776	3	5,985
At 1 January 2009	10,904	15,292	10,966	290	37,452
Additions	492	-	-	52	544
Disposals	-	-	(1,480)	(144)	(1,624)
Exchange differences	-	-	-	(1)	(1)
<b>At 31 December 2009</b>	<b>11,396</b>	<b>15,292</b>	<b>9,486</b>	<b>197</b>	<b>36,371</b>
<b>Accumulated depreciation</b>					
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 <sup>c</sup>	-	8,303	4,302	-	12,605
Exchange differences	-	3,536	1,776	1	5,313
At 1 January 2009	768	12,751	8,666	114	22,299
Charge for the year	1,114	296	337	57	1,804
Disposals	-	-	(1,480)	(75)	(1,555)
Impairments	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	(2)	(2)
<b>At 31 December 2009</b>	<b>1,882</b>	<b>13,047</b>	<b>7,523</b>	<b>94</b>	<b>22,546</b>
<b>Carrying amount</b>					
<b>At 31 December 2009</b>	<b>9,514</b>	<b>2,245</b>	<b>1,963</b>	<b>103</b>	<b>13,825</b>
<b>At 31 December 2008</b>	<b>10,136</b>	<b>2,541</b>	<b>2,300</b>	<b>176</b>	<b>15,153</b>

<sup>a</sup> The development costs of £6,396k in the prior year are in relation to the new product developments which included the Ampere and other Zero Emission vehicles.

<sup>b</sup> Other intangible assets include trademarks, manufacturing schedules, customer order book and customer lists which arose on previous years business combinations

<sup>c</sup> The impairment balance of £12,605k in the prior year is made up of £12,094k provided against the intangible asset created on the acquisition of Snorkel International Inc and £511k relating to the discontinued Norquip product line.

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### 12. 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 directors consider that the carrying amounts of inventories approximates to their fair value. In 2008 the group impaired inventories 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. The impairment was allocated directly against stock items and therefore no general inventory impairment provision account was created.

The group's inventories comprised:

	2009 £000's	2008 £000's
Raw materials and consumables	24,095	33,665
Work-in-progress	1,969	2,087
Finished Goods and goods for resale	18,551	24,808
<b>Total inventories</b>	<b>44,615</b>	<b>60,560</b>

Changes in inventories of finished goods and WIP can be calculated as:

	2009 £000's	2008 £000's
Total finished goods and WIP at 1 January	26,895	22,131
Changes in buyback stocks (note 18)	(17)	(44)
Changes in inventories of finished goods and WIP	(6,358)	4,808
<b>Total finished goods and WIP at 31 December</b>	<b>20,520</b>	<b>26,895</b>

### 13. Investments

Group & company

	2009 £000's	2008 £000's
At 1 January	251	120
Additions	51	45
Exchange movements	(27)	86
<b>At 31 December</b>	<b>275</b>	<b>251</b>

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

### 14. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by the group treasury function. The carrying amount of these assets approximates their fair value.

The group primarily holds Sterling, US Dollars, Euros, Australian Dollars and New Zealand Dollars. Currency denominated balances are translated to sterling at the balance sheet date.

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Cash and cash equivalents	5,414	11,130	907	5,372

## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 15. Trade and other receivables

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
<b>Current</b>				
Trade amounts receivable	11,178	21,243	-	-
Allowance for estimated irrecoverable amounts	(717)	(1,483)	-	-
Amounts due from subsidiary undertakings	-	-	57,405	59,688
Other Taxes	426	203	-	-
Other debtors and prepayments	991	632	63	44
	<b>11,878</b>	<b>20,595</b>	<b>57,468</b>	<b>59,732</b>
<b>Non current</b>				
Trade amounts receivable <sup>a</sup>	<b>900</b>	<b>1,500</b>	-	-

<sup>a</sup> In 2008 the group recognised a non current asset of £1.5m relating to managements expectations of future benefits receivable from customers and suppliers due to the impairment of its trade receivables. This balance has been reduced by £600k in 2009 to reflect the further impairment.

The directors consider that the carrying amounts of Trade and other receivables approximates to their fair value.

