TANFIELD GROUP PLC
REPORT AND FINANCIAL STATEMENTS 2017

Registered in England & Wales

Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2017

SUMMARY OF CONTENTS

DIRECTORS AND ADVISERS

DIRECTORS

NON-EXECUTIVE

J Pither	Chairman (resigned 31 May 2017)
D Robinson	Non executive Director (appointed Chairman 31 May 2017)
M Groak	Non executive Director

SECRETARY
D Robinson

REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

NOMINATED ADVISOR
WH Ireland
24 Martin Lane
London
EC4R 0DR

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

NOMINATED BROKER
WH Ireland
24 Martin Lane
London
EC4R 0DR

SOLICITOR
Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

REGISTRAR
Link Market Services Limited (formerly Capita Registrars Limited)
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

We have continued to closely monitor the progress of the Company's main investment in Snorkel during the year whilst still maintaining a watchful eye over the investment in Smith despite the carrying value being nil. The Board is pleased with the progress made by Snorkel during 2017 and feels that, should the progress continue, it makes the likelihood of a realisation of value in the future more probable. The calculation of the Snorkel valuation was made in 2013 and is based on the formula for realisation of value, which expires on 30 September 2018, detailed in the circular that was distributed prior to the joint venture between Tanfield Group Plc and Xtreme Manufacturing LLC. Whilst progress continues to be made, the Board is of the view that the financial targets required to trigger the formula for realisation of value will not be met before this expiry date. After this date, the calculation of the investment value becomes uncertain and the return could be less than the carrying value.

The Board continues to hold the view that the value of the investment in Smith should be nil.

NON-EXECUTIVES' REVIEW

Background

The Company is defined as an investment company with two passive investments. This definition resulted from the disposal of the controlling interest in Smith Electric Vehicles in 2009 and the formation of a joint venture between Tanfield Group Plc and Xtreme Manufacturing LLC relating to Snorkel in October 2013. Tanfield currently owns 5.76% of Smith Electric Vehicles Corp. ("Smith") and 49% of Snorkel International Holdings LLC ("Snorkel").

OVERVIEW

Snorkel

Tanfield continues to own 49% of Snorkel, which it has held since the joint venture was established in October 2013. Sales levels (unaudited) have continued to grow during 2017, increasing by 27% resulting in sales of $165.8m (2016: $130.5m/ 2015: $109.9m / 2014: $85.3m). Snorkel's strategy of creating a broader and more diverse customer base in targeted areas is one of the factors that has assisted the continued sales growth. The Board is not aware of any market factors, nor has it been made aware of any other specific reason why further growth could not take place in 2018.

The Snorkel unaudited accounts for 2017 report an operating profit, excluding depreciation, of $1.6m (2016: $2.8m loss / 2015: $10.6m loss / 2014: $14.9m loss). The Board takes comfort from a sustained period of operating profitability experienced in 2017. This is testament to the focused cost-down activity that has taken place in recent years and that is expected to continue in future and which, if successful, should reduce the bill of material costs and improve gross margins further.

With the continued focus and support received from the majority owner Don Ahern, the owner of Xtreme, the Board sees no reason why Snorkel could not once again see growth in 2018, having achieved sales growth of 29% in 2015, 19% in 2016 and 27% in 2017, and therefore potentially increase the level of operating profitability. Tanfield is, however, unsure if the dependency in the US upon Ahern Rentals as its principal customer may have an impact upon this possible outcome.

Should economic conditions materially change during the remainder of 2018, this may have an impact on the expected outcome, but the Board is currently of the opinion that the investment in Snorkel will result in a return to shareholders in the future, although it should be noted that this is not expected to materialise until after 30 September 2018, when the outcome then becomes uncertain and could be less or could be more than the calculated realisation value.

Valuation of Snorkel holding: unchanged at £36.3 million

The Board of Tanfield has taken a view of the carrying value of its 49% holding and its adjusted priority amount that takes account of risks in the industrial global markets and the normal cycles that operate within these markets. The range of potential valuations can be broad, with the added complexity of a time-driven element whereby the agreement for the current valuation formula could only be triggered during a five year period ending in September 2018.

