TANFIELD GROUP PLC
REPORT AND FINANCIAL STATEMENTS 2011

Registered in England & Wales

Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2011

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
M Groak	Non executive Director

SECRETARY
CD Brooks

REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE
Vigo Centre
Birtley Road
Washington
Tyne and Wear
NE38 9DA

NOMINATED ADVISOR
WH Ireland
24 Martin Lane
London
EC4R 0DR

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

BROKER
WH Ireland
24 Martin Lane
London
EC4R 0DR

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

REGISTRAR
Capita IRG plc
Bourne House
34 Beckenham
Beckenham
Kent
BR3 4TH

FINANCIAL AND BUSINESS REVIEW

Financial highlights

Key performance indicators Continuing operations	2011 £000's	2010 £000's	change %
Revenue	**48,305**	43,500	11.0
Gross margin on materials[1]	**37%**	29%	8.0
EBITDA(before impairments, associates & disposals)	**(13,397)**	(14,082)	4.9
Cash	**3,463**	3,637	(4.8)
Headcount (Average no.)	**469**	428	9.6
Order book – Powered Access	**30,500**	7,700	296.1

[1] Source: management accounts

CHAIRMAN'S STATEMENT

Demand for aerial lifts began to return in key markets during 2011 and grew as the year progressed, clearly demonstrated by the order book brought into 2012.

Bottlenecks within the supply chain slowed our rate of growth, but Tanfield still made progress towards a break-even position. The Company has recently raised additional funds to eliminate significant supply chain constraints and the Board is confident that this will accelerate Tanfield's growth in 2012.

The sale of Smith Electric Vehicles at the start of the year allowed the Board to fully focus its attention on the Powered Access division, which sells its products under the Snorkel brand. We cross-trained our workforce in anticipation of a ramp up in production and invested in new product development. Both strategies will stand us in good stead as the aerial lift industry maintains its growth curve in 2012 and beyond.

I would like to thank all of our employees for their efforts during year that delivered progress but also fresh challenges; and I look forward to working with you in 2012.

CHIEF EXECUTIVE'S REVIEW

Summary

During the recession, many of the major rental companies embarked on de-fleeting programmes to improve utilisation rates and suspended capital expenditure, preferring instead to age their powered access fleets. A return to growth in the equipment rental and plant hire sector in 2011 drove renewed appetite for aerial work platforms. However, demand outstripped supply throughout the year, as the supply chain struggled to regain capacity it lost during the downturn. Overall, Tanfield grew turnover by 11 per cent to £48.3m, narrowing the loss from continuing operations before impairment to £15.0m for the year.

Powered Access & Engineering: Turnover of £48.3m (2010: £43.5m)

Customers began to return in key markets in early 2011 and we delivered an increase in sales of 25% in the first half. Demand further increased in the second half of the year, but we were unable to accelerate our production capacity due to weakness in the industry's supply chain. This is evidenced both in our sales growth for the year and the £30.5m order book we carried into 2012 – almost four times the order book at the end of 2010.

We continued to execute our strategy of enhancing the Snorkel product portfolio, launching a new range of boom lifts that share a common chassis. We have appointed a dedicated team to target Latin America, which continues to experience strong growth in the adoption of aerial work platforms; and strengthened our sales team in North America. Snorkel sells through a worldwide network of independent distributors. In 2011 we appointed new distributors in China, Czech Republic, Romania and Turkey.

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, payable in 20 equal monthly instalments. All payments due to date have been met in line with our expectations. On 7 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.

On 24 October 2011, SEVUS completed a private placing to raise $30m, triggering a payment of further deferred consideration, plus accrued interest, of approximately $5.6m. At the same time, Tanfield converted $1.99m of deferred consideration into a convertible note and warrant that converted into a new class of preferred equity securities in SEVUS on 3 November 2011. Subsequently Tanfield held 5,259,192 ordinary shares in SEVUS which represented, on a fully diluted basis, approximately 27.22 per cent of the enlarged ordinary share capital of SEVUS.

On 14 February 2012, SEVUS announced an additional private placement of $40m. On the assumption that the Placing is subscribed in full, Tanfield's holding is diluted to 24.13 per cent of the enlarged ordinary share capital of SEVUS.

SEVUS continued to execute its business development strategy throughout 2011. It strengthened its Board of Directors; expanded its customer base in North America and Europe; established a joint venture to build all-electric school buses and announced it was

FINANCIAL AND BUSINESS REVIEW (Continued)

opening a second production facility in the Bronx, New York.

In February 2012, the UK Government approved the Smith Edison all-electric 3.5t light commercial vehicle for the Plug-In Van Grant. This allows fleets to purchase Smith Edison vehicles at an £8,000 discount to the list price, thereby significantly increasing the value proposition for the Edison.

Outlook

In March 2012, Tanfield completed a £12m placing, the net proceeds of which have provided additional working capital to allow significant reductions in Snorkel product lead times. This influx of working capital allows the Company to place larger orders with its principal suppliers, make investments in strategic supply channels and, where necessary, offer incentives to prioritise supply chain commitments from key supply chain partners.

We begin 2012 with an extremely healthy order book and a clear strategy to realise this as sales. Despite the ongoing economic uncertainty in some key markets, we believe that replacement of aged equipment alone will deliver growth this year.

Working capital is critical to the Company's growth strategy this year. Tanfield is therefore not proposing to pay a dividend for the period. The directors believe the business is now well positioned to deliver growth and a return to profitability.

FINANCE DIRECTOR'S REPORT

The 11% increase in revenue for the year to £48.3m (2010 £43.5m) reflected the improved market conditions constrained by supply chain capacity and working capital constraints in 2011.

As in 2010, the cost base has been held as low as possible without damaging the overall Group infrastructure. The limited growth in the year resulted in the business reporting a reduced loss before tax and results from associate of £15.1m (2010 £16.7m). Expenses in all categories were very similar to 2010 and improved performance is dependent upon increased volumes.

Reassessment of carrying value of associate

The holding in Smith Electric Vehicles Corp was increased in the year by participating in its Series C fundraising through conversion of $1.99m (£1.28m) of the deferred consideration owed by Smith Electric Vehicles Corp to Tanfield following the sale of Smith Electric Vehicles UK on 1 January 2011 into equity. Subsequently Smith Electric Vehicles Corp has issued a Series D fundraising. Applying the Series D valuation to the additional stake would value that stake at $2.6m (£1.6m). We are required to account for our investment in this associate at cost less our share of accumulated losses. Given that Smith Electric Vehicles Corp is a start up, its cumulative losses exceed our stake and is therefore valued at nil in our consolidated accounts. This results in a full write down of our additional investment in the year of £1.28m (2010 nil).

Loss from operations

The Loss from Operations before impairments in the period was £14.99m (2010 £15.83). This was a trading loss reflecting low sales volumes given the constraints to growth.

Finance income

The level of finance income in the period of £470k (2010: £108k) benefited from an increase in the value of the interest rate collar of £165k and interest income on deferred consideration of £220k.

Taxation

In spite of the consolidated losses, a tax charge of £186k arose in a specific fiscal jurisdiction (Japan) in the period (2010 £35k). There is no brought forward deferred tax asset, and none was recognised in the period resulting in no adjustment to deferred tax (2010 charge £1,915k).