The movements in allowances for estimated irrecoverable amounts are as follows:

	Group	
	2009 £000's	2008 £000's
At 1 January	1,483	112
Amounts charged to the income statement	92	1,371
Utilised in the year	(910)	-
Additions	95	-
Exchange differences	(43)	-
<b>At 31 December</b>	<b>717</b>	<b>1,483</b>
Average credit period taken on goods (Days)	66	51

Trade and other receivables are continually monitored and allowances provided against trade receivables consist of both specific impairments and collective impairments based on the group's historical loss experiences, debt aging and general economic conditions.

Trade receivables including allowance for estimated irrecoverable amounts are due as follows:

	Not past due £000's	Past due but not impaired				Total £000's
		Between 0 and 3 months £000's	Between 3 and 6 months £000's	Between 6 and 12 months £000's	Over 12 months £000's	
2009	7,641	2,140	467	102	111	<b>10,461</b>
2008	16,020	2,915	677	148	-	<b>19,760</b>

Amounts past due but not impaired have not been provided against if cash has been received after the balance sheet date, balances can be offset against supplier accounts or where the management believes cash will be collected due to continuing relationships.

Gross trade receivables that have been specifically impaired during the year amounted to Nil (2008: £21,523k)

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.



## TANFIELD GROUP PLC FINANCIAL STATEMENTS

### 16. Trade and other payables

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
<b>Current</b>				
Trade payables	7,935	9,314	254	465
Social security and other taxes	1,751	1,085	1,250	219
Accrued expenses	5,143	8,891	45	85
Fair value of Interest rate collar	345	517	-	-
Deferred Income	1,004	-	-	-
	<b>16,178</b>	<b>19,807</b>	<b>1,549</b>	<b>769</b>
Average credit period taken on trade purchases (days)	87	77		

The directors consider that the carrying amounts of Trade and other payables approximates to their fair value.

### 17. Obligations under finance leases

Assets held under finance lease mainly relate to plant and machinery assets and are secured on those assets. The average lease term is 5 years. For the year ended 31 December 2009, the average effective borrowing rate was 10% (2008: 10%). Interest rates are fixed at the contract date. The directors consider that the carrying amounts of Obligations under finance leases approximates to their fair value. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

A summary of the outstanding leases is shown below:

Group	Minimum leases payments		Present value of minimum leases payments	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Amounts payable under finance leases				
Within one year	523	640	480	565
In the second to fifth years (inclusive)	173	626	156	569
	<b>696</b>	<b>1,266</b>	<b>636</b>	<b>1,134</b>
Less: future finance charges	(60)	(132)	-	-
<b>Total finance lease obligations</b>	<b>636</b>	<b>1,134</b>	<b>636</b>	<b>1,134</b>

Company	Minimum leases payments		Present value of minimum leases payments	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
Amounts payable under finance leases				
Within one year	-	10	-	10
In the second to fifth years (inclusive)	-	-	-	-
	-	<b>10</b>	-	<b>10</b>
Less: future finance charges	-	-	-	-
<b>Total finance lease obligations</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>

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### 18. Other creditors

The directors consider that the carrying amounts of Other creditors approximates to their fair value.

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
<b>Current</b>				
Buyback Lease Liability	325	342	-	-
Invoice Discounting <sup>a</sup>	-	2,909	-	-
Deferred consideration <sup>b</sup>	2,228	6,703	2,228	5,720
	<b>2,553</b>	<b>9,954</b>	<b>2,228</b>	<b>5,720</b>

<sup>a</sup> On the 1 July 2009 the group settled and discontinued its invoice discounting facility with regard to its Australasian operations.

<sup>b</sup> Per the terms of the Snorkel purchase agreement the group paid deferred consideration cash of £349k on 31 January 2009 and £2,555k on 31 July 2009.

