TANFIELD GROUP PLC
REPORT AND FINANCIAL STATEMENTS 2010

Registered in England & Wales

Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2010

SUMMARY OF CONTENTS

DIRECTORS AND ADVISERS

DIRECTORS

EXECUTIVE

DS Kell	Chief Executive
CD Brooks	Finance Director
BJ Campbell	Managing Director Powered Access

NON-EXECUTIVE

J Pither	Chairman
RRE Stanley	Non executive Director
Dr JN Bridge	Non executive Director
M Groak	Non executive Director
JM Wooding	Non executive Director

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
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

FINANCIAL AND BUSINESS REVIEW

Financial highlights

Continuing operations	**2010** **£000's**	2009 £000's	%
Revenue	**43,500**	43,102	0.9
Operating margin %	**29%**	26%	3.0
EBITDA(before impairments)	**(14,082)**	(14,208)	0.9
Cash	**3,637**	5,414	(32.8)
Headcount (No)	**428**	455	(5.9)
Order book – Powered Access	**7,700**	2,200	250.0

CHAIRMAN'S STATEMENT

2010 was equally as challenging as 2009, with no material improvement in demand for aerial work platforms. However we have since successfully completed the sale of Smith Electric Vehicles, to our associate company Smith Electric Vehicles US, which has positively impacted on our net cash position and we remain debt-free.

We have stuck to our guns in terms of preserving our people and core skills for the longer term recovery, rather than chasing inappropriate short term reductions in overhead, and we continue to enhance and expand the Snorkel product range and distribution channels.

As the market for aerial lifts is now beginning to return to growth, we expect that 2011 will be a transitional year, where we move closer to a break-even position. With a healthy cash balance and no debt, I believe Tanfield is on the right path to recovery and a secure future.

I would like to thank all of our people for their efforts during another challenging year and look forward to working with you in 2011.

CHIEF EXECUTIVE'S REVIEW

Summary

During 2010, the paucity of access to credit, allied to a depressed demand, continued to prevent many of our customers from investing in new aerial lifts. Turnover remained stable at £43.5m, resulting in a loss from continuing operations before impairment of £15.9m for the year; virtually echoing our performance in 2009.

Following the actions we implemented in 2009 to reduce our cost base, we focused on cash generation ahead of profitability, whilst preserving our debt capacity for the eventual market recovery, thereby preserving the core skills of our workforce and maintaining the best possible operational position for that recovery.

Powered Access: Turnover of £41.0m (2009: £41.7m)

The overall performance of this division, which produces the Snorkel range of aerial lifts, was in line with the performance of the wider market and our peers.

During the period the UpRight brand, under which the division operated in the European, Middle Eastern, African and certain Asian markets, was subsumed into the more powerful and recognised Snorkel brand, predominant in USA, Latin America, Asia, Australia and New Zealand markets, and the entire Powered Access business division now operates globally under this single identity.

As predicted, the major equipment rental companies, which globally account for approximately two-thirds of all aerial lift purchases, maintained their moratorium on spend. The market throughout 2010 therefore mirrored 2009 in being both depressed and highly competitive, particularly in Europe and North America.

We continued to execute our strategy of enhancing the Snorkel product portfolio and the worldwide network of independent distributors. In 2010 we appointed new distributors in Europe, Scandinavia and South-East Asia.

In February 2010, we signed a licensing and manufacturing agreement with Pop-Up Products Ltd. Pop-Up is the market leader in the production of low-cost, compact, portable personnel lifts for low-level access, which is the fastest growing market segment in the aerial lift industry. Under the agreement, Snorkel owns the global rights to market this UK innovation and we have transferred production of Pop-Up lifts to our Vigo Centre headquarters. Our design engineers continue to work with Pop-Up Products to grow and enhance the product range.

Zero Emission Vehicles

Tanfield successfully completed the sale of the Smith Electric Vehicles division to its associate company, Smith Electric Vehicles US Corp ("SEVUS"), on 1 January 2011. The assets of the UK entity were sold to SEVUS for $15m cash, payable in 20 equal monthly instalments. All payments due to date have been met in line with our expectations. On 7th March 2011 SEVUS completed a private placing to raise $58m, triggering a pre-payment of the deferred consideration totalling $5m and entitling SEVUS to a 203 day repayment holiday in respect of the deferred consideration. Following this private placement Tanfield Group now holds 32.2% of the enlarged US entity. For accounting purposes, this is reported as a discontinued operation.

FINANCIAL AND BUSINESS REVIEW (Continued)

Other: Turnover of £2.5m (2009: £1.4m)

Tanfield's Engineering business supplies sub-assemblies and fabrications to the construction equipment sector. These customers continued to experience low sales during 2010, reflected in low turnover for this business unit.

Outlook

Snorkel's order intake substantially increased in the first quarter of 2011, indicating that a recovery may be underway, albeit from very low levels. It is too early to say whether the current levels will be sustained as it is likely that some of the recent orders contain some short term replenishment of inventory at dealers.

However, the prolonged recession has severely impacted our supply chain's capabilities to react and ramp up production and this will restrict the pace of our growth during 2011. We therefore see this year as one of transition, where we grow sales and move closer towards profitability. Having preserved our debt capacity for this eventual recovery, we are now examining the potential to introduce some debt into the business to help finance our return to growth.

As we continue to focus on working capital optimisation, Tanfield is not proposing to pay a dividend for the period. The directors believe the business remains well positioned, it has a stable balance sheet bolstered by the sale of Smith Electric Vehicles with cash and un-utilised debt capacity to finance future growth and a return to profitability.

FINANCE DIRECTOR'S REPORT

The sale of Smith Electric Vehicles on 1 January 2011 has resulted in that division being treated as a discontinued operation in the Consolidated Statement of Comprehensive Income for 2010 and 2009. Comparatives have been restated to adopt the same treatment. In the Consolidated Balance Sheet, the assets and liabilities of the Smith Electric Vehicle division are classified as held for sale in 2010, but remain unchanged in 2009.

The Revenue for the year of £43.5m (flat with 2009 revenue of £43.1m) reflected the ongoing poor market conditions suffered throughout 2010.

Whilst cost base has been held as low as possible without damaging the overall group infrastructure, the continued reduced volumes and the low level of pricing resulted in a Loss before Tax of £16.7m (2009 £16.9m). Expenses in all categories were very similar to 2009.

Impairment of trade receivable

A further review of the carrying values of the assets was undertaken. A further impairment of £650k was believed to be necessary. Impairments in 2009 totaled £600k.

Loss from operations

The Loss from continuing operations before impairment in the period was £15.8m (2009 £16.0). This was a trading loss reflecting the continuing poor trading conditions.

Finance expenses

The reduction in interest cost of the period, excluding the interest rate collar, of £176k (2009: £394k) was offset by the decrease in the value of the interest rate collar of £10k (2009 income of £127k).

Taxation

Changes to the assumptions in relation to deferred tax has resulted in a tax charge of £1,950k, (2009 £1,066k recovery). There is no deferred tax asset carried forward meaning that in any future periods there will be no tax charge where profits are covered by brought forward tax losses.

Loss from continued operations

Given the above, Loss from continued operations was £18.6m, (2009 £15.9m), the most significant difference between 2010 and 2009 being the tax charge.

Discontinued Operations

The Smith Electric Vehicles division was sold during the year. The performance in the year was similar to 2009 with turnover of £14.8m (2009 £15.1m) and a loss of £5.4m (2009 £5.5m loss).