At the end of 2017 there were just 9 months left to run on the fixed terms of the agreement. If the formula is not triggered within the 5 year time frame, Tanfield will retain a 49% interest in Snorkel but the trailing 12 month $25m EBITDA trigger compelling payment of the $22.4m adjusted priority amount and the Company's put option compelling the purchase of Tanfield's remaining interest in Snorkel will expire. The Board continues to hold the view that Don Ahern, the owner of Xtreme, would wish to one day own 100% of Snorkel and will therefore seek to exercise the call option to buy Tanfield's holding in Snorkel at some point in the future.

As the Board is of the view that the $25m EBITDA trigger will not be achieved by the expiry date, the calculation of the investment value then becomes uncertain. The Board has considered a number of possible scenarios, which assume that both progress within Snorkel and the wider global market conditions will continue to improve and, given the range of possible outcomes, the actual realisation could be less or more than the current valuation. A number of factors could influence the valuation and performance of Snorkel between now and a potential realisation date beyond September 2018, including Xtreme's negotiating stance and the exchange rate at the time of any realisation.

STRATEGIC REPORT (Continued)

Due to the inherent uncertainties, the Board is unable to determine whether the outcome will be less than the current investment value so feel the current valuation of £36.3m should be maintained. This valuation has been assessed against various criteria, including past performance, production capacity, market conditions, the capability of the business to increase output and exchange rate fluctuations.

The Board would like to draw your attention to the critical accounting estimates and key judgments on pages 18 and 19 which further explain the uncertainty and to the Auditors' report on page 10 in which they have also highlighted the uncertainty.

Smith

In October 2014 Smith completed a restructuring exercise that saw it convert debt to equity. As a result of this, they informed the Company that its equity shareholding had reduced from 24% to 5.76% (excluding warrants).

Since then, Smith has sought to raise funds which would allow it to implement its strategic plan. To date, no significant fundraise has been completed and the Board of Tanfield does not foresee this happening in the immediate future.

In May 2015 Smith executed a conditional agreement to form an exclusive joint venture with strategic partner and investor FDG Electric Vehicles Limited ("FDG"). In May 2016, the Board of Tanfield was informed that Smith had filed a complaint against FDG and the new Joint Venture. The Board of Tanfield understands that counter-claims have been made against Smith and that legal proceedings are ongoing.

Valuation of Smith holding

In 2015, the Board of Directors carried out a review of the investment in Smith resulting in a decision to impair the investment value to nil. The Board came to this decision due to the funding uncertainties as well as the legal proceedings between Smith and FDG.

In the light of the ongoing legal proceedings and Smith's inability to raise any meaningful funds since that time, the Board maintains its opinion that the investment value should be held at nil.

Strategy of Tanfield Board of Directors in relation to its Investments

Although the Board cannot predict the timeframe for a return of value from its investment in Snorkel, the Directors believe that it will result in a return of value to shareholders over time. In contrast, at this stage it does not look likely that its investment in Smith will result in a return of value to shareholders. The Directors will update shareholders should this view change.

The strategy of the Company in relation to these investments is to return as much as possible of any realised value to shareholders as events occur and circumstances allow, subject to compliance with any legal requirements associated with such distributions.

The Board takes the view that while there has been further progress made by Snorkel, there is still a risk of failure, although based on progress to date and commitments from Don Ahern / Xtreme, this seems unlikely. The Board will continue to fulfill its obligation to its shareholders in seeking to optimise the value of its investments.

The investments are defined as passive investments and in line with this definition Tanfield does not hold Board seats in either Snorkel or Smith. There is no limit on the amount of time the existing investments may be held by the Company.

Finance expense and income

The interest cost in the period of £nil (2016: £13k) was incurred from loan interest charged during the period and interest income of £nil (2016: £1k) received on bank balances.

Loss from operations

Loss from operations was £148k (2016: £237k).

Loss per share

Loss per share from continuing operations was 0.1 pence (2016: 0.2 pence). No dividend has been declared. (2016: £nil)

Cash

At 31 December 2017, the Company had cash of £0.1m (2016: £0.3m) and approximately £0.3m as at the date of this report.

Risks and uncertainties

Following the successful placing of shares on 22 February 2018 raising £0.25m, the Board believes the business has sufficient cash funds to continue in business for the foreseeable future, beyond a period of 12 months from the date of this report. However, there is no guarantee if and when a realisation of value from one of its investments will happen and the Board will closely monitor progress. It recognises that its investments have a level of risk associated with them and is reliant on the continued performance within their respective markets.