Loss from continuing operations

Given the above, loss from continuing operations was £16.5m, (2010 £18.6m), the most significant differences between 2011 and 2010 being the lower trading loss, and deferred tax charge offset by the reassessment of the investment in Smith Electric Vehicles.

Discontinued Operations

The Smith Electric Vehicles division was sold on 1 January 2011 resulting in a profit on disposal recognised in the year of £173k. There was no trading impact from that discontinued operation in 2011 (2010: Loss for the year £5.4m).

Total comprehensive income for the year

The total comprehensive income for the year was a loss of £15.7m, (2010: £21.5m), after reduced benefit from currency translation differences of £0.7m (2010: £2.5m).

Earnings per share

Loss per share from continuing operations was 17.5p (2010: Loss 23.2p). No dividend has been declared (2010: nil).

Valuation of associate

Our associate, Smith Electric Vehicles US Corp is valued at cost less any cumulative losses, with a minimum value of nil, and is therefore valued at nil. During the year Smith Electric Vehicles raised new equity at a valuation that would value the Tanfield Group plc stake in this associate at £54.0m.

Net Cash

At 31 December 2011, the Group had cash of £3.5m (2010: £3.6m). Although the business has reported a loss of £16.4m in the period, the net cash used was £0.2m. This difference was funded largely by £7.8m of installments of consideration from its sale of the Smith Electric Vehicles division to its associate on 1 January 2011 and a further reduction in working capital in the period, specifically inventory. Since the year end the business has raised £12m before expenses in a private placing of its shares. The additional cash will allow an increase in working capital to fund growth. Given absence of any charges against the company's assets, if necessary, asset based borrowing capacity should be available to accelerate the growth.

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2011.

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 2011 reflects improved market conditions constrained by supply chain capacity and working capital limitations.

Turnover for the twelve month period was £48.3m compared with £43.5m in the full year to December 2010. This reflects limited increase in volumes in response to the increased demand for products in 2011, in contrast with the very poor conditions experienced in 2010.

The loss in the period of £16.4m (2010: £24.0m loss) arose from trading, reflecting the low sales volumes.

As at the end of 2011, a review was undertaken of the carrying value of assets in the Powered Access division and it was concluded that a further £250k of trade receivable impairments was required.

The balance sheet remains robust, with total assets at the end of December of £45m (2010: £63m). Net Current Assets were £22.6m (2010: £35.2m) with cash balances of £3.5m 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 (2010: £nil). The loss of £16.4m (2010: £24.0m) has been transferred to reserves.

REVIEW OF THE BUSINESS

The year showed an increase in demand for the companies products and the company examined ways in which to respond cautiously to that demand, given the uncertainty of the sustainability of that increased demand.

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 company raised equity of £12m through a private placing of its shares. This additional cash will be used to fund working capital and the supply chain to reduce the constraints on the company's responses to the increased demand for its products.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the group has made no political or charitable donations (2010 - £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 property, plant and equipment. 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 2011 would exceed the net book values included in the financial statements. 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.

However, after raising additional funding in 2012 the biggest risk to the group in meeting its short term targets is the freeing up of the supply chain to reduce lead times and therefore increasing revenue allowing the group to return to profit.

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

On 8 March 2012, the company raised £12m before costs in a private placing of its shares to be used to fund growth, additional sales volumes should allow the business to return to profit.

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.

DIRECTORS' REPORT (Continued)

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
The present membership of the board is set out on page 3. Geoff Allison resigned as a director following the sale of the Electric Vehicle division by the group on 1 Jan 2011. Dr JM Bridge and JN Wooding resigned on 8 March 2012.

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 2011 were 100 days. (2010: 83 days)

SUBSTANTIAL SHAREHOLDINGS
On 31 December 2011 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	10,771,784	11.39%
HSBC GLOBAL CUSTODY NOMINEE (UK)	6,548,593	6.92%
THE BANK OF NEW YORK (NOMINEES)	5,757,190	6.09%
VIDACOS NOMINEES LIMITED	5,731,993	6.06%
TD DIRECT INVESTING NOMINEES	5,698,544	6.03%
BARCLAYSHARE NOMINEES LIMITED	4,427,630	4.68%
STRAND NOMINEES LIMITED	3,707,320	3.92%

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

11 April 2012

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 the UK Corporate Governance Code (effective for periods commencing on or after 29 June 2010) 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, two 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

During the year the Remuneration Committee comprised John Bridge (Chair) and Martin Groak. After 8 March 2012 the remuneration committee comprised of Roy Stanley and John Pither.

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

During the year the Audit Committee comprised the Non-Executive Directors Martin Groak (Chair), Jerry Wooding and John Bridge. After 8 March 2012 the Audit Committee comprised of Martin Groak and John Pither. 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 11 April 2012

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 during the year were JN Bridge and M Groak and the committee was chaired by JN Bridge. After 8 March 2012 the committee was comprised of Roy Stanley and John Pither.
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. Performance bonuses were paid as set out in the table on page 10.

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. Share options were awarded as set out in the table on page 10.

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 8 March 2012 JN Bridge and JM Wooding resigned as directors.

Directors interests
The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2011 and 1 January 2011 are shown below:

	Number of shares	
	2011	2010
RRE Stanley	12,378,756	12,378,756
DS Kell	3,447,811	3,447,811
CD Brooks	28,563	28,563
BJ Campbell	106,363	106,363
JN Bridge	76,044	76,044
M Groak	-	-
J Pither	815,084	815,084
JM Wooding	31,209	31,209
Total	**16,883,830**	**16,883,830**

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 2011**	Total 2010	**Pension Total 2011**	**Pension Total 2010**
RRE Stanley	65	18	-	**83**	54	**4**	**4**
DS Kell	280	18	108	**406**	273	**26**	**25**
CD Brooks[a]	206	18	82	**306**	183	**15**	**15**
BJ Campbell	188	18	40	**246**	183	**17**	**17**
GE Allison[b]	-	-	10	**10**	110	-	**10**
JN Bridge[e]	26	-	-	**26**	26	-	-
M Groak	26	-	-	**26**	26	-	-
JM Wooding[c]	25	-	-	**25**	25	-	-
J Pither[d]	30	-	-	**30**	30	-	-
Total	**846**	**72**	**240**	**1,158**	910	**62**	**71**

[a] CD Brooks received a loan in a previous year of £31k which was outstanding at 31 December 2011.
[b] GE Allison transferred to Smith Electric Vehicles Europe Limited on 1 January 2011 as part of the electric vehicles division disposal.
[c] Mr Wooding is paid through Simkat Consultants. Mr Wooding resigned 8 March 2012.
[d] J Pither is paid through Surrey management services.
[e] JN Bridge resigned 8 March 2012.