Total comprehensive income for the year

The total comprehensive income for the year was a loss of £21.5m, (2009 £21.8m), this resulted from £2.5m of positive currency translation differences (2009 loss of £367k).

Earnings per share

Loss per share from continuing operations was 23.2p (2009: Loss 21.0p). No dividend has been declared (2009: nil).

Valuation of associate

Under IFRS our associate, Smith Electric Vehicles US Corp is required to be valued at cost less any cumulative losses, minimum value nil, and is therefore valued at nil. In fact Smith Electric Vehicles raised a total of $58m of new equity on at a valuation that would value the Tanfield Group plc stake in this associate at £37m.

Net Cash

At 31 December 2010, the Group had cash of £3.6m (2009 £5.4m). Although the business has reported a loss of £24.0m in the year, the net cash used in operating activities was £3.2m. This difference was funded largely by a reduction in working capital in the period, specifically inventory. In addition the business benefited from the proceeds of £1.8m from a successful Open Offer in October 2010. Since the year end the business has received installments of consideration from its sale of the Smith Electric Vehicles division to its associate. The cash allows the business to trade without exposure to financial covenants from banks or other institutions. In the event of a sustained recovery, causing growth that requires increased working capital, asset based borrowing capacity should be available to support the growth.

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2010.

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 industry and engineering.

RESULTS AND DIVIDENDS
The financial result, for the twelve months to 31 December 2010 reflects the continuation of the poor trading conditions in Tanfield Group plc's global markets and its response to those conditions.

Turnover for the twelve month period was £43.5m compared with £43.1m in the full year to December 2009. This reflects a further twelve months of very poor trading conditions in 2010, consistent with the conditions experienced in 2009.

The loss in the period of £24.0m (2009 £21.4m loss) arose from trading, reflecting the poor market conditions. Of this £5.4m loss (2009 £5.5m loss) was attributable to a division (Smith Electric Vehicles) that was sold on 1 January 2011 and treated as discontinued.

As at the end of 2010, a review was undertaken of the carrying value of assets in the Powered Access division and it was concluded that a further £650k Trade receivable impairments was required.

The balance sheet remains robust, with total assets at the end of December of £63m (£84m: December 2009). Net Current Assets were £35m (2009: £42m) with cash balances of £3.6m 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 (2009: £nil). The loss of £24.0m (2009: Loss of £21.4m) 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 (2009 - £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 2010 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 a sustained period of low 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
The Smith Electric Vehicle division was sold on 1 January 2011 to our associate company Smith Electric Vehicles US Corp (SEVUS). The group has received $7.25m of consideration to date in relation to that sale.

DISABLED PERSONS
The group will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT
The Group encourages the involvement of its employees through regular dissemination of information of particular concerns to employees.
To facilitate this, the company undertakes a Communications forum where all employees are represented by a colleague within their department at regular meetings with senior managers.

DIRECTORS' REPORT (Continued)

DIRECTORS
The present membership of the board is set out on page 3. There were no changes in the year.

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 2010 were 80 days. (2009 – 82 days)

SUBSTANTIAL SHAREHOLDINGS
On 31 December 2010 the following held substantial shares in the company. No other person has reported an interest of more than 3% in the ordinary shares.

	No.	%
UBS PRIVATE BANKING NOMINEES LTD	10,776,024.00	11.45%
TD WATERHOUSE NOMINEES (EUROPE)	8,703,305.00	9.25%
BARCLAYSHARE NOMINEES LIMITED	6,445,294.00	6.85%
VIDACOS NOMINEES LIMITED	5,580,913.00	5.93%
L R NOMINEES LIMITED	3,819,914.00	4.06%

RRE Stanley holds shares of 13.1% which are held through nominee companies. DS Kell holds shares of 3.7% 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.

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

Charles Brooks
Director

1 April 2011

CORPORATE GOVERANCE

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 four independent Non-Executive Directors.

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 1 April 2011

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 2010 (2009: £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 2010 (2009: 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 1 Jan 2011 Geoff Allison transferred to Smith Electric Vehicles Europe Limited as part of the electric vehicles division disposal.

Directors interests
The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2010 and 1 January 2010 are shown below:

	Number of shares	
	2010	2009
RRE Stanley	12,378,756	5,553,858
DS Kell	3,447,811	340,000
CD Brooks	28,563	22,491
BJ Campbell	106,363	22,395
GE Allison	26,467	20,841
JN Bridge	76,044	20,508
M Groak	-	-
J Pither	815,084	-
JM Wooding	31,209	-
Total	**16,910,297**	**5,980,093**

The directors, as a group, beneficially own 18% 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.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration review

Directors emolument for the financial year were as follows:

	Salary	Benefits in kind	Bonuses	**Total 2010**	Total 2009	**Pension Total 2010**	Pension Total 2009
RRE Stanley	36	18	-	**54**	48	**4**	9
DS Kell	255	18	-	**273**	224	**25**	25
CD Brooks[a]	165	18	-	**183**	151	**15**	15
BJ Campbell	165	18	-	**183**	151	**17**	16
GE Allison[b]	92	18	-	**110**	79	**10**	8
JN Bridge	26	-	-	**26**	26	**-**	-
M Groak	26	-	-	**26**	26	**-**	-
JM Wooding[c]	25	-	-	**25**	16	**-**	-
J Pither[d]	30	-	-	**30**	-	**-**	-
C Billiet[e]	-	-	-	-	13	-	-
Total	**820**	**90**	**-**	**910**	**734**	**71**	**73**

[a] In addition to CD Brooks' 2009 emoluments he received a loan of £31k which was outstanding at 31 December 2010.
[b] GE Allison transferred to Smith Electric Vehicles Europe Limited on 1 January 2011 as part of the electric vehicles division disposal.
[c] JM Wooding joined the company on 19 June 09. Mr Wooding is paid through Simkat Consultants.
[d] J Pither joined the company on 22 Dec 09 and is paid through Surrey management services.
[e] C Billiet left the company on 19 June 09.

Directors share options held at 31 December 2010 were as follows:

	31 December 2009[e]	Granted/ Lapsed	Exercised	31 December 2010	Option price per share[e]	Date from which normally exercisable[f]	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
Total	**3,091,334**	-	-	**3,091,334**			

[e] Certain option agreements allow for the option price to reduce in the event of a demerger. As a result of the Electric Vehicle disposal on 1 Jan 2011 certain options reduced their price to 1p.
[f] Certain share option agreements have a clause that allows the options to be exercised early if market capitalisation exceeds a certain level.
[g] On 31 December 2010 the market price of the ordinary shares was 29p. The range during 2010 was 10.29p to 39.74p

Approval
This report was approved by the board of directors and authorised for issue on 1 April 2011 and signed on its behalf by:

John Bridge
Chairman of Remuneration Committee

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. The directors are required by the AIM rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and company and the financial 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 of the state of affairs of the group and the company and of the profit and loss of the group for that period.

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 group and 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 the company 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.

REPORT OF THE INDEPENDENT AUDITOR

Independent auditor's report to the members of Tanfield Group PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 13-43. 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 auditor

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 and express an opinion on 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.

Scope of the audit of the financial statements

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/private.cfm.

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 2010 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.