KPI's

The Board do not use any KPI's to monitor the performance of the business.

Approved by the Board of Directors and signed on behalf of the Board

Daryn Robinson
Chairman
23 April 2018

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2017. Tanfield Group Plc is a public listed company incorporated and domiciled in England and quoted on AIM.

PRINCIPAL ACTIVITIES
The company's principal activity is that of an investment company.

INVESTING POLICY
The holdings in Snorkel International Holdings LLC and Smith Electric Vehicles Corp. are passive investments. It is the intention that where distributions or realisations of such holdings are made (or there is a receipt of marketable securities) that these are distributed to shareholders, subject to compliance with any legal requirements associated with such distributions. There is presently no anticipated limit on the amount of time the holdings are to be held by the Company. The Company does not have and will not make any cross holdings and does not have a policy on gearing.

RESULTS AND DIVIDENDS
The financial result, for the year to 31 December 2017 reflects the principal activity of the company being that of an investment company.

Turnover for the year was £nil (2016: £nil). The operating loss in the year of £148k (2016: £237k) arose from operating costs.

The statement of financial position remains consistent with total assets at the end of the year of £36.4m (2016: £36.6m). Net Current Assets were £0.1m (2016: £0.2m) with cash balances of £0.1m (2016: £0.3m). The directors believe the Company has sufficient working capital to allow it to continue for the foreseeable future, beyond a period of 12 months from the date of this report

No dividend has been paid or proposed for the year (2016: £nil). The loss of £148k (2016: £249k) has been transferred to reserves.

FINANCIAL INSTRUMENTS
The Company's financial instruments comprise cash, current debtors and current and non current creditors arising from its operations. The principal financial instruments used by the Company are cash balances raised from share issues by the Company. The Company has not established a formal policy on the use of financial instruments but assesses the risks faced by the Company as economic conditions and the Company's operations develop.

DIRECTORS
The present membership of the Board is set out on page 2.

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 7 to 8.

POLICY ON PAYMENT OF CREDITORS
It is Company 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 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 2017 were 65 days (2016: 48 days).

SUBSTANTIAL SHAREHOLDINGS
On 31 December 2017 the following held substantial shares in the company. No other person has reported an interest of more than 3% in the ordinary shares.

	No.	%
HSBC GLOBAL CUSTODY NOMINEE	49,506,267	31.67%
CHASE NOMINEES LIMITED	29,773,712	19.05%
VIDACOS NOMINEES LIMITED	15,873,967	10.15%
AURORA NOMINEES LIMITED	14,566,045	9.32%
THE BANK OF NEW YORK (NOMINEES)	11,142,907	7.13%
LYNCHWOOD NOMINEES LIMITED	7,455,780	4.77%
INTERACTIVE INVESTOR SERVICES	4,746.186	3.04%

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.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR
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 auditor is unaware. Each of the directors has 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

Daryn Robinson
Chairman
23 April 2018

CORPORATE GOVERNANCE

Principles of Corporate Governance
The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. The Company has complied substantially throughout the period with the corporate governance guidelines for smaller quoted companies issued by the Quoted Company Alliance and details are provided below.

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
At the start of the year the Board comprised of Jon Pither, Chairman, Daryn Robinson and Martin Groak, independent Non Executive Directors. Following Jon Pither's resignation on 31 May 2017, the Board comprised of Daryn Robinson, Chairman and Martin Groak, Independent Non-Executive Director.

Board Role
The Board is responsible to shareholders for the proper management of the Company. The Non-Executive Directors have a particular responsibility to ensure that the strategy is 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 Company. The Board has a formal schedule of matters reserved to it. 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 Company'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 of Jon Pither (resigned 31 May 2017 and Martin Groak appointed) and Daryn Robinson. The Remuneration Committee determined and agreed with the Board the framework of remuneration for 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 7 to 8.

Audit Committee
During the year the Audit Committee comprised of Martin Groak and Jon Pither (resigned 31 May 2017 and Daryn Robinson appointed).

The Audit Committee is responsible for:

- Reviewing the scope of external audit, to receive reports from RSM UK Audit LLP.
- Reviewing the half-yearly and annual accounts prior to their recommendation to the Board.
- Reviewing the Company'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 Company'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 is of the view that due to the current size and composition of the Company, 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 the Annual General Meeting will be issued in due course.