Directors share options held at 31 December 2011 were as follows:

	31 December 2010[f]	Granted/ Lapsed	Exercised	31 December 2011	Option price per share[f]	Date from which normally exercisable[g]	Expiry Date
DS Kell	411,334	-	-	411,334	1p	01/03/2009	01/03/2016
	860,000	-	-	860,000	1p	02/01/2010	02/01/2017
	-	1,800,000	-	1,800,000	27p	21/01/2014	21/01/2021
CD Brooks	250,000	-	-	250,000	1p	14/06/2009	14/06/2016
	200,000	-	-	200,000	1p	02/01/2010	02/01/2017
	-	1,100,000	-	1,100,000	27p	21/01/2014	21/01/2021
BJ Campbell	140,000	-	-	140,000	5p	14/09/2008	14/09/2015
	50,000	-	-	50,000	1p	01/03/2009	01/03/2016
	320,000	-	-	320,000	1p	02/01/2010	02/01/2017
	-	900,000	-	900,000	27p	21/01/2014	21/01/2021
RRE Stanley	800,000	-	-	800,000	1p	02/01/2010	02/01/2017
JN Bridge	30,000	-	-	30,000	1p	01/03/2009	01/03/2016
M Groak	30,000	-	-	30,000	1p	01/03/2009	01/03/2016
J Pither	-	200,000	-	200,000	27p	21/01/2014	21/01/2021
Total	**3,091,334**	**4,000,000**	-	**7,091,334**			

[f] 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.
[g] Certain share option agreements have a clause that allows the options to be exercised early if market capitalisation exceeds a certain level.
[h] On 31 December 2011 the market price of the ordinary shares was 41p. The range during 2011 was 22.00p to 53.75p

Approval

This report was approved by the board of directors and authorised for issue on 11 April 2012 and signed on its behalf by:

Roy Stanley
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 2011 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.

ALAN AITCHISON (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

11 April 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011 £000's**	**2010 £000's**
Continuing operations			
Revenue	1	**48,305**	**43,500**
Changes in inventories of finished goods and WIP	18	(2,848)	(7,689)
Raw materials and consumables used		(33,250)	(27,025)
Staff costs	6	(17,143)	(14,747)
Depreciation and amortisation expense	7	(1,595)	(1,745)
Other operating expenses	8	(8,461)	(8,121)
Loss from continuing operations before impairments		**(14,992)**	**(15,827)**
Impairment of receivables		(250)	(650)
Loss from continuing operations after impairments		**(15,242)**	**(16,477)**
Finance expense	9	(286)	(294)
Finance income	9	470	108
Net finance income (expense)		**184**	**(186)**
Loss from continuing operations before tax and associate		**(15,058)**	**(16,663)**
Reassessment of carrying value of associate	17	(1,280)	-
Loss before taxation		**(16,338)**	**(16,663)**
Taxation	10	(186)	(1,950)
Loss for the year from continuing operations		**(16,524)**	**(18,613)**
Discontinued operations			
Profit on disposal of operations	4	173	-
Loss for the year from discontinued operations	3	-	(5,375)
Loss for the year		**(16,351)**	**(23,988)**
Other comprehensive income, net of tax:			
Currency translation differences		694	2,509
Total comprehensive income for the year		**(15,657)**	**(21,479)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

		2011 £000's	2010 £000's
Loss for the year attributable to:			
Owners of the parent			
From continuing operations		(16,510)	(18,611)
From discontinued operations		173	(5,375)
		(16,337)	(23,986)
Non-controlling interest			
From continuing operations		(14)	(2)
Loss for the year		**(16,351)**	**(23,988)**
Total comprehensive income for the year attributable to:			
Owners of the parent		(15,643)	(21,477)
Non-controlling interest		(14)	(2)
Total comprehensive income for the year		**(15,657)**	**(21,479)**
Loss per share			
Loss per share from continuing operations			
Basic (p)	11	(17.5)	(23.2)
Diluted (p)	11	(17.5)	(23.2)
Loss per share from discontinued operations			
Basic (p)	11	0.2	(6.7)
Diluted (p)	11	0.2	(6.7)

CONSOLIDATED AND COMPANY BALANCE SHEETS (Company registration number 04061965)

AS AT 31 DECEMBER 2011

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**£000's**	£000's	**£000's**	£000's
Non current assets					
Intangible assets	13	5,023	5,546	-	-
Property, plant and equipment	14	3,324	3,879	-	-
Associate	17	-	-	1,280	-
Trade and other receivables	19	-	250	-	-
Investments in subsidiaries	34	-	-	1,008	1,847
		8,347	9,675	2,288	1,847
Current assets					
Inventories	18	21,495	25,408	-	-
Trade and other receivables	19	10,753	10,510	27,780	42,971
Investments	15	498	395	-	-
Current tax assets		-	11	-	-
Deferred consideration	5	341	-	341	-
Cash and cash equivalents	16	3,463	3,637	1,278	1,010
		36,550	39,961	29,399	43,981
Assets classified as held for sale	3	-	13,194	-	-
		36,550	53,155	29,399	43,981
Total assets		**44,897**	**62,830**	**31,687**	**45,828**
Current liabilities					
Trade and other payables	20	13,034	11,293	2,084	1,445
Provisions	27	621	272	-	-
Tax liabilities		189	83	-	-
Obligations under finance leases	21	60	197	-	-
Other creditors	22	-	2,294	-	2,294
		13,904	14,139	2,084	3,739
Liabilities directly associated with assets classified as held for sale	3	-	3,832	-	-
		13,904	17,971	2,084	3,739
Non-current liabilities					
Obligations under finance leases	21	208	-	-	-
Deferred tax liabilities	23	375	375	-	-
		583	375	-	-
Total liabilities		14,487	18,346	2,084	3,739
Equity					
Share capital	24	4,728	4,704	4,728	4,704
Share premium	24	3,097	827	3,097	827
Share option reserve		1,785	1,764	1,785	1,764
Special reserve		66,837	66,837	66,837	66,837
Merger reserve		1,534	1,534	1,534	1,534
Translation reserve		12,126	11,432	-	-
Profit and loss account		(59,680)	(42,611)	(48,378)	(33,577)
Equity attributable to the owners of the parent		**30,427**	**44,487**	**29,603**	**42,089**
Non controlling interests	26	(17)	(3)	-	-
Total equity		**30,410**	**44,484**	**29,603**	**42,089**
Total equity and total liabilities		**44,897**	**62,830**	**31,687**	**45,828**

The financial statements on pages 13 to 43 were approved by the board of directors and authorised for issue on 11 April 2012 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 2011

CONSOLIDATED

	Attributable to the owners of the parent								
	Share capital £000's	Share premium £000's	Share option reserve £000's	Merger reserve £000's	Special reserve[a] £000's	Translation reserve £000's	Retained earnings £000's	Non-controlling interests £000's	Total £000's
Balance at 1 January 2010	**3,704**	**-**	**1,764**	**1,534**	**66,837**	**8,923**	**(18,625)**	**(1)**	**64,136**
Comprehensive income									
Loss for the 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 24)	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**
Comprehensive income									
Loss for the year	-	-	-	-	-		(16,337)	(14)	(16,351)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	(57)	-	-	(57)
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(57)**	**-**	**-**	**(57)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(57)**	**(16,337)**	**(14)**	**(16,408)**
Transactions with owners in their capacity as owners:-									
Issue of shares to settle deferred consideration (note 22)	23	2,270	-	-	-	751	(751)	-	2,293
Share based payments (note 28)	1	-	21	-	-	-	19	-	41
At 31 December 2011	**4,728**	**3,097**	**1,785**	**1,534**	**66,837**	**12,126**	**(59,680)**	**(17)**	**30,410**