### 19. Deferred taxation

Group	Tax losses	Other	Total
	£000's	£000's	£000's
At 1 January 2008	785	-	785
(Credit) Charge to the income statement	994	(307)	687
(Credit) Charge to equity	-	-	-
At 1 January 2009	1,779	(307)	1,472
Deferred tax asset	1,779	-	1,779
Deferred tax liability	-	(307)	(307)
At 1 January 2009	1,779	(307)	1,472
(Credit) Charge to the income statement	136	(68)	68
(Credit) Charge to equity	-	-	-
<b>At December 2009</b>	<b>1,915</b>	<b>(375)</b>	<b>1,540</b>
Deferred tax asset	1,915	-	1,915
Deferred tax liability	-	(375)	(375)
<b>At December 2009</b>	<b>1,915</b>	<b>(375)</b>	<b>1,540</b>

At 31 December 2009, the group had unused tax losses of £71,165k (2008: £49,237k) available for offset against future profits of the same trade. A deferred tax asset has been recognised in respect of £6,939k (2008: £6,353k) of such losses. No deferred tax asset has been recognised in respect of the remaining £64,326k (2008: £42,884k) due to the unpredictability of profit streams which results in an unrecognized deferred tax asset of £18,011k (£12,007k).

Company	Tax losses	Other	Total
	£000's	£000's	£000's
At 1 January 2008	-	278	278
(Credit) Charge to the income statement	-	(278)	(278)
(Credit) Charge to equity	-	-	-
At 1 January 2009	-	-	-
Deferred tax asset	-	-	-
Deferred tax liability	-	-	-
At 1 January 2009	-	-	-
(Credit) Charge to the income statement	-	-	-
(Credit) Charge to equity	-	-	-
<b>At December 2009</b>	-	-	-
Deferred tax asset	-	-	-
Deferred tax liability	-	-	-
<b>At December 2009</b>	-	-	-

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### 20. Share capital and share premium

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

	Nominal share value	Number of shares	Share capital <sup>c</sup> £000's	Share premium £000's
At 1 January 2008	1p	370,286,090	3,703	138,493
Share options exercised <sup>a</sup>	1p	100,000	1	18
At 1 January 2009	1p	370,386,090	3,704	138,511
5 for 1 Share consolidation <sup>b</sup>	5p	(296,308,872)	-	-
Cancellation of Capital reduction reserve <sup>d</sup>	-	-	-	7,228
Cancellation of retained losses <sup>d</sup>	-	-	-	(78,902)
Cancellation of share premium account <sup>d</sup>	-	-	-	(66,837)
<b>At 31 December 2009</b>	<b>5p</b>	<b>74,077,218</b>	<b>3,704</b>	<b>-</b>

<sup>a</sup> On 14 April 2008, 100,000 share options were exercised at a price of 19 pence per share for a total consideration of £19,000.

<sup>b</sup> On 19 June 2009 the group reorganized its share capital by undertaking a 1 for 5 consolidation of the Company's existing 370,686,090 ordinary 1p shares. After the consolidation the company had 74,077,218 5p shares in existence. The costs directly associated with the consolidation have been charged to the share premium account.

<sup>c</sup> The authorised share capital of the company throughout 2008 and 2009 was £5,000,000, representing 100,000,000 ordinary shares after the 5 for 1 consolidation.

<sup>d</sup> On 19 June 2009 the company's share premium account was cancelled to eliminate the accumulated deficit on its profit and loss account enabling the Company to pay dividends out of profits generated in the future earlier than would otherwise be the case. The balances cancelled against the share premium account related to accumulated losses of £78,901,901 and a credit from the capital reduction reserve of £7,227,827. The net balance of £66,837k remaining in the share premium account was cancelled and transferred to a new reserve account named "Special reserve".

### 21. Other reserves

Group	Shares option reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Special reserve £000's	Translation reserve <sup>e</sup> £000's
At 1 January 2008	992	1,534	7,228	-	879
Exchange differences	-	-	-	-	8,411
Recognised in income and expense in the year	661	-	-	-	-
At 1 January 2009	1,653	1,534	7,228	-	9,290
Exchange differences	-	-	-	-	(367)
Recognised in income and expense in the year	111	-	-	-	-
Cancellation of reserves against share premium account	-	-	(7,228)	-	-
Cancellation of share premium account (note 20)	-	-	-	66,837	-
<b>At 31 December 2009</b>	<b>1,764</b>	<b>1,534</b>	<b>-</b>	<b>66,837</b>	<b>8,923</b>

<sup>e</sup> The translation reserve is used to record cumulative translation differences on the assets and liabilities of foreign operations.