RICHARD KING (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

1 April 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010 £000's**	2009 £000's
Continuing operations			
Revenue	1	**43,500**	**43,102**
Changes in inventories of finished goods and WIP	14	(7,689)	(6,080)
Raw materials and consumables used		(27,025)	(29,607)
Staff costs	4	(14,747)	(13,413)
Depreciation and amortisation expense	5	(1,745)	(1,860)
Other operating expenses	6	(8,121)	(8,159)
Loss from continuing operations before impairments		**(15,827)**	**(16,017)**
Share of results of associates	13	-	(51)
Impairment of receivables		(650)	(600)
Loss from continuing operations after impairments		**(16,477)**	**(16,668)**
Finance expense	7	(294)	(474)
Finance income	7	108	207
Net finance expense		**(186)**	**(267)**
Loss before taxation		**(16,663)**	**(16,935)**
Taxation	8	(1,950)	1,066
Loss for the year from continuing operations		**(18,613)**	**(15,869)**
Discontinued operations			
Loss for the year from discontinued operations	3	(5,375)	(5,520)
Loss for the year		**(23,988)**	**(21,389)**
Other comprehensive income, net of tax:			
Currency translation differences		2,509	(367)
Total comprehensive income for the year		**(21,479)**	**(21,756)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010 **£000's**	2009 £000's
Loss for the year attributable to:			
Owners of the parent			
From continuing operations		(18,611)	(15,868)
From discontinued operations		(5,375)	(5,520)
		(23,986)	(21,388)
Non-controlling interest			
From continuing operations		(2)	(1)
Loss for the year		**(23,988)**	**(21,389)**
Total comprehensive income for the year attributable to:			
Owners of the parent		(21,477)	(21,755)
Non-controlling interest		(2)	(1)
Total comprehensive income for the year		**(21,479)**	**(21,756)**
Loss per share			
Loss per share from continuing operations			
Basic (p)	9	(23.2)	(21.0)
Diluted (p)	9	(23.2)	(21.0)
Loss per share from discontinued operations			
Basic (p)	9	(6.7)	(7.3)
Diluted (p)	9	(6.7)	(7.3)

CONSOLIDATED AND COMPANY BALANCE SHEETS (Company registration number 04061965)

AS AT 31 DECEMBER 2010

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**£000's**	£000's	**£000's**	£000's
Non current assets					
Goodwill	10	-	356	-	-
Intangible assets	11	5,546	13,825	-	-
Property, plant and equipment	12	3,879	5,200	-	-
Deferred tax assets	21	-	1,915	-	-
Associate	13	-	-	-	-
Trade and other receivables	17	250	900	-	-
Investments	33	-	-	1,847	2,111
		9,675	22,196	1,847	2,111
Current assets					
Inventories	14	25,408	44,615	-	-
Trade and other receivables	17	10,510	11,878	42,971	57,468
Investments	15	395	275	-	-
Current tax assets		11	72	-	-
Cash and cash equivalents	16	3,637	5,414	1,010	907
		39,961	62,254	43,981	58,375
Assets classified as held for sale	3	13,194	-	-	-
		53,155	62,254	43,981	58,375
Total assets		**62,830**	**84,450**	**45,828**	**60,486**
Current liabilities					
Trade and other payables	18	11,293	16,178	1,445	1,549
Provisions	25	272	527	-	-
Tax liabilities		83	45	-	-
Obligations under finance leases	19	197	480	-	-
Other creditors	20	2,294	2,553	2,294	2,228
		14,139	19,783	3,739	3,777
Liabilities directly associated with assets classified as held for sale	3	3,832	-	-	-
		17,971	19,783	3,739	3,777
Non-current liabilities					
Obligations under finance leases	19	-	156	-	-
Deferred tax liabilities	21	375	375	-	-
		375	531	-	-
Total liabilities		18,346	20,314	3,739	3,777
Equity					
Share capital	22	4,704	3,704	4,704	3,704
Share premium	22	827	-	827	-
Share option reserve		1,764	1,764	1,764	1,764
Special reserve		66,837	66,837	66,837	66,837
Merger reserve		1,534	1,534	1,534	1,534
Capital reduction reserve		-	-	-	-
Translation reserve		11,432	8,923	-	-
Profit and loss account		(42,611)	(18,625)	(33,577)	(17,130)
Equity attributable to the owners of the parent		**44,487**	**64,137**	**42,089**	**56,709**
Non controlling interests	24	(3)	(1)	-	-
Total equity and total liabilities		**62,830**	**84,450**	**45,828**	**60,486**

The financial statements on pages 13 to 43 were approved by the board of directors and authorised for issue on 1 April 2011 and are signed on its behalf by:

Charles Brooks Group Finance Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED

	Attributable to the owners of the parent									
	Share capital	Share premium	Shares option reserve	Merger reserve	Capital reduction reserve	Special reserve	Translation reserve	Retained earnings	Non-controlling interests	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2009	**3,704**	**138,511**	**1,653**	**1,534**	**7,228**	**-**	**9,290**	**(76,139)**	**-**	**85,781**
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	(21,388)	(1)	(21,389)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	(367)	-	-	(367)
Share option provision	-	-	111	-	-	-	-	-	-	111
Cancellation of share premium account (note 22)	-	(138,511)	-	-	(7,228)	66,837	-	78,902	-	-
Total other comprehensive income for the year	-	(138,511)	111	-	(7,228)	66,837	(367)	78,902	-	(256)
Total comprehensive income for the year	**-**	**(138,511)**	**111**	**-**	**(7,228)**	**66,837**	**(367)**	**57,514**	**(1)**	**(21,645)**
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2009	**3,704**	**-**	**1,764**	**1,534**	**-**	**66,837**	**8,923**	**(18,625)**	**(1)**	**64,136**
Comprehensive income										
Loss for the year	-	-	-	-	-	-		(23,986)	(2)	(23,988)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	-	2,509	-	-	2,509
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,509**	**-**	**-**	**2,509**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,509**	**(23,986)**	**(2)**	**(21,479)**
Transactions with owners in their capacity as owners:-										
Issue of shares (note 22)	1,000	827	-	-	-	-	-	-	-	1,827
At 31 December 2010	**4,704**	**827**	**1,764**	**1,534**	**-**	**66,837**	**11,432**	**(42,611)**	**(3)**	**44,484**