COMPANY

	Attributable to the owners of the parent								
	Share capital £000's	Share premium £000's	Share option reserve £000's	Merger reserve £000's	Special reserve[a] £000's	Translation reserve £000's	Retained earnings £000's	Non-controlling interests £000's	Total £000's
Balance at 1 January 2010	**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 24)	1,000	827	-	-	-	-	-	-	1,827
At 31 December 2010	**4,704**	**827**	**1,764**	**1,534**	**66,837**	**-**	**(33,577)**	**-**	**42,089**
Comprehensive income									
Loss for the year	-	-	-	-	-	-	(14,820)	-	(14,820)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(14,820)**	**-**	**(14,820)**
Transactions with owners in their capacity as owners:-									
Issue of shares to settle deferred consideration (note 22)	23	2,270	-	-	-	-	-	-	2,293
Share based payments (note 28)	1	-	21	-	-	-	19	-	41
At 31 December 2011	**4,728**	**3,097**	**1,785**	**1,534**	**66,837**	**-**	**(48,378)**	**-**	**29,603**

[a] The company's special reserve relates to the reclassification of the share premium account.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	£000's	£000's	£000's	£000's
Continuing operations				
Loss before interest and taxation	(16,349)	(16,477)	(15,074)	(16,493)
Depreciation and amortisation	1,595	1,745	-	-
Loss on deferred consideration currency fluctuations	337	-	337	-
Loss on disposal of fixed assets	128	23	-	-
Profit on disposal of operations	(173)	-	(529)	-
Impairment of receivables	250	650	-	-
Loss on reassessment of carrying value of associate	1,280	-	-	-
Loss on intercompany loan write off	-	-	14,666	18,038
Loss on impairment of investments	-	-	839	264
Operating cash flows before movements in working capital	**(12,932)**	**(14,059)**	**239**	**1,809**
(Increase) decrease in receivables	(310)	611	(8,479)	(3,543)
Increase (decrease) in payables	1,537	(2,656)	519	(596)
Increase (decrease) in provisions	349	(28)	-	-
Decrease in inventories	3,910	13,111	-	-
Net cash (used in) operations – continuing operations	**(7,446)**	**(3,021)**	**(7,721)**	**(2,330)**
Discontinued operations				
Loss before interest and taxation	-	(5,369)	-	-
Depreciation and amortisation	-	655	-	-
Loss on disposal of fixed assets	-	11	-	-
Operating cash flows before movements in working capital	**-**	**(4,703)**	**-**	**-**
Decrease in receivables	-	1,194	-	-
Decrease in payables	-	(197)	-	-
Increase in provisions	-	300	-	-
Decrease in inventories	-	3,410	-	-
Net cash from operations – discontinued operations	**-**	**4**	-	-
Cash used in operations	**(7,446)**	**(3,017)**	**-**	**-**
Interest paid	(286)	(300)	(12)	(14)
Income taxes (paid) received	(60)	80	(8)	-
Net cash used in operating activities	**(7,792)**	**(3,237)**	**(7,741)**	**(2,344)**
Cash flow from Investing Activities				
Purchase of property, plant and equipment	(390)	(313)	-	-
Receipt of deferred consideration	7,756	-	7,756	-
Purchase of investments	(76)	(70)	-	-
Purchase of intangible fixed assets	(232)	(375)	-	-
Exclusivity agreement cash received	-	491	-	491
Interest received	453	108	253	60
Net cash from (used in) from investing activities	**7,511**	**(159)**	**8,009**	**551**
Cash flow from financing activities				
Proceeds from issuance of ordinary shares net of costs	-	1,827	-	1,827
New obligations under finance leases in the period	274	-	-	-
Repayments of obligations under finance leases	(202)	(458)	-	-
Net cash from financing activities	**72**	**1,369**	**-**	**1,827**
Effect of exchange rate changes on cash and cash equivalents	35	250	-	69
Net (decrease) increase in cash and cash equivalents	**(174)**	**(1,777)**	**268**	**103**
Cash and cash equivalents at the start of year	3,637	5,414	1,010	907
Cash and cash equivalents at the end of the year	**3,463**	**3,637**	**1,278**	**1,010**

Note: Cashflows arising from discontinued operations are operating activities £Nil outflow (2010: £2k outflow), Investing activities £Nil outflow (2010: £356k outflow) and Financing activities £Nil outflow (2010: £20k 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 and is debt free.

The Group has prepared trading forecasts through to December 2015 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 2012 to 2015. This increase is underpinned by the increase in order intake rates and the accumulated order backlog. In March 2012 the Group has raised a further £11.2m through the issuance of equity (note 33), ensuring it has the resources to respond to increased demands on working capital arising from increased activity. This cash allows significant headroom in all sensitivities to the forecasts.

Although the Group again released cash from inventories during 2011, useable inventory still 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. Given the cash raised, 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 2012. 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. In accordance with IAS28 the groups share of post tax loss is limited to its investment.

(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 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.

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
- Leasehold Land & Buildings 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 fair value 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.

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.

In assessment of the carrying value the directors undertook an impairment review. This impairment review is sensitive to the revenue growth anticipated in fulfilling the anticipated demand.

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.

Share based payments

The fair value of share options granted are recognised as an employee expense after taking into account the group's best estimate of the number of awards expected to vest allowing for non market and service conditions. Fair value is measured at the date of grant and is spread over the vesting period of the award. The fair value of options and awards granted is measured using the Black Scholes model. Any proceeds received are credited to share capital and share premium when the options are exercised. The group has applied IFRS 2 'Share based payment' to all options.

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 2011.

New and amended standards and interpretations effective from 1 January 2011 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 recognised 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.

IFRS 7 'Financial Instruments: Disclosures' (Effective 1 January 2011)
These amendments are intended to provide improved disclosure around the nature and risks arising from financial instruments.

New and amended standards and interpretations effective from 1 January 2012 not yet adopted by the group

The group currently adopts all relevant accounting standards that have been endorsed by the EU. There are various standards that are expected to be endorsed in 2012 which the group believes will have no significant impact on the group's financial position or results for the current or prior years but may impact the accounting for future transactions or arrangements.

NOTES TO THE ACCOUNTS

1. Revenue

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

	2011 £000's	2010 £000's
Continuing operations	48,305	43,500
Discontinued operations	-	14,296
	48,305	57,796

2. Segmental analysis

Operating segments

For management purposes, the Group is currently organised into two continuing operating divisions – Powered Access Platforms and other operations. These divisions are the basis on which the Group reports its segment information along with the groups discontinued operations.