Going Concern
The directors confirm that they are satisfied that the Company has 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.

Daryn Robinson
Chairman
23 April 2018

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 J Pither (resigned 31 May 2017 and M Groak appointed) and D Robinson and the committee was chaired by J Pither (D Robinson from 31 May 2017).

Remuneration policy
There were four main elements of the remuneration packages for directors:

- Basic annual salary (including directors' fees) and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

Basic salary
The basic salary of the directors is reviewed annually 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.

Annual bonus
The committee established the objectives which must be met for each financial year if a cash bonus was to be paid. The purpose of the bonus was to reward directors for achieving above average performance which also benefits shareholders.

Share options
The 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 8.

Pension arrangements
Some directors were members of a money purchase pension scheme to which the company contributed.

Directors interests
The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2017 and 1 January 2017 are shown below:

	Number of shares	
	2017	**2016**
M Groak	-	-
J Pither (resigned 31 May 2017)	-	1,542,553
D Robinson	942,785	942,785
Total	**942,785**	**2,485,338**

The directors, as a group, beneficially own 0.6% 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 emoluments for the financial year were as follows:

	Salary 2017 £000's	Pension 2017 £000's	**Total 2017 £000's**	Salary 2016 £000's	Pension 2016 £000's	**Total 2016 £000's**
M Groak	25	-	**25**	20	-	**20**
J Pither[a]	14	-	**14**	24	-	**24**
D Robinson	42	2	**44**	41	-	**41**
Total	**81**	**2**	**83**	**85**	**-**	**85**

[a] J Pither resigned on 31 May 2017

Directors share options held at 31 December 2017 were as follows:

	31 December 2016	Granted/ (Lapsed)	Exercised	31 December 2017	Option price per share[a]	Date from which normally exercisable	Expiry Date
M Groak[b]	200,000	(200,000)	-	-	5p	02/01/2010	02/01/2017
M Groak	100,000	-	-	100,000	27p	02/02/2015	02/02/2020
J Pither	100,000	-	-	100,000	27p	02/02/2015	02/02/2020
D Robinson	100,000	-	-	100,000	27p	02/02/2015	02/02/2020
Total	**500,000**	**(200,000)**	**-**	**300,000**			

[a] On 31 December 2017 the market price of the ordinary shares was 13.25p. The range during 2017 was 11.88p to 16.38p

[b] On 2 January 2017 the option lapsed

Approval

This report was approved by the board of directors and authorised for issue on 23 April 2018 and signed on its behalf by:

Daryn Robinson
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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

In preparing the financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRS as adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of 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

Opinion
We have audited the financial statements of Tanfield Group PLC (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require
us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of non current investments
Included in the Statement of Financial Position are non current investments with a carrying value of £36.3m. This represents holdings of 5% and 49% respectively in Smith Electric Vehicles US Corp and Snorkel International Holdings LLC. Note 6 and the Critical Accounting Estimates and Key Judgements of the financial statements describe the judgements made by the Board with regards to the need for an impairment to be booked in respect of each of these investments and, in particular, the uncertainty concerning the carrying value of the company's £36.3m investment in Snorkel International Holdings LLC. The investment in Smith Electric Vehicles US Corp has already been fully impaired.

The investment in Snorkel represents the sole significant asset held within the Statement of Financial Position of the company and accordingly any uncertainty as to the likely realisation of this investment for either more or less than its carrying value could have a material impact on the financial statements. The Board has only limited financial information upon which to calculate its estimate of the realisation value and our audit work has considered the nature of that financial information, the assumptions used by management to calculate the estimated realisation value and such other audit evidence as was available to consider the reasonableness of these assumptions and calculations.

The Critical Accounting Estimates and Key Judgements on pages 18 and 19 set out the basis whereby the Directors have considered the fair value of the investment, based on its possible recoverable amount, and the assumptions made therein. The timing of when the company will be able to realise its interest in Snorkel and the sum to be realised are both dependent on the underlying trading performance of Snorkel over the period to a realisation of value beyond September 2018 and on the applicable rate of exchange at the time that the US$ proceeds are converted into GBP. The Board have undertaken a series of sensitivities based on the trading information for Snorkel and have set out on pages 18 and 19 a range of potential recoverable amounts between £22m and £40m. The actual outcome will be dependent