Company	Shares option reserve £000's	Merger reserve £000's	Capital reduction reserve £000's	Special reserve £000's	Translation reserve £000's
At 1 January 2008	992	1,534	7,228	-	338
Exchange differences	-	-	-	-	(338)
Recognised in income and expense in the year	661	-	-	-	-
Cancellation of shares options	-	-	-	-	-
At 1 January 2009	1,653	1,534	7,228	-	-
Exchange differences	-	-	-	-	-
Recognised in income and expense in the year	111	-	-	-	-
Cancellation of reserves against share premium account	-	-	(7,228)	-	-
Cancellation of share premium account (note 20)	-	-	-	66,837	-
<b>At 31 December 2009</b>	<b>1,764</b>	<b>1,534</b>	<b>-</b>	<b>66,837</b>	<b>-</b>

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### 22. Retained (loss) earnings

	Group		Company	
	2009 £000's	2008 £000's	2009 £000's	2008 £000's
At 1 January	(76,139)	12,385	(78,901)	(700)
(Loss) for the year	(21,388)	(88,546)	(17,131)	(78,223)
Share options credited directly to equity	-	22	-	22
Cancellation of Retained losses against share premium account	78,902	-	78,902	-
<b>At 31 December</b>	<b>(18,625)</b>	<b>(76,139)</b>	<b>(17,130)</b>	<b>(78,901)</b>

### 23. Operating lease arrangements

At the balance sheet date, the Group as a lessee had total commitments under non-cancellable operating leases, which fall due as follows:

	Leasehold Property £000's	Other <sup>a</sup> £000's	Total £000's
<b>2009</b>			
Within one year	1,193	416	1,609
In the second to fifth years inclusive	4,851	279	5,130
Greater than five years	15,313	-	15,313
	<b>21,357</b>	<b>695</b>	<b>22,052</b>
<b>2008</b>			
Within one year	1,446	976	2,422
In the second to fifth years inclusive	5,203	709	5,912
Greater than five years	16,707	3	16,710
	<b>23,356</b>	<b>1,688</b>	<b>25,044</b>

<sup>a</sup> Other operating leases relate to plant and machinery, Motor vehicles and Office equipment.

### 24. Minority interests

On 20 April 2009, Tanfield Union Limited, a subsidiary in conjunction with Union Engineering Machinery Systems was incorporated in Hong Kong. The minority interest of 5% relating to Union Engineering Machinery Systems is shown below:

	2009 £000's
Balance at 1 January	-
Share of losses	(1)
<b>Balance at 31 December</b>	<b>(1)</b>

### 25. Provisions

The provisions represent the Group's liability in respect of 12 month warranties granted on Powered Access Platforms and 12-36 months warranties in respect of Zero Emission Vehicles. The amount provided represent's management's best estimate of the future cash outflows in respect of those products still within warranty at the balance sheet date.

	Warranty provision £000's
At 1 January 2009	-
Additional provision in the year	527
At 31 December 2009	527

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### 26. Associate

On 5 August 2009, the group acquired 49% of the issued share capital of Smith Electric Vehicles US Corp, a company registered in the US, for a cash consideration of Nil. Smith Electric Vehicles US Corp's primary activities involve in the manufacture and distribution of Zero Emission Vehicles.

In accordance with IAS 28, this investment, along with associated costs of £51k, was accounted for as an associate under the equity method of accounting.

The directors consider there is no material difference between the book and fair values of assets and liabilities acquired.

The interest in associate in the Group balance sheet as at 31 December 2009 comprised the following:

	2009 £000's
Property, plant & equipment	172
Intangible assets	3
Other assets	676
<b>Non current assets</b>	<b>851</b>
Inventories	747
Cash and cash equivalents	363
Other	297
<b>Current assets</b>	<b>1,407</b>
Accounts payable	(494)
Other	(296)
<b>Current liabilities</b>	<b>(790)</b>
Convertible debentures	(3,207)
<b>Non current liabilities<sup>a</sup></b>	<b>(3,207)</b>
<b>Share of net liabilities</b>	<b>(1,739)</b>
Revenue	-
Expenses	(1,742)
Taxation	-
<b>Share of post tax results</b>	<b>(1,742)</b>
Reassessment of carrying value of associate <sup>a</sup>	1,691
<b>Share of post tax loss of associate</b>	<b>(51)</b>
	<b>2009 £000's</b>
Balance at 1 January	-
Investments	51
Share of post tax loss of associate	(51)
<b>Balance at 31 December</b>	<b>-</b>

<sup>a</sup> In accordance with IAS28 the groups share of post tax loss is limited to the original investment value of £51k. The group will begin to recognise the investment in Smith Electric Vehicles US Corp if and when the associate has net assets exceeding the groups original net investment.