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

	2011		**2010**	
	Revenue **£000's**	Loss **£000's**	Revenue **£000's**	Loss **£000's**
Powered Access Platforms	44,247	(14,353)	41,033	(14,962)
Other	4,058	(889)	2,467	(1,515)
Segment revenue / loss	**48,305**	**(15,242)**	**43,500**	**(16,477)**
Finance income		470		108
Finance costs		(286)		(294)
Loss from continuing operations before tax and associate		**(15,058)**		**(16,663)**
Reassessment of carrying value of associate		(1,280)		-
Taxation		(186)		(1,950)
Loss for the year from continuing operations		**(16,524)**		**(18,613)**
Profit on disposal of operations		173		-
Net loss from discontinued operations		-		(5,375)
Loss for the year from continuing and discontinued operations		**(16,351)**		**(23,988)**

2. Segmental analysis continued

Assets and liabilities by operating segment[1]

	2011 £000's	2010 £000's
Assets		
Powered Access Platforms	39,373	42,828
Discontinued operations retained assets	-	1,262
Discontinued operations held for sale	-	13,194
Other	1,720	1,898
Cash and cash equivalents[2]	3,463	3,637
Total segment assets	**44,556**	**62,819**
Current tax assets	-	11
Deferred consideration	341	-
Total assets	**44,897**	**62,830**
Liabilities		
Powered Access Platforms	(11,706)	(9,418)
Discontinued operations held for sale	-	(3,832)
Other	(2,207)	(2,334)
Total segment liabilities	**(13,913)**	**(15,584)**
Current tax liabilities	(189)	(83)
Deferred tax liabilities	(375)	(375)
Retirement benefit obligations	(10)	(10)
Deferred consideration	-	(2,294)
Total liabilities	**(14,487)**	**(18,346)**

[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	2011 £000's	2010 £000's	2011 £000's	2010 £000's
Entity's country of domicile – United Kingdom	6,426	3,523	5,444	5,927
Europe excluding UK	8,240	6,354	-	-
Americas	13,813	13,961	2,480	2,958
Australasia	11,922	10,813	420	464
Other (includes Asia, Africa and rest of the world not classified above)	7,904	8,849	3	76
Total	**48,305**	**43,500**	**8,347**	**9,425**

Other segment information

	Amortisation and Depreciation		Additions to non-current assets	
	2011 £000's	**2010 £000's**	**2011 £000's**	**2010 £000's**
Powered Access equipment	1,444	1,567	590	307
Other	151	178	32	14
Total for continuing operations	**1,595**	**1,745**	**622**	**321**
Discontinued operations	-	655	-	367
Total for continuing and discontinuing operations	**1,595**	**2,400**	**622**	**688**

3. Assets held for sale and discontinued operations

On 1 January 2011 group entered into a sale agreement with Smith Electric Vehicle US Corp to dispose of the group'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:

	2011 £000's	2010 £000's
Revenue	-	14,296
Expenses	-	19,671
Loss before tax	-	(5,375)
Attributable tax expense	**-**	**-**
Net loss from discontinued operations	**-**	**(5,375)**

Note: Expenses include allocated net finance costs of £Nil (2010: £6k)

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. Profit on disposal of electric vehicle division

On 1 January 2011 the group sold the net assets shown in note 3 for a total consideration of USD 15m. A summary of the profit on disposal shown in the statement of comprehensive income is as follows:

	£000's
Total consideration receivable	9,696
Less legal costs directly associated with the sale	(161)
Total consideration net of costs	9,535
Net assets sold (note 3)	(9,362)
Profit on disposal of electric vehicle division	**173**

5. Deferred consideration

The sale and purchase agreement of the group's electric vehicle division (note 3) allowed for USD 14.25m of the total USD 15.0m consideration to be deferred with interest payable to the group at 4% above the base rate of Barclays Bank PLC on the outstanding balance. A summary of the outstanding consideration which is payable on or before August 2012 is shown below:

	£000's
Total consideration receivable	9,696
Total consideration received	(7,756)
Consideration received in the form of shares in SEV US (Note 17)	(1,280)
Total interest receivable on outstanding consideration	220
Total interest received	(202)
Effects of currency fluctuations	(337)
Deferred consideration receivable net of interest	**341**

6. Staff costs

Continuing operations

Aggregate remuneration comprised	2011 £000's	2010 £000's
Wages and Salaries	15,123	12,938
Share scheme expense	40	-
Social Security Costs	1,786	1,640
Other Pension Costs	194	169
Total staff costs	**17,143**	**14,747**

Average monthly number of employees	2011 No.	2010 No.
Production	282	265
Head Office, Administration and sales & distribution	187	163
Total	**469**	**428**

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.

7. Depreciation and amortisation

Continuing and discontinued operations	2011 £000's	2010 £000's
Depreciation of property, plant & equipment	793	1,042
Amortisation of intangible fixed assets	802	1,358
Total depreciation and amortisation charge	**1,595**	**2,400**
Depreciation of property, plant & equipment		
- owned assets	753	925
- leased assets	40	117

Continuing operations	2011 £000's	2010 £000's
Depreciation of property, plant & equipment	793	941
Amortisation of intangible fixed assets	802	804
Total depreciation and amortisation charge	**1,595**	**1,745**
Depreciation of property, plant & equipment		
- owned assets	753	824
- leased assets	40	117

8. Other operating expenses

	2011 £000's	2010 £000's
Other operating expenses		
Non property related operating lease rentals	128	325
Net (gain) loss on foreign exchange	(22)	45
Auditors' remuneration (see below)	184	205
Other operating expenses	8,171	7,546
Total operating expenses	**8,461**	**8,121**

8. 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:

	2011 £000's	2010 £000's
Audit Services		
• statutory audit of parent and consolidated accounts	130	155
Other Services		
• audit of subsidiaries pursuant to legislation, where such services are provided by Baker Tilly UK Audit LLP	-	-
• work provided by associates of Baker Tilly UK Audit LLP in respect of consolidation returns or local legislative requirements	10	10
Other services relating to taxation		
• compliance services	44	40
	184	205
Comprising		
• Audit services	140	165
• Non audit services	44	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, Tanfield Group PLC, is exempt from disclosing its income statement. The loss for the year is £14,820k (2010: loss £16,447).

9. Finance expense and finance income

Continuing operations

Finance expense	**2011** **£000's**	**2010** **£000's**
Interest on bank overdrafts, loans & financial instruments	276	255
Interest on obligations under finance leases	10	29
Fair value loss on Interest rate swap (note 29)	-	10
Total finance expense	**286**	**294**

Finance income	**2011** **£000's**	**2010** **£000's**
Interest on cash and cash equivalents	85	108
Interest on deferred consideration (note 5)	220	-
Fair value gain on Interest rate swap (note 29)	165	-
Total finance income	**470**	**108**

10. Taxation

Analysis of taxation charge for the year

	2011 £000's	2010 £000's
United Kingdom		
Corporation tax at 26.5% (2010: 28%)	-	-
Non UK Taxation		
Current	186	35
Total current taxation charge	**186**	**35**
Deferred tax		
Origination and reversal of temporary differences	-	1,915
Total deferred tax charge	**-**	**1,915**
Total taxation charge in the income statement	**186**	**1,950**

Factors affecting taxation charge

The taxation charge 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:

	2011 £000's	2010 £000's
Loss before taxation	**(16,165)**	**(22,038)**
Notional taxation charge at UK rate of 26.5% (2010: 28%)	(4,284)	(6,171)
Effects of:		
Non (taxable) deductable expenses	(758)	(94)
Deferred tax asset not recognised in the period	5,228	8,114
Adjustments in respect of prior periods	-	101
Total taxation charge	**186**	**1,950**

11. 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 39.66p (2010: 24.95p).