COMPANY

	Attributable to the owners of the parent									
	Share capital	Share premium	Shares option reserve	Merger reserve	Capital reduction reserve	Special reserve	Translation reserve	Retained earnings	Non-controlling interests	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2009	**3,704**	**138,511**	**1,653**	**1,534**	**7,228**	**-**	**-**	**(78,901)**	**-**	**73,729**
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	(17,131)	-	(17,131)
Other comprehensive income										
Share option provision	-	-	111	-	-	-	-	-	-	111
Cancellation of share premium account (note 22)	-	(138,511)	-	-	(7,228)	66,837	-	78,902	-	-
Total other comprehensive income for the year	-	(138,511)	111	-	(7,228)	66,837	-	78,902	-	111
Total comprehensive income for the year	**-**	**(138,511)**	**111**	**-**	**(7,228)**	**66,837**	**-**	**61,771**	**-**	**(17,020)**
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2009	**3,704**	**-**	**1,764**	**1,534**	**-**	**66,837**	**-**	**(17,130)**	**-**	**56,709**
Comprehensive income										
Loss for the year	-	-	-	-	-	-	-	(16,447)	-	(16,447)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,447)**	**-**	**(16,447)**
Transactions with owners in their capacity as owners:-										
Issue of shares (note 22)	1,000	827	-	-	-	-	-	-	-	1,827
At 31 December 2010	**4,704**	**827**	**1,764**	**1,534**	**-**	**66,837**	**-**	**(33,577)**	**-**	**42,089**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010	2009	**2010**	2009
	£000's	£000's	**£000's**	£000's
Continuing operations				
Loss before interest and taxation	(16,477)	(16,668)	(16,493)	(17,191)
Depreciation and amortisation	1,745	1,859	-	-
Gain on deferred consideration reassessment	-	(926)	-	(926)
Loss on disposal of fixed assets	23	151	-	-
Impairment of receivables	650	600	-	-
Loss on intercompany loan write off	-	-	18,038	3,691
Loss on impairment of investments	-	51	264	13,064
Operating cash flows before movements in working capital	**(14,059)**	**(14,933)**	**1,809**	**(1,362)**
Decrease (increase) in receivables	611	9,310	(3,543)	(1,429)
(Decrease) increase in payables	(2,656)	(2,822)	(596)	892
Decrease in provisions	(28)	(3,050)	-	-
Decrease in inventories	13,111	12,723	-	-
Net cash (used in) operations – continuing operations	**(3,021)**	**1,228**	**(2,330)**	**(1,899)**
Discontinued operations				
Loss before interest and taxation	(5,369)	(5,427)	-	-
Depreciation and amortisation	655	1,148	-	-
Loss (gain) on disposal of fixed assets	11	(27)	-	-
Operating cash flows before movements in working capital	**(4,703)**	**(4,306)**	**-**	**-**
Decrease (increase) in receivables	1,194	(642)	-	-
Decrease in payables	(197)	(159)	-	-
Increase in provisions	300	210	-	-
Decrease in inventories	3,410	2,098	-	-
Net cash from operations – discontinued operations	**4**	**(2,799)**	-	-
Cash used in operations	**(3,017)**	**(1,571)**	**-**	**-**
Interest paid	(300)	(567)	(14)	(16)
Income taxes received	80	241	-	-
Net cash used in operating activities	**(3,237)**	**(1,897)**	**(2,344)**	**(1,915)**
Cash flow from Investing Activities				
Purchase of investments in Associates	-	(51)	-	(51)
Purchase of property, plant and equipment	(313)	(243)	-	-
Payment of deferred consideration	-	(2,904)	-	(2,904)
Proceeds from sale of property, plant and equipment	-	58	**-**	**-**
Purchase of investments	(70)	(51)	-	-
Purchase of intangible fixed assets	(375)	(544)	-	-
Exclusivity agreement cash received	491	-	491	-
Interest received	108	207	60	77
Net cash (used in) from investing activities	**(159)**	**(3,528)**	**551**	**(2,878)**
Cash flow from financing activities				
Proceeds from issuance of ordinary shares net of costs	1,827	-	1,827	-
Repayments of obligations under finance leases	(458)	(504)	-	(10)
Net cash from (used in) financing activities	**1,369**	**(504)**	**1,827**	**(10)**
Effect of exchange rate changes on cash and cash equivalents	250	213	69	339
Net (decrease) increase in cash and cash equivalents	**(1,777)**	**(5,716)**	**103**	**(4,464)**
Cash and cash equivalents at the start of year	5,414	11,130	907	5,371
Cash and cash equivalents at the end of the year	**3,637**	**5,414**	**1,010**	**907**

Note: Cashflows arising from discontinued operations are operating activities £2k outflow (2009: £2,892k outflow), Investing activities £356k outflow (2009: £352k ouflow) and Financing activities £20k outflow (2009: £51k outflow).

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 is receiving instalments of deferred consideration following the sale of its electric vehicles business.

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 an increase in turnover in 2011 to 2010. This increase is underpinned by the increase in order intake rates and the accumulated order backlog.

Although the Group released cash from inventories during 2010, useable inventory remains higher than necessary. It is therefore expected that this usage of inventory will continue, resulting in working capital growing at a lower rate than would otherwise be necessary to support the forecast growth. Sensitivities have been prepared that demonstrate that the business would still be viewed as a going concern even if this was not the case.

There is inherent uncertainty in any forecast. Such uncertainties include the lack of visibility regarding the sustainability of current levels of order intake in the current economic and financial climate, however the level of orders taken, accumulated order backlog and order prospects is more than adequate to indicate activity levels that support the forecast sales for 2011. 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 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.

(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 in the income statement as they arise.

(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

IFRS 8 provides segmental information for the Group on the basis of information reported to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed by the Tanfield Group PLC'S board of directors.

(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.

(xxii) Disposal groups held for sale

Disposal groups held for sale are measured at the lower of their carrying amount and fair value less cost to sell and presented separately in the balance sheet from other assets and liabilities. Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the disposal group is available for immediate sale in its present condition, management are committed to the sale and expect the disposal group to qualify for recognition as a completed sale within one year from the date of classification.

(xxiii) Functional and presentational currencies

The consolidated financial statements are presented in sterling which is also the functional currency of the company.

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.

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.

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 2010.

New and amended standards and interpretations effective from 1 January 2010 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.

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.

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.

New and amended standards and interpretations effective from 1 January 2011 not yet adopted by the group

IAS 24 (Revised) 'Related Party Disclosures' (Effective 1 January 2011).
The revised standard clarifies the definition of a related party and provides some exceptions for government related entities.

Amendment to IFRIC14 'prepayments of a Minimum Funding Requirement' (Effective 1 January 2011).
This requirement permits a voluntary prepayment of a minimum funding requirement to be recognized as an asset.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (Effective 1 January 2011).
This interpretation, which is applied retrospectively, clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is settled in part or in full by the debtor issuing its own equity instrument to the creditor.

NOTES TO THE ACCOUNTS

1. Revenue

An analysis of the group's revenue is as follows:

	2010 £000's	2009 £000's
Continuing operations	43,500	43,102
Discontinued operations	14,296	15,057
	57,796	58,159

2. Segmental analysis

Operating segments

For management purposes, the Group is currently organised into three operating divisions – Powered Access Platforms, Discontinued operations and other operations. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Powered Access Platforms: design and manufacture of powered access equipment
Discontinued operations: 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

	2010		**2009**	
	Revenue **£000's**	Loss **£000's**	Revenue **£000's**	Loss **£000's**
Powered Access Platforms	41,033	(14,962)	41,708	(15,457)
Other	2,467	(1,515)	1,394	(1,160)
Segment revenue / loss	**43,500**	**(16,477)**	**43,102**	**(16,617)**
Share of post tax loss of associate		-		(51)
Restructuring costs		-		-
Finance income		108		207
Finance costs		(294)		(474)
Taxation		(1,950)		1,066
Loss for the year from continuing operations		**(18,613)**		**(15,869)**
Net loss from discontinued operations		(5,375)		(5,520)
Loss for the year from continuing and discontinued operations		**(23,988)**		**(21,389)**

2. Segmental analysis continued

Assets and liabilities by operating segment[1]

	2010 £000's	2009 £000's
Assets		
Powered Access Platforms	42,828	55,700
Discontinued operations retained assets	1,262	2,031
Discontinued operations held for sale	13,194	17,278
Other	1,898	2,051
Cash and cash equivalents[2]	3,637	5,414
Total segment assets	**62,819**	**82,474**
Current tax assets	11	61
Deferred tax assets	-	1,915
Total assets	**62,830**	**84,450**
Liabilities		
Powered Access Platforms	(9,418)	(11,522)
Discontinued operations held for sale	(3,832)	(3,688)
Other	(2,334)	(2,445)
Total segment liabilities	**(15,584)**	**(17,655)**
Current tax liabilities	(83)	(45)
Deferred tax liabilities	(375)	(375)
Retirement benefit obligations	(10)	(11)
Deferred consideration	(2,294)	(2,228)
Total liabilities	**(18,346)**	**(20,314)**

[1] Intercompany loans have been omitted from the asset and liabilities by line of business summary.