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### 27. Share based payments

IFRS2 requires share based payments to be recognised at fair value. The group measures the fair value of its share based payments to employees, "share options", using the Black-Scholes valuation method.

All share based payments are equity settled and details of the share option activity during 2009 and 2008 is shown below, all 2008 numbers have been restated to reflect the 5 for 1 share consolidation.

	2009		2008	
	Number of share options	Weighted average exercise price (pence)	Number of share options (Restated)	Weighted average exercise price (pence) Restated
<b>Outstanding at the beginning of the year</b>	3,896,334	116	3,933,000	114
Granted	-	-	-	-
Forfeited	(70,000)	(200)	-	-
Exercised	-	-	(20,000)	(95)
Expired	-	-	(16,667)	(120)
<b>Outstanding at the end of the year</b>	<b>3,826,334</b>	<b>113</b>	<b>3,896,334</b>	<b>116</b>
<b>Exercisable</b>	<b>1,426,334</b>	<b>107</b>	<b>180,000</b>	<b>5</b>

The outstanding options at 31 December 2009 had a weighted average remaining contractual life of 6.79 years (2008: 7.79 years)

The following table relates to share options outstanding and exercisable at 31 December 2009:

Exercise price (pence)	Option exercise prices					Total
	5p	100p	115p	200p	300p	
No of share options	180,000	2,901,334	250,000	375,000	120,000	3,826,334
No of exercisable options	180,000	621,334	250,000	375,000	nil	1,426,334

#### Income statement charge

In accordance with IFRS2 the group determined the fair value of its options at 'grant date'. The group accrues this fair value charge over the share option vesting period. Share options that are forfeited during the year are credited directly to the share option reserve account.

A charge to the income statement of £111k (2008: £683k) and a credit directly to equity of nil (2008: £22K) have been made during the year in accordance with IFRS2 'Share-based payments'.

The group uses the Black-Scholes model to value its share options and the following table summaries the fair values and key assumptions used in the models inputs.

	Grant date
Weighted average share price <sup>c</sup>	110.05p
Weighted average exercise price <sup>c</sup>	212.90p
Expected volatility <sup>a</sup>	43.2%
Expected life <sup>b</sup>	3 years
Risk free rate	4.6%
Expected dividends	-

<sup>a</sup> Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years.

<sup>b</sup> 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.

<sup>c</sup> The weighted average share and exercise prices have been adjusted to reflect the 5 for 1 share consolidation.

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### 28. Financial risk management

The group's operations are exposed to various financial risks which are managed by various policies and procedures. The main risk and their related management are discussed below:

#### Credit risk management

The group's exposure to credit risk arises from its trading related receivables and cash deposits with financial institutions.

The group's credit policy for trading related receivables is applied and managed by each local operation to ensure compliance. The policy requires that the creditworthiness and financial strength of customers is assessed at inception and on an on going basis. The group uses external credit checking agencies as well as undertaking its own internal reviews of customer finances. During 2009 the group has reduced its exposure to credit risk by reducing customer credit limits where the group feels it is appropriate.

Cash and cash equivalents are held with AAA or AA rated banks.

The group's maximum exposure to credit risk is summarised below:

	2009 £'000	2008 £'000
Trade and other receivables	11,878	20,595
Cash and cash equivalents	5,414	11,130
	17,292	31,725

The group did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through profit and loss in either the current or preceding year.

#### Liquidity risk management

The group is exposed to liquidity risk arising from having insufficient funds to meet the financing needs of the group.

The group's liquidity management process includes projecting cash flows and considering the level of liquid assets available to meet future cash requirements along with monitoring balance sheet liquidity. The Board reviews forecasts, including cash flow forecasts on a quarterly basis. The group's subsidiaries review their cash on a daily basis to assess short and medium term requirement, these assessments ensure the group responds to possible cash constraints in a timely manner. Requests from group companies for operating finance are met whenever possible from central resources.