Number of shares

	2011 No. 000's	2010 No. 000's
Weighted average number of ordinary shares for the purposes of basic earnings per share	94,339	80,183
Effect of dilutive potential ordinary shares from share options	140	143
Weighted average number of ordinary shares for the purposes of diluted earnings per share	94,479	80,326

Earnings

From continuing and discontinuing operations	**2011** £000's	**2010** £000's
Earnings for the purposes of basic earning per share being net profit attributable to owners of the parent	(16,337)	(23,986)
Potential dilutive ordinary shares from share options	-	-
Earnings for the purposes of diluted earnings per share	(16,337)	(23,986)

From continuing operations	**2011** £000's	**2010** £000's
Earnings for the purposes of basic earning per share being net profit attributable to owners of the parent	(16,337)	(23,986)
Adjustment to exclude the loss for the period from discontinued operations	-	5,375
Profit on disposal of discontinued operations	(173)	-
Loss for the purposes of earnings per share from continuing operations	(16,510)	(18,611)
Adjustment for one off items:		
Reassessment of carrying value of associate	1,280	-
Impairment of receivables	250	650
Loss for the purposes of earnings per share before one off items	(14,980)	(17,961)

	2011	**2010**
Loss per share from continuing and discontinued operations		
Basic (p)	(17.3)	(29.9)
Diluted (p)[a]	(17.3)	(29.9)
Loss per share from continuing operations		
Basic (p)	(17.5)	(23.2)
Diluted (p)[a]	(17.5)	(23.2)
Loss per share from continuing operations before one off items		
Basic (p)	(15.9)	(22.4)
Diluted (p)[a]	(15.9)	(22.4)
Loss per share from discontinued operations		
Basic (p)	0.2	(6.7)
Diluted (p)[a]	0.2	(6.7)

[a]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.

12. 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 performed an annual impairment test or more frequently if there were indications that goodwill might be impaired, based on the cash generating units (CGUs). Goodwill was allocated to the groups CGUs as follows:

	Snorkel £000's	Smith Electric Vehicles £000's	Consolidated £000's
At 1 January 2010	-	356	356
Reclassified as held for sale	-	(356)	(356)
At 31 December 2010 and 31 December 2011	**-**	**-**	**-**

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.

13. 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 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**
Additions	224	-	2	6	232
Exchange differences	-	369	-	-	369
Disposals	-	-	(6,458)	(7)	(6,465)
At 31 December 2011	**2,351**	**14,331**	**3,030**	**105**	**19,817**
Accumulated depreciation					
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**
Charge for the year	209	292	281	20	802
Exchange differences	-	320	-	-	320
Disposals	-	-	(6,458)	(5)	(6,463)
At 31 December 2011	**757**	**12,336**	**1,627**	**74**	**14,794**
Carrying amount					
At 31 December 2011	**1,594**	**1,995**	**1,403**	**31**	**5,023**
At 31 December 2010	**1,579**	**2,238**	**1,682**	**47**	**5,546**

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

14. 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 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
Additions	12	111	228	39	390
Disposals	-	(122)	-	(37)	(159)
Exchange differences	3	-	6	(7)	2
At 31 December 2011	2,139	4,975	1,270	267	8,651
Accumulated depreciation					
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
Charge for the year	140	419	183	51	793
Disposals	-	(11)	-	(22)	(33)
Exchange differences	2	8	11	7	28
At 31 December 2011	722	3,479	940	186	5,327
Carrying amount					
At 31 December 2011	1,417	1,496	330	81	3,324
At 31 December 2010	1,544	1,923	290	122	3,879

[a] The carrying amount of the group plant and machinery includes an amount of £176k (2010: £732k) in respect of assets held under finance leases. The depreciation charge on those assets for 2011 was £40k (2010: £117k). Various finance leases were fully settled in the year and title of the equipment obtained.

15. Current investments

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

Group	**2011 £000's**	**2010 £000's**
At 1 January	395	275
Additions	76	70
Exchange movements	27	50
At 31 December	**498**	**395**

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**		
	2011 £000's	2010 £000's	**2011 £000's**	2010 £000's
Cash and cash equivalents	**3,463**	3,637	**1,278**	1,010

17. Associate

At 31 December 2011, the group held a 27.22% (2010: 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. In the consolidated financial statements.

During the year the group converted $1.99m (£1.28m) of deferred consideration related to Smith Electric Vehicles US Corp's acquisition of the Smith Electric Vehicles business on 1 January 2011 (note 3) into a new class of preferred equity securities.

In the consolidated accounts we are required to account for our investment in the associate at cost less any cumulative losses. Given that Smith Electric Vehicles Corp is a start up, its cumulative losses exceed our stake and is therefore valued at nil in our consolidated accounts.

The entity accounts for the associate at historic cost less impairment. Based on the fact that during the year Smith Electric Vehicles raised new equity at a valuation that would value the Tanfield Group PLC stake in the associate at £54m the directors consider the investment unimpaired and is therefore carried at its additional cost of £1.28m.

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

GROUP	2011 £000's	2010 £000's
Aggregate amounts relating to associates		
Total assets	23,369	18,566
Total liabilities	(87,900)	(35,148)
Net assets / (liabilities)	(64,531)	(16,582)
Group's share of net assets / (liabilities) of associate	(17,565)	(8,125)
Total revenue	31,912	9,150
Profit / (loss)	(33,579)	(13,605)
Group's share of profit / (loss) of associate	(9,140)	(6,666)
Reassessment of carrying value of associate - preferred equity securities	1,280	-
Reassessment of carrying value of associate- other[a]	7,860	6,666
Share of post tax loss of associate	**-**	**-**

COMPANY	2011 £000's	2010 £000's
Associate	1,280	**-**

[a] In accordance with IAS28 the groups share of post tax loss is limited to its investment. 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 net investment.

[b] 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.

18. Inventories

In accordance with IAS2 the group regularly reviews its inventory to ensure it is carried at the lower of cost or net realizable value. The directors consider that the carrying amounts of inventories approximates to their fair value.

The group's inventories comprised:

	2011			**2010**		
	Cost £000's	Provision £000's	Carrying value £000's	Cost £000's	Provision £000's	Carrying value £000's
Raw materials and consumables	16,492	(4,137)	12,355	17,067	(3,647)	13,420
Work-in-progress	1,679	-	1,679	1,257	-	1,257
Finished Goods and goods for resale	8,097	(636)	7,461	11,484	(753)	10,731
Inventories relating to continuing operations	**26,268**	(4,773)	**21,495**	29,808	(4,400)	**25,408**
Inventories relating to discontinued operations	-	-	-	4,365	-	4,365
Total inventories	**26,268**	**(4,773)**	**21,495**	**34,173**	**(4,400)**	**29,773**

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

	2011 £000's	2010 £000's
Total finished goods and WIP at 1 January	11,988	19,677
Changes in inventories of finished goods and WIP	(2,848)	(7,689)
Total finished goods and WIP at 31 December	**9,140**	**11,988**

19. Trade and other receivables

	Group 2011 £000's	Group 2010 £000's	Company 2011 £000's	Company 2010 £000's
Current				
Trade amounts receivable	9,658	9,949	-	-
Allowance for estimated irrecoverable amounts	(587)	(492)	-	-
Amounts due from subsidiary undertakings	-	-	27,713	42,908
Other Taxes	226	462	-	-
Other debtors and prepayments	1,456	591	67	63
	10,753	**10,510**	**27,780**	**42,971**
Non current				
Trade amounts receivable[a]	**-**	**250**	**-**	**-**