[2] Cash and cash equivalents have been omitted from the assets and liabilities by line of business summary

Geographical information

The Group's revenue from external customers and information about its segment assets (non current assets excluding investments in associated, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue		Non-current assets	
Continuing operations only	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Entity's country of domicile – United Kingdom	3,523	1,394	5,927	15,707
Europe excluding UK	6,354	7,570	-	-
Americas	13,961	15,933	2,958	3,152
Australasia	10,813	10,973	464	430
Other (includes Asia, Africa and rest of the world not classified above)	8,849	7,232	76	92
Total	**43,500**	**43,102**	**9,425**	**19,381**

Other segment information

	Amortisation and Depreciation		Additions to non-current assets	
	2010 £000's	2009 £000's	**2010 £000's**	2009 £000's
Powered Access equipment	1,567	1,639	307	245
Other	178	220	14	-
Total for continuing operations	**1,745**	**1,859**	**321**	**245**
Discontinued operations	655	1,148	367	542
Total for continuing and discontinuing operations	**2,400**	**3,007**	**688**	**787**

3. Assets held for sale and discontinued operations

On 1 January 2011 group entered into a sale agreement with SEV US incorporated to dispose of the company's Zero Emission Vehicle operations. The disposal was in the form of a business and asset purchase and specifically excluded Trade receivables and cash.

The results of the discontinued operations, which have been included in the income statement, were as follows:

	2010	2009
	£000's	£000's
Revenue	14,752	15,057
Expenses	20,127	20,577
Loss before tax	(5,375)	(5,520)
Attributable tax expense	-	-
Net loss from discontinued operations	**(5,375)**	**(5,520)**

Note: Expenses include allocated net finance costs of £6k (2009: £93k)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2010
	£000's
Goodwill	356
Intangible assets	7,592
Property, plant and equipment	656
Inventories	4,365
Other debtors & prepayments	225
Total assets classified as held for sale	**13,194**
Trade and other payables	2,988
Provisions	527
Other creditors	317
Total liabilities associated with assets classified as held for sale	**3,832**
Net assets of disposal group	**9,362**

4. Staff costs

Continuing and discontinued operations

	2010	2009
Aggregate remuneration comprised	**£000's**	£000's
Wages and Salaries	17,428	16,376
Share scheme expense	-	111
Social Security Costs	2,163	1,874
Other Pension Costs	245	284
Total staff costs	**19,836**	**18,645**

Group	**2010**	**2009**
Average monthly number of employees	**No.**	**No.**
Production	396	424
Head Office, Administration and sales & distribution	218	229
Total	**614**	**653**

4. Staff costs continued

Continuing operations

Aggregate remuneration comprised	2010 £000's	2009 £000's
Wages and Salaries	12,938	11,774
Share scheme expense	-	111
Social Security Costs	1,640	1,330
Other Pension Costs	169	198
Total staff costs	**14,747**	**13,413**

Group Average monthly number of employees	2010 No.	2009 No.
Production	265	278
Head Office, Administration and sales & distribution	163	177
Total	**428**	**455**

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.

5. Depreciation and amortisation

Continuing and discontinued operations	2010 £000's	2009 £000's
Depreciation of property, plant & equipment	1,042	1,203
Amortisation of intangible fixed assets	1,358	1,804
Total depreciation and amortisation charge	**2,400**	**3,007**
Depreciation of property, plant & equipment		
- owned assets	925	988
- leased assets	117	215

Continuing operations	2010 £000's	2009 £000's
Depreciation of property, plant & equipment	941	999
Amortisation of intangible fixed assets	804	861
Total depreciation and amortisation charge	**1,745**	**1,860**
Depreciation of property, plant & equipment		
- owned assets	824	838
- leased assets	117	161

6. Other operating expenses

	2010	2009
Other operating expenses		
Non property related operating lease rentals	325	869
Net loss on foreign exchange	45	1,053
Auditors' remuneration (see below)	205	196
Research and development costs	67	42
(Gain) on deferred consideration reassessment	-	(926)
Other operating expenses	7,479	6,925
Total operating expenses	**8,121**	**8,159**

6. Other operating expenses (continued)

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:

	2010 £000's	2009 £000's
Audit Services		
• statutory audit of parent and consolidated accounts	155	146
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	10
Other services relating to taxation		
• compliance services	40	40
	205	196
Comprising		
• Audit services	165	156
• Non audit services	40	40

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 £16,447k (2009: loss £17,131k).

7. Finance expense and finance income

Continuing operations

Finance expense	**2010** **£000's**	2009 £000's
Interest on bank overdrafts, loans, financial instruments & invoice discounting[a]	255	411
Interest on obligations under finance leases	29	63
Fair value loss on Interest rate swap (note 27)	10	**-**
Total finance expense	**294**	**474**

[a] The Invoice Discounting facility was fully settled and discontinued during 2009.

Finance income	**2010** **£000's**	2009 £000's
Interest on cash and cash equivalents	108	80
Fair value gain on Interest rate swap (note 27)	-	127
Total finance income	**108**	**207**

8. Taxation

Analysis of taxation credit for the year

	2010 £000's	2009 £000's
United Kingdom		
Corporation tax at 28% (2009: 28%)	-	-
Adjustments in respect of prior periods	-	-
Non UK Taxation		
Current	35	139
Adjustments in respect of prior periods	-	(1,137)
Total current taxation debit (credit)	**35**	**(998)**
Deferred tax		
Origination and reversal of temporary differences	1,915	(68)
Total deferred tax debit (credit)	**1,915**	**(68)**
Total taxation debit (credit) in the income statement	**1,950**	**(1,066)**

Factors affecting taxation credit

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

	2010 £000's	2009 £000's
(Loss) before taxation	**(22,038)**	**(22,455)**
Notional taxation credit at UK rate of 28% (2009: 28%)	(6,171)	(6,287)
Effects of:		
Non (taxable) deductable expenses	(94)	(153)
Deferred tax asset not recognised in the period	8,114	6,511
Adjustments in respect of prior periods	101	(1,137)
Total taxation debit (credit)	**1,950**	**(1,066)**

9. Loss per share

Basic loss 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 was 24.95p (2009: 49.95p).

Number of shares	**2010**	**2009**
	No	**No**
Weighted average number of ordinary shares for the purposes of basic earnings per share[a]	80,183	75,552
Effect of dilutive potential ordinary shares from share options	143	164
Weighted average number of ordinary shares for the purposes of diluted earnings per share	80,326	75,716

[a] The weighted average number of shares has been calculated in accordance with IAS 33 using a correction adjustment factor to adjust for the rights issue (note 21) completed on 1 Oct 2010. The correction factor is calculated as the market value of one share immediately prior to the rights issue (11.011p) over the theoretical ex-rights value per share (10.7961p). 2009 has therefore been restated as 74,077,218 shares multiplied by the correction factor of 1.0199. The 2010 weighted average number of shares is calculated as 74,077,218 multiplied by the correction factor for 9 / 12 of the year plus 94,077,218 share for 3 / 12 of the year.