#### Maturity analysis

The table below analyses the Group's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on amounts outstanding at the balance sheet date up to the contractual maturity date.

	Within 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Finance leases	480	156	-	636
Trade and other payables	16,178	-	-	16,178
	16,658	156	-	16,814

#### Foreign exchange risk management

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. If appropriate the group can use currency derivative financial instruments such as foreign exchange contracts to reduce exposure. These were not used in the period.

The material foreign currency denominated costs, include the purchase of components from low cost based countries, principally in US dollars.

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A summary of the sensitivity to foreign exchange movements that the group's equity pre tax is currently exposed to is detailed below:

Currency	Balance sheet rate to GBP	Effect on equity if Sterling strengthens by 10% increase (decrease) £000's	Effect on equity if Sterling weakens by 10% Increase (decrease) £000's
US Dollar	1.59	(1,603)	1,764
Euro	1.11	(95)	116
Australian dollar	1.78	(838)	1,024
New Zealand dollar	2.22	(31)	39
Japanese Yen	146.97	(258)	315
Singapore dollar	2.24	(125)	153

### Interest rate risk management

The Group is exposed to interest rate risk due to its cash deposits, invoice discounting facilities and interest rate collar. Cash and cash equivalents are the only interest bearing financial assets held by the Group. The group regularly reviews the short term cash requirements against the benefit of placing funds on term deposit to ensure the best available rates of interest are obtained.

At 31<sup>st</sup> December 2009 the group had no borrowings. Future risk is limited to new borrowings if the group were to enter into any borrowing agreements.

The group manages its exposure to interest rate risk against its obligations under finance leases by fixing the rate of interest over the term of the lease.

The interest rate collar was taken out when the group had a borrowing facility to protect the group from increases in interest rates. The risk is limited to the event that rates fall below that at the balance sheet date. In accordance with IAS39 The interest rate collar is not classified as a hedging instrument.

Details of the collar is summarised below:

Instrument	Notional principal	Cap	Floor	Maturity date	Derivative Liability £000's
US Dollar interest rate collar	\$10m	5.00%	3.65%	31 Oct 2012	345

The interest payable under the collar is recognized through the income statement £214k (2008: £19k) within Interest on bank overdrafts, loans, financial instruments and invoice discounting (Note 5). The volatility arising on the collar is also recognized in the income statement £127k gain (2008: £516k loss) and disclosed separately within finance expenses and finance income (Note 5).

The management believes the current carrying value approximates to the fair value.

### Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group trades profitably in the future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to risks inherent in the business and the sector in which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, share premium, special reserve, translation reserve and retained earnings.



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### 29. Contingent liabilities

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

### 30. 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 its subsidiaries. The bank holds a cross guarantee in relation to all the Group Company bank accounts. There are no other related party transactions.

#### Company

The Company entered into transactions with its subsidiaries as disclosed below.

	2009 £000's	2008 £000's
Net position at 1 January	59,688	81,772
Management charges	3,509	5,567
Impairments <sup>a</sup>	(3,691)	(7,944)
Intercompany loan forgiveness <sup>b</sup>	-	(43,645)
Other transactions including new loans issued and cash balances received	(2,101)	23,938
<b>Net position at 31 December</b>	<b>57,405</b>	<b>59,688</b>

<sup>a</sup> During 2009 the company impaired part of its intercompany receivable from SEV Group Limited by £1,046k (2008: £1,643k), Tanfield Engineering Systems Limited Nil (2008: £5,627k), Tanfield Engineering Systems US (Inc) £161k (2008: £674k), Tanfield Powered Access Limited £504k (2008: Nil) and Snorkel International Inc £1,980k (2008: Nil)

<sup>b</sup> During 2008 the company forgave its intercompany loans to Tanfield Engineering Systems Ltd by £43,645k

#### Remuneration of key 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 9 to 10.

Directors' emoluments are shown in the table below:

	2009 £000's	2008 £000's
Salaries and short term benefits	734	1,379
Post employment benefits	73	87
	<b>807</b>	<b>1,466</b>

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

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### 31 Retirement benefits

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 £284k (2008:£327k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2009, contributions of £24k (2008: £27k) due in respect of the current reporting period had not been paid over to the schemes.