[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 £250k in 2011 (2010: £650k) 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 2011 £000's	Group 2010 £000's
At 1 January	492	717
Amounts charged to the income statement	208	136
Utilised in the year	(100)	(376)
Exchange differences	(13)	15
At 31 December	**587**	**492**
Average credit period taken on goods (Days)[b]	69	79

[b] Debtor days are calculated as Trade amounts receivable net of allowance for estimated irrecoverable amounts over total sales in the period from continuing operations only 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
2011	7,572	1,365	80	54	-	**9,071**
2010	7,230	2,050	82	95	-	**9,457**

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 £1,601k (2010: £2,064k) of trade receivables net of allowance for estimated irrecoverable amounts were denominated in Sterling, £3,271k (2010: £3,218k) in US Dollars, £1,984k (2010: £1,339k) in Australian Dollars, £1,137k (2010: £1,885k) in Japanese Yen and £1,078k (2010: £951k) in other currencies including Euros and NZ Dollars.

20. Trade and other payables

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	£000's	**£000's**	**£000's**	**£000's**
Current				
Trade payables	7,497	4,605	220	376
Social security and other taxes	607	704	205	548
Accrued expenses	4,735	5,128	197	30
Fair value of Interest rate collar	195	365	-	-
Amounts due to subsidiary undertakings	-	-	1,462	-
Other[a]	-	491	-	491
	13,034	**11,293**	**2,084**	**1,445**
Average credit period taken on trade purchases (days)[b]	100	83		

[a] Other balance of £491k in 2010 related 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. This cash was deducted from the total consideration receivable on the sale of the Electric Vehicle business on 1 January 2011.

[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 only continuing operations.

21. Obligations under finance leases

Assets held under finance lease mainly relate to plant and machinery assets and are secured on those assets. During the year the group entered into new lease agreements with a capital value of £275k (2010: Nil).

The average lease term is 3 years (2010: 5 years). For the year ended 31 December 2011, the average effective borrowing rate was 18% (2010: 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	
	2011	**2010**	**2011**	**2010**
Group	**£000's**	**£000's**	**£000's**	**£000's**
Amounts payable under finance leases				
Within one year	103	214	60	197
In the second to fifth years (inclusive)	266	-	208	-
	369	**214**	**268**	**197**
Less: future finance charges	(101)	(17)	-	-
Total finance lease obligations	**268**	**197**	**268**	**197**

22. Other creditors

The deferred consideration was settled during the year with the issue of 470,000 ordinary shares. These shares had a nominal value of £24k, the remaining balance of £2,270k has been transferred to the share premium account. The directors consider that the carrying amounts of Other creditors approximates to their fair value.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	£000's	**£000's**	**£000's**	**£000's**
Current				
Deferred consideration payable	-	2,294	-	2,294
	-	**2,294**	**-**	**2,294**

23. Deferred taxation

Group	Tax losses £000's	Other £000's	Total £000's
At 1 January 2010	1,915	(375)	1,540
Charge to the income statement	(1,915)	-	(1,915)
At 1 January 2011	-	(375)	(375)
Deferred tax asset	-	-	-
Deferred tax liability	-	(375)	(375)
At 1 January 2011	-	**(375)**	**(375)**
Charge to the income statement	-	-	-
At December 2011	-	(375)	**(375)**
Deferred tax asset	-	-	-
Deferred tax liability	-	(375)	(375)
At December 2011	-	**(375)**	**(375)**

At 31 December 2011, the group had unused tax losses of £113m (2010: £93m). The losses have arisen in various jurisdictions and various locations and will be relived against future profits from these locations. No deferred tax asset has been recognised in respect of the remaining £113m (2010: £93m) due to the unpredictability of profit streams which results in an unrecognised deferred tax asset of £31,325k (2010: £26,097k).

Company
There is no movement in deferred taxation in the current or proceeding years.

24. 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[b] £000's	Share premium £000's
At 1 January 2010	**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**
Shares issued to settle outstanding deferred consideration payable (note 22)	5p	470,000	23	2,270
Share options exercised	5p	20,000	1	-
At 31 December 2011	**5p**	**94,567,218**	**4,728**	**3,097**

[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] The authorised share capital of the company throughout 2010 and 2011 was £5,000,000, representing 100,000,000 ordinary shares.

25. 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:

	Leasehold Property[c] £000's	Other £000's	Total £000's
2011			
Within one year	1,366	84	1,450
In the second to fifth years inclusive	5,938	57	5,995
Greater than five years	15,173	-	15,173
	22,477	**141**	**22,618**
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**

[c] The leasehold property balances mainly relate to the Group's facilities in Washington, England and Kansas ,USA which have non-cancellable leases signed up to 2031 and 2018 respectively.

26. Non controlling interests

The group owns 95% of Tanfield Union Limited, a subsidiary in conjunction with Union Engineering Machinery Systems. The minority interest of 5% relating to Union Engineering Machinery Systems is shown below:

	2011	**2010**
	£000's	£000's
Balance at 1 January	(3)	(1)
Share of losses	(14)	(2)
Balance at 31 December	**(17)**	**(3)**

27. Provisions

The provisions represent the Group's liability in respect of 12 month warranties granted on Powered Access Platforms. 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 2011 £000's	Warranty provision 2010 £000's
At 1 January	272	527
Net movement in provision - continuing operations	349	(28)
Net movement in provision - discontinued operations	-	300
Reclassified as held for resale	-	(527)
At 31 December	621	272

28. 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 2011 and 2010 are shown below.

	2011		2010	
	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	3,826,334	113
Granted	5,800,000	27	-	-
Forfeited	-	-	-	-
Exercised	(20,000)	(5)	-	-
Expired	-	-	-	-
Outstanding at the end of the year	9,606,334	61	3,826,334	113
Exercisable	3,806,334	113	3,606,334	101

The outstanding options at 31 December 2011 had a weighted average remaining contractual life of 7.38 years (2010: 5.79 years)

The following table relates to share options outstanding and exercisable at 31 December 2011

	Option exercise prices						
Exercise price (pence)	1p	5p	27p	115p	200p	300p	Total
No of share options	2,901,334	160,000	5,800,000	250,000	375,000	120,000	9,606,334
No of exercisable options	2,901,334	160,000	-	250,000	375,000	120,000	3,806,334

28. Share based payments (continued)

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 £40k (2010: £Nil) and a credit directly to equity of £19k (2010: £Nil) have been made during the year in accordance with IFRS2 'Share-based payments'.

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

	Grant date
Weighted average exercise price	27
Expected volatility[a]	4.9%
Expected life[b]	3 years
Risk free rate	2.5%
Expected dividends	0.0%

[a] Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years.
[b] The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

29. 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:

	2011 £'000	2010 £'000
Trade and other receivables	9,071	9,457
Cash and cash equivalents	3,463	3,637
	12,534	13,094

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.