Earnings

	2010	**2009**
From continuing and discontinuing operations	£000's	£000's
Earnings for the purposes of basic earning per share being net profit attributable to owners of the parent	(23,986)	(21,388)
Potential dilutive ordinary shares from share options	-	-
Earnings for the purposes of diluted earnings per share	(23,986)	(21,388)

	2010	**2009**
From continuing operations	£000's	£000's
Earnings for the purposes of basic earning per share being net profit attributable to owners of the parent	(23,986)	(21,388)
Adjustment to exclude the loss for the period from discontinued operations	5,375	5,520
Potential dilutive ordinary shares from share options	-	-
Earnings for the purposes of diluted earnings per share	(18,611)	(15,868)
Adjustment for one off items:		
Impairments	650	600
Gain on deferred consideration reassessment	-	(926)
Loss for the purposes of earnings per share before one off items	(17,961)	(16,194)

	2010	**2009**
Loss per share from continuing and discontinuing operations		
Basic (p)	(29.9)	(28.3)
Diluted (p)[b]	(29.9)	(28.3)
Loss per share from continuing operations		
Basic (p)	(23.2)	(21.0)
Diluted (p)[b]	(23.2)	(21.0)
Loss per share from continuing operations before one off items		
Basic (p)	(22.4)	(21.4)
Diluted (p)[b]	(22.4)	(21.4)
Loss per share from discontinuing operations		
Basic (p)	(6.7)	(7.3)
Diluted (p)[b]	(6.7)	(7.3)

[b] 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.

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 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	Smith Electric Vehicles £000's	Consolidated £000's
At 1 January 2009 and 1 January 2010	-	356	356
Reclassified as held for sale	-	(356)	(356)
At 31 December 2010	**-**	**-**	**-**

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.

On 1 January 2011 the Electric Vehicle business was sold for a value in excess of the carrying value of assets, therefore the directors considered Goodwill is not impaired.

11 Intangible assets

Group

	Development Costs £000's	Manufacturing schedules £000's	Other Intangible Assets[a] £000's	Computer Software £000's	Total £000's
Cost					
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)
At 1 January 2010	**11,396**	**15,292**	**9,486**	**197**	**36,371**
Additions	371	-	-	6	377
Exchange differences	-	(1,330)	-	-	(1,330)
Reclassified as held for sale	(9,640)	-	-	(97)	(9,737)
At 31 December 2010	**2,127**	**13,962**	**9,486**	**106**	**25,681**
Accumulated depreciation					
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)
Exchange differences	-	-	-	(2)	(2)
At 1 January 2010	**1,882**	**13,047**	**7,523**	**94**	**22,546**
Charge for the year	747	301	281	29	1,358
Exchange differences	-	(1,624)	-	-	(1,624)
Reclassified as held for sale	(2,081)	-	-	(64)	(2,145)
At 31 December 2010	**548**	**11,724**	**7,804**	**59**	**20,135**
Carrying amount					
At 31 December 2010	**1,579**	**2,238**	**1,682**	**47**	**5,546**
At 31 December 2009	**9,514**	**2,245**	**1,963**	**103**	**13,825**

[a] Other intangible assets include trademarks, customer order book and customer lists which arose on previous years business combinations

12 Property, plant and equipment

Group

	Land and buildings £000's	Plant and Machinery[a] £000's	Fixtures, Fittings and equipment £000's	Motor Vehicles £000's	Total £000's
Cost					
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)
At 1 January 2010	2,324	5,232	1,016	628	9,200
Additions	12	154	44	102	312
Disposals	(15)	-	(16)	(72)	(103)
Reclassification	223	(256)	33	-	-
Exchange differences	28	55	49	35	167
Reclassified as held for sale	(448)	(199)	(90)	(421)	(1,158)
At 31 December 2010	2,124	4,986	1,036	272	8,418
Accumulated depreciation					
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)
At 1 January 2010	545	2,593	533	329	4,000
Charge for the year	154	551	238	99	1,042
Disposals	(11)	-	(7)	(53)	(71)
Exchange differences	3	22	27	18	70
Reclassified as held for sale	(111)	(103)	(45)	(243)	(502)
At 31 December 2010	580	3,063	746	150	4,539
Carrying amount					
At 31 December 2010	1,544	1,923	290	122	3,879
At 31 December 2009	1,779	2,639	483	299	5,200

[a] The carrying amount of the group plant and machinery includes an amount of £732k (2009: £1,096k) in respect of assets held under finance leases. The depreciation charge on those assets for 2010 was £117k (2009: £215k). Various finance leases were fully settled in the year and title of the equipment obtained.

13 Associate

At 31 December 2010, the group held a 49% share of the issued share capital of Smith Electric Vehicles US Corp, a company registered in the US. Smith Electric Vehicles US Corp's primary activities involve the manufacture and distribution of Zero Emission Vehicles.
In accordance with IAS 28 this investment has been accounted for as an associate under the equity method of accounting.
The year end of Smith Electric Vehicles US Corp (30 Sept) differs from that of the Tanfield Group as the Group holds no significant influence over its Associate on such decisions.

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

	2010 £000's	2009 £000's
Aggregate amounts relating to associates		
Total assets	18,566	4,608
Total liabilities	(35,148)	(8,157)
Net assets / (liabilities)	(16,582)	(3,549)
Group's share of net assets of associates (49%)	(8,125)	(1,739)
Total revenue	9,150	-
Profit / (loss)	(13,605)	(3,555)
Group's share of profit / (loss) of associate (49%)	(6,666)	(1,742)
Reassessment of carrying value of associate[a]	6,666	1,691
Share of post tax loss of associate	**-**	**(51)**

[a] 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 group's original net investment.

14. 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.

The group's inventories comprised:

	2010	**2009**
	£000's	**£000's**
Raw materials and consumables	13,420	17,153
Work-in-progress	1,257	1,475
Finished Goods and goods for resale	10,731	18,202
Total inventories relating to continuing operations	**25,408**	**36,830**
Inventories relating to discontinued operations	4,365	7,785
Total inventories	29,773	44,615

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

	2010	**2009**
	£000's	**£000's**
Total finished goods and WIP at 1 January	19,677	25,757
Changes in inventories of finished goods and WIP	(7,689)	(6,080)
Total finished goods and WIP at 31 December	**11,988**	**19,677**

15. Current investments

Group	**2010**	2009
	£000's	£000's
At 1 January	275	251
Additions	70	51
Exchange movements	50	(27)
At 31 December	**395**	**275**

The investment relates to the current value of a money market investment denominated in Japanese Yen.

16. 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**	
	2010	2009	**2010**	2009
	£000's	£000's	**£000's**	£000's
Cash and cash equivalents	**3,637**	5,414	**1,010**	907

17. Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	£000's	£000's	**£000's**	£000's
Current				
Trade amounts receivable	9,949	11,178	-	-
Allowance for estimated irrecoverable amounts	(492)	(717)	-	-
Amounts due from subsidiary undertakings	-	-	42,908	57,405
Other Taxes	462	426	-	-
Other debtors and prepayments	591	991	63	63
	10,510	**11,878**	**42,971**	**57,468**
Non current				
Trade amounts receivable[a]	**250**	**900**	**-**	**-**

[a] 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 £650k in 2010 (2009: £600k) 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	
	2010	2009
	£000's	£000's
At 1 January	717	1,483
Amounts charged to the income statement	136	92
Utilised in the year	(376)	(815)
Exchange differences	15	(43)
At 31 December	**492**	**717**
Average credit period taken on goods (Days)[b]	60	66

[b] Debtor days are calculated as Trade amounts receivable net of allowance for estimated irrecoverable amounts over total sales in the period from continuing and discontinuing operations multiplied by 365 days.

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:

		Past due but not impaired				
	Not past due £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	Total £000's
2010	7,230	2,050	82	95	-	**9,457**
2009	7,641	2,140	467	102	111	**10,461**

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.

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.

At 31 December £2,064k (2009: £2,539k) of trade receivables net of allowance for estimated irrecoverable amounts were denominated in Sterling, £3,218k (2009: £3,219) in US Dollars, £1,339k (2009: £2,041k) in Australian Dollars, £1,885k (2009: £1,351k) in Japanese Yen and £951k (2009: £1,311) in other currencies including Euros and NZ Dollars.

18. Trade and other payables

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

	Group		Company	
	2010	2009	**2010**	2009
	£000's	£000's	**£000's**	£000's
Current				
Trade payables	4,605	7,935	376	254
Social security and other taxes	704	1,751	548	1,250
Accrued expenses	5,128	5,143	30	45
Fair value of Interest rate collar	365	345	-	-
Deferred income	-	1,004	-	-
Other[a]	491	-	491	-
	11,293	**16,178**	**1,445**	**1,549**
Average credit period taken on trade purchases (days)[b]	80	82		

[a] Other relates to cash received by the Tanfield Group in relation to an extended exclusivity period given to Smith Electric Vehicles US Corp in relation to the sale of the Electric Vehicle business.

[b] Creditor days have been calculated as trade payables and accrued expenses over changes in inventories of finished goods and WIP, Raw materials and consumables used and other operating expenses multiplied by 365 days. The calculation includes both continuing and discontinuing operations.

19. 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 2010, the average effective borrowing rate was 10% (2009: 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:

	Minimum leases payments		Present value of minimum leases payments	
	2010	2009	**2010**	2009
Group	**£000's**	£000's	**£000's**	£000's
Amounts payable under finance leases				
Within one year	214	523	197	480
In the second to fifth years (inclusive)	-	173	-	156
	214	**696**	**197**	**636**
Less: future finance charges	(17)	(60)	-	-
Total finance lease obligations	**197**	**636**	**197**	**636**

20. Other creditors

The directors consider that the carrying amounts of Other creditors approximates to their fair value. The deferred consideration is denominated in US Dollars and the movement in the year relates to changes in the exchange rate.

	Group		Company	
	2010	2009	**2010**	2009
	£000's	£000's	**£000's**	£000's
Current				
Deferred consideration	2,294	2,228	2,294	2,228
Buyback lease liability	-	325	-	-
	2,294	**2,553**	**2,294**	**2,228**

The deferred consideration has been settled post year end with the issue of 470,000 ordinary shares.

21. Deferred taxation

Group	Tax losses £000's	Other £000's	Total £000's
At 1 January 2009	1,779	(307)	1,472
Credit (charge) to the statement of comprehensive income	136	(68)	68
At 1 January 2010	**1,915**	(375)	**1,540**
Deferred tax asset	1,915	-	1,915
Deferred tax liability	-	(375)	(375)
At 1 January 2010	**1,915**	**(375)**	**1,540**
Charge to the income statement	(1,915)	-	(1,915)
At December 2010	**-**	(375)	**(375)**
Deferred tax asset	-	-	-
Deferred tax liability	-	(375)	(375)
At December 2010	**-**	**(375)**	**(375)**

At 31 December 2010, the group had unused tax losses of £93,203k (2009: £71,165k) available for offset against future profits of the same trade. A deferred tax asset has been recognised in respect of £Nil (2009: £6,839k) of such losses. No deferred tax asset has been recognised in respect of the remaining £93,203k (2009: £64,226k) due to the unpredictability of profit streams which results in an unrecognised deferred tax asset of £26,097k (2009: £17,983k).

Company	Tax losses £000's	Other £000's	Total £000's
At 1 January 2009	-	-	-
Credit (charge) to the statement of comprehensive income	-	-	-
(Credit) Charge to equity	-	-	-
At 1 January 2010	-	-	-
Deferred tax asset	-	-	-
Deferred tax liability	-	-	-
At 1 January 2010	-	-	-
Credit (charge) to the statement of comprehensive income	-	-	-
(Credit) Charge to equity	-	-	-
At December 2010	-	-	-
Deferred tax asset	-	-	-
Deferred tax liability	-	-	-
At December 2010	-	-	-

22. Share capital and share premium

The Company has one class of ordinary shares which carry no right to fixed income. All shares are fully paid up.

	Nominal share value	Number of shares	Share capital[c] £000's	Share premium £000's
At 1 January 2009	1p	370,386,090	3,704	138,511
5 for 1 Share consolidation[b]	5p	(296,308,872)	-	-
Cancellation of Capital reduction reserve[d]	-	-	-	7,228
Cancellation of retained losses[d]	-	-	-	(78,902)
Cancellation of share premium account[d]				(66,837)
At 31 December 2009	**5p**	**74,077,218**	**3,704**	**-**
Rights issue[a]	5p	20,000,000	1,000	827
At 31 December 2010	**5p**	**94,077,218**	**4,704**	**827**

[a] On 1 Oct 2010 the group raised £2,000,000 by way of a 10p preemptive rights offer. The associated costs of £173,000 have been allocated to the share premium account.

[b] On 19 June 2009 the group reorganised 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.

[c] The authorised share capital of the company throughout 2009 and 2010 was £5,000,000, representing 100,000,000 ordinary shares after the 5 for 1 consolidation.

[d] 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".

23. Operating lease arrangements

At the balance sheet date, the Group as a lessee had future aggregate minimum lease payments under non-cancellable operating leases, which fall due as follows:

Continuing operations

	Leasehold Property £000's	Other £000's	Total £000's
2010			
Within one year	1,207	193	1,400
In the second to fifth years inclusive	4,665	63	4,728
Greater than five years	14,402	-	14,402
	20,274	**256**	**20,530**
2009			
Within one year	1,193	374	1,567
In the second to fifth years inclusive	4,851	239	5,090
Greater than five years	15,313	-	15,313
	21,357	**613**	**21,970**

24. Non controlling 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:

	2010 £000's	**2009** £000's
Balance at 1 January	(1)	-
Share of losses	(2)	(1)
Balance at 31 December	**(3)**	**(1)**

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 discontinued operations. 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 2010 £000's	Warranty provision 2009 £000's
At 1 January	527	-
Net movement in provision - continuing operations	(28)	300
Net movement in provision - discontinued operations	300	227
Reclassified as held for resale	(527)	-
At 31 December	272	527

26. 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 2010 and 2009 is shown below.

	2010		2009	
	Number of share options	Weighted average exercise price (pence)	Number of share options (Restated)	Weighted average exercise price (pence) Restated
Outstanding at the beginning of the year	3,826,334	113	3,896,334	116
Granted	-	-	-	-
Forfeited	-	-	(70,000)	(200)
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at the end of the year	3,826,334	113	3,826,334	114
Exercisable	3,606,334	101	1,426,334	107

The outstanding options at 31 December 2010 had a weighted average remaining contractual life of 5.79 years (2009: 6.79 years)

The following table relates to share options outstanding and exercisable at 31 December 2010:

	Option exercise prices					
Exercise price (pence)	5p	100p	115p	200p	300p	Total
No of share options	180,000	2,901,334	250,000	375,000	120,000	3,826,334
No of exercisable options	180,000	2,801,334	250,000	375,000	Nil	3,606,334

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 £Nil (2009: £111k) and a credit directly to equity of nil (2009: £Nil) have been made during the year in accordance with IFRS2 'Share-based payments'.

27. 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.

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

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

	2010 £'000	2009 £'000
Trade and other receivables	9,457	11,878
Cash and cash equivalents	3,637	5,414
	13,094	17,292

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 proceeding 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	197	-	-	197
Trade and other payables	12,721	-	-	12,721
	12,918	-	-	12,918

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.

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	1.55	(990)	1,089
Euro	1.17	(2)	2
Australian dollar	1.52	(638)	780
New Zealand dollar	2.01	(132)	161
Japanese Yen	126.17	(321)	392
Singapore dollar	2.00	(4)	5

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 December 2010 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 2010 £000's	Derivative Liability 2009 £000's
US Dollar interest rate collar	$10m	5.00%	3.65%	31 Oct 2012	365	345

The interest payable under the collar is recognised through the statement of comprehensive income £221k (2009: £214k) within Interest on bank overdrafts, loans, financial instruments and invoice discounting (Note 7). The volatility arising on the collar is also recognised in the statement of comprehensive income £10k loss (2009: £127k gain) and disclosed separately within finance expenses and finance income (Note 7).

The liability is denominated in US Dollars and a currency exchange loss of £10k (2009: £45k gain) has also been recognised in the statement of comprehensive income within other operating expenses.

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.

28. Contingent liabilities

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

29. Related party transactions

Group

Transactions between the Company and its subsidiaries and between subsidiaries, which are related parties, have been eliminated on consolidation. These transactions are a management charge from Tanfield Group PLC to is subsidiaries. The bank hold a cross guarantee in relation to all the Group Company bank accounts.

During the year the group sold goods of £247k (2009: Nil) to its associate, Smith Electric Vehicles US Corp. These transactions are included within discontinued operations in the statement of comprehensive income.

Company

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

	2010 £000's	2009 £000's
Net position at 1 January	57,405	59,688
Management charges	2,227	3,509
Impairments[a]	(18,038)	(3,691)
Other transactions including new loans issued and cash balances received	1,314	(2,101)
Net position at 31 December	**42,908**	**57,405**

[a] During 2010 the company impaired part of its intercompany receivable from SEV Group Limited by £253k (2009: £1,046k), Tanfield Engineering Systems US (Inc) £599k (2009: £161k), Tanfield Powered Access Limited £9,023k (2009: £504k), Tanfield Union Ltd £314k (2009: Nil), Tanfield Asia Pacific PTE.Ltd £416k (2009: Nil) and Snorkel International Inc £7,433k (2009: £1,980k)

Transactions with its associate

During the year the company received £491k of cash in relation to an extended exclusivity period given to Smith Electric Vehicles US Corp in relation to the sale of the Tanfield Group's Electric Vehicle business. At 31 December 2010 the £491k is disclosed under trade and other payables (note 18).

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:

	2010 £000's	2009 £000's
Salaries and short term benefits including NI	1,028	833
Post employment benefits	71	73
	1,099	**906**

Transactions with directors

Three directors of the Company each entered into Standby Loan Agreements with the Company during the year where they made available to the Company the respective amounts RRE Stanley £450k, DS Kell £225k and J Pither £75k. The total amount drawn on this facility was £400k. The loans were repaid as part of the open offer.

On 7 September 2010 the Company entered into an Underwriting Agreement with an Underwriting Group, which included the directors RRE Stanley, DS Kell and J Pither, relating to an Open offer. Under the terms of the Underwriting Agreement, the Underwriting Group agreed to subscribe for, in aggregate, 18,250,000 Shares in the proportions RRE Stanley 41.1%, DS Kell 17.8%, J Pither (through Surrey Management Services) 8.2% and Institutional Underwriters 32.9% respectively. This resulted in their purchasing a total of 6,654,209 shares as part of the Open Offer.

There were no other transactions with Directors during the year.

30. 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 £245k (2009:£284k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2010, contributions of £26k (2009: £24k) due in respect of the current reporting period had not been paid over to the schemes.

31. Financial instruments recognised in the balance sheet

	2010			2009		
Assets	Loans and receivables £000's	Assets Held to maturity[a] £000's	**Total £000's**	Loans and receivables £000's	Assets Held to maturity[a] £000's	**Total £000's**
Non-current financial assets						
Trade and other receivables	250	-	**250**	900	-	**900**
	250	-	**250**	**900**	-	**900**
Current financial assets						
Trade and other receivables	9,488	-	**9,488**	10,461	-	**10,461**
Investments	-	395	**395**	**-**	275	**275**
Cash and cash equivalents	3,637	-	**3,637**	5,414	-	**5,414**
	13,125	395	**13,520**	15,875	275	**16,150**
Total	13,375	395	**13,770**	16,775	275	**17,050**

Liabilities	Other financial liabilities £000's	Held for trading[a] £000's	Total **£000's**	Other financial liabilities £000's	Held for trading[a] £000's	**Total £000's**
Current liabilities						
Trade and other payables	10,224	365	**10,589**	14,082	345	**14,427**
Finance leases	197	-	**197**	480	-	**480**
Other creditors	2,294	-	**2,294**	2,553	-	**2,553**
	12,715	365	**13,080**	17,115	345	**17,460**
Non current liabilities						
Finance leases	-	-	**-**	156	-	**156**
	-	-	**-**	156	-	**156**
Total	12,715	365	**13,080**	17,271	345	**17,616**

[a] Assets and liabilities at fair value through profit and loss.

32. Post balance sheet events

Tanfield successfully completed the Trade and Assets sale of the Smith Electric Vehicles division to Smith Electric Vehicles US Corp ("SEVUS") on 1 January 2011. For accounting purposes, this is reported as a discontinued operation. The total consideration receivable amounted to $15m.

33. Subsidiary undertakings and Associate

The tables below give brief details of the group's operating subsidiaries and associate at 31 December 2010. 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[a]	Powered Access	100%	AUS
Snorkel New Zealand Limited[b]	Powered Access	100%	NZ
Snorkel Europe BV	Powered Access	100%	Netherlands
Tanfield Union Limited[C]	Powered Access	95%	Hong Kong
IPS Australia Limited	Powered Access	100%	AUS
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

[a] Snorkel Elevating Work Platforms PTY Limited changed its name to Snorkel Australia Limited on 1 September 2009.

[b] Snorkel Elevating Work Platforms Limited changed its name to Snorkel New Zealand Limited on 1 September 2009.

[c] 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:

	2010 £000's	2009 £000's
Snorkel International Inc[d]	-	-
Tanfield Engineering Systems Ltd[e]	1,847	2,111
Smith Electric Vehicles US Corp	-	-
	1,847	2,111

[d] The investment in Snorkel International Inc was impaired by £nil (2009: £13,013k)

e The investment in Tanfield Engineering Systems Ltd has been impaired by £264k (2009: Nil)