### 32 Financial instruments recognised in the balance sheet

Assets	2009			2008		
	Loans and receivables £000's	Held to maturity £000's	Total £000's	Loans and receivables £000's	Held to maturity £000's	Total £000's
<b>Non-current financial assets</b>						
Trade and other receivables	900	-	900	1,500	-	1,500
	900	-	900	1,500	-	1,500
<b>Current financial assets</b>						
Trade and other receivables	10,461	-	10,461	19,760	-	19,760
Investments	-	275	275	-	251	251
Cash and cash equivalents	5,414	-	5,414	11,130	-	11,130
	15,875	275	16,150	30,890	251	31,141
<b>Total</b>	16,775	275	17,050	32,390	251	32,641
<b>Liabilities</b>						
	Other financial liabilities £000's	Held for trading £000's	Total £000's	Other financial liabilities £000's	Held for trading £000's	Total £000's
<b>Current liabilities</b>						
Trade and other payables	14,082	345	14,427	18,205	517	18,722
Finance leases	480	-	480	565	-	565
Other creditors	2,553	-	2,553	9,954	-	9,954
	17,115	345	17,460	28,724	517	29,241
<b>Non current liabilities</b>						
Finance leases	156	-	156	569	-	569
	156	-	156	569	-	569
<b>Total</b>	17,271	345	17,616	29,293	517	29,810

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### 33. Subsidiary undertakings and Associate

The tables below give brief details of the group's operating subsidiaries and associate at 31 December 2009. All subsidiaries are unlisted. No subsidiaries are excluded from the group consolidation.

Subsidiary undertakings	Principal activity	Group Interest in allotted capital & voting rights	Country of incorporation
Tanfield Engineering Systems Ltd	Electric vehicle manufacture	100%	UK
SEV Group Ltd	Vehicle Service, Hire & Maintenance	100%	UK
Tanfield Engineering Systems US (Inc)	Powered Access	100%	US
Tanfield Powered Access Ltd	Powered Access	100%	UK
Tanfield Asia Pacific PTE. Ltd	Powered Access	100%	Singapore
Snorkel International Inc	Powered Access	100%	US
Snorkel Australia Limited <sup>a</sup>	Powered Access	100%	AUS
Snorkel New Zealand Limited <sup>b</sup>	Powered Access	100%	NZ
Snorkel Europe BV	Powered Access	100%	Netherlands
Tanfield Union Limited <sup>c</sup>	Powered Access	95%	Hong Kong
Tanfield Group PLC	Holding Company	100%	UK
Snorkel Holdings LLC	Holding Company	100%	US
Sandco 854 Ltd	Holding Company	100%	UK
E-Comeleon Ltd	Non Trading	100%	UK
JoeKnowsit? Ltd	Non Trading	74%	UK
ClickHere Ltd	Non Trading	100%	UK
Express 2 Automotive Ltd	Non Trading	100%	UK
Saxon Specialist Vehicles Ltd	Dormant	100%	UK
HMH Sheet Metal Fabrications Ltd	Dormant	100%	UK
Norquip Ltd	Dormant	100%	UK
YEV Ltd	Dormant	100%	UK
HBWP Inc	Dormant	100%	US

<sup>a</sup> Snorkel Elevating Work Platforms PTY Limited changed its name to Snorkel Australia Limited on 1 September 2009.

<sup>b</sup> Snorkel Elevating Work Platforms Limited changed its name to Snorkel New Zealand Limited on 1 September 2009.

<sup>c</sup> Tanfield Union Limited was incorporated on 20 April 2009 in conjunction with Union Engineering machinery systems

Associate	Principal activity	Group Interest in allotted capital & voting rights	Country of incorporation
Smith Electric Vehicles US Corp	Electric vehicle manufacture	49%	US

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

	2009 £000's	2008 £000's
Snorkel International Inc <sup>d</sup>	-	13,013
Tanfield Engineering Systems Ltd	2,111	2,111
Smith Electric Vehicles US Corp	-	-
	2,111	15,124

<sup>d</sup> The investment in Snorkel International Inc was impaired by £13,013 (2008: £34,535k)