29. Financial risk management (continued)

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
2011				
Finance leases	60	208	-	268
Trade and other payables	12,839	-	-	12,839
	12,899	208	-	13,107
2010				
Finance leases	197	-	-	197
Trade and other payables	10,928	-	-	10,928
	11,125	-	-	11,125

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	(747)	822
Euro	1.19	(81)	99
Australian dollar	1.52	(525)	641
New Zealand dollar	2.00	(87)	106
Japanese Yen	119.6	(266)	325
Singapore dollar	2.00	-	-

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 2011 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.

29. Financial risk management (continued)

Details of the collar is summarised below:

Instrument	Notional principal	Cap	Floor	Maturity date	Derivative Liability 2011 £000's	Derivative Liability 2010 £000's
US Dollar interest rate collar	$10m	5.00%	3.65%	31 Oct 2012	301	365

The interest payable under the collar is recognised through the statement of comprehensive income £216k (2010: £221k) within Interest on bank overdrafts, loans and financial instruments (Note 9). The volatility arising on the collar is also recognised in the statement of comprehensive income £165k gain (2010: £10k loss) and disclosed separately within finance expenses and finance income (Note 7).

The liability is denominated in US Dollars and a currency exchange loss of £6k (2010: £10k loss) has also been recognised in the statement of comprehensive income within other operating expenses.

The interest rate collar was settled on 2 March 2012 (note 33).

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. No gearing is currently calculated as the Group currently has no borrowings

30. Related party transactions

Group

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

Company

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

	2011	2010
	£000's	£000's
Net position at 1 January	42,908	57,405
Management charges	2,535	2,227
Impairments[a]	(14,666)	(18,038)
Other transactions including new loans issued and cash balances received	(4,526)	1,314
Net position at 31 December	**26,251**	**42,908**

[a] During 2011 the company impaired part of its intercompany receivable from Tanfield Engineering Systems US (Inc) £nil (2010: £599k), Tanfield Powered Access Limited £6,677k (2010: £9,023k), Tanfield Union Ltd £Nil (2010: £314k), SEV Group Limited by £10k (2010: £253k), Tanfield Asia Pacific PTE.Ltd £498k (2010: £416k) and Snorkel International Inc £7,481k (2010: £7,433k)

Transactions with its associate

During the year the company received £7,756k of cash in relation to the Electric vehicle division sale consideration (Note 5)

During the year the group sold goods of £Nil (2010: £247k) to its associate, Smith Electric Vehicles US Corp. These transactions are included within discontinued operations in the statement of comprehensive income.

During the year the group recharged £860k (2010: Nil) to Smith Electric Vehicles Europe Ltd for property related costs. These transactions have been deducted from other operating expense in the statement of comprehensive income. At 31 Dec 11 there was an outstanding balance due from Smiths Electric Vehicles Europe Ltd of £201k relating to these transactions.

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:

	2011	**2010**
	£000's	**£000's**
Salaries and short term benefits including NI	1,289	1,028
Post employment benefits	62	71
	1,351	**1,099**

Transactions with directors

There were no other transactions with Directors during the year.

31. Retirement benefits

The Group operates defined contribution retirement benefit plans for all qualifying employees of its construction and leasing divisions in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiary in Australia are members of a state-managed retirement benefit scheme operated by the government of Australia. The subsidiary is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £194k (2010:£169k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2011, contributions of £10k (2010: £10k) due in respect of the current reporting period had not been paid over to the schemes.

32. Financial instruments recognised in the balance sheet

Assets	2011 Loans and receivables £000's	2011 Assets Held to maturity[a] £000's	2011 **Total £000's**	2010 Loans and receivables £000's	2010 Assets Held to maturity[a] £000's	2010 **Total £000's**
Non-current financial assets						
Trade and other receivables	-	-	**-**	250	-	**250**
	-	-	**-**	**250**	-	**250**
Current financial assets						
Trade and other receivables	9,071	-	**9,071**	9,457	-	**9,457**
Investments	-	498	**498**	**-**	395	**395**
Cash and cash equivalents	3,463	-	**3,463**	3,637	-	**3,637**
	12,534	498	**13,032**	13,094	395	**13,489**
Total	12,534	498	**13,032**	13,344	395	**13,739**

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	12,232	195	**12,427**	10,224	365	**10,589**
Finance leases	60	-	**60**	197	-	**197**
Other creditors	-	-	**-**	2,294	-	**2,294**
	12,292	195	**12,487**	12,715	365	**13,080**
Non current liabilities						
Finance leases	208	-	**208**	-	-	**-**
	208	-	**208**	-	-	**-**
Total	12,500	195	**12,695**	12,715	365	**13,080**

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

33. Post balance sheet events

New share issue

On 13 February 2012, the Board of Tanfield announced details of a £12m conditional Placing, advising that it had conditionally raised gross proceeds of approximately £12 million by way of a placing of 29,268,293 new ordinary shares of 5p each at a price of 41p per share to institutional and other investors (the "Placing Shares"). 9,407,720 shares were issued under existing authorities and admitted to trading on 17 February 2012. The issue of the remaining 19,860,573 shares, was conditional on shareholder approval which was duly passed at the General meeting on 8 March 2012.

Further to Admission of the 29,268,293 Placing Shares, the total number shares in issue, and at the date of this report, is 123,835,511.

Settlement of interest rate collar

On 2 March 2012 the group settled its interest rate collar liability (note 29) at a value of $236.5k. The mark to market gain between 31 Dec 2011 and the settlement date will be recognised in the 2012 financial statements.

34. Subsidiary undertakings and Associates

The tables below give brief details of the group's operating subsidiaries and associates at 31 December 2011. 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 US (Inc)	Powered Access	100%	US
Tanfield Powered Access Ltd	Powered Access	100%	UK
Snorkel International Inc	Powered Access	100%	US
Snorkel Australia Limited	Powered Access	100%	AUS
Snorkel New Zealand Limited	Powered Access	100%	NZ
Tanfield Union Limited	Powered Access	95%	Hong Kong
Tanfield Engineering Systems Ltd	Engineering	100%	UK
Snorkel Holdings LLC	Holding Company	100%	US
Tanfield Asia Pacific PTE. Ltd	Non Trading	100%	Singapore
IPS Australia Limited	Non Trading	100%	AUS
SEV Group Ltd	Non Trading	100%	UK
E-Comeleon Ltd	Non Trading	100%	UK
Express 2 Automotive Ltd	Non Trading	100%	UK
HMH Sheet Metal Fabrications Ltd	Dormant	100%	UK
Norquip Ltd	Dormant	100%	UK
HBWP Inc	Dormant	100%	US

Associates	**Principal activity**	**Group Interest in allotted capital & voting rights**	**Country of incorporation**
Smith Electric Vehicles US Corp	Electric vehicle manufacture	27.22%	US
Smith Electric Vehicles Europe Ltd[a]	Electric vehicle manufacture	27.22%	UK

[a] Smith Electric Vehicle Europe Ltd is a 100% owned subsidiary of Smith Electric Vehicles US Corp . The groups interest in Smith Electric Vehicles Europe Ltd is held indirectly through its investment in Smith Electric Vehicles US Corp.

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

	2011 £000's	2010 £000's
Tanfield Engineering Systems Ltd[b]	1,008	1,847
Smith Electric Vehicles US Corp	-	-
	1,008	**1,847**

b The investment in Tanfield Engineering Systems Ltd has been impaired by £839k (2010: £264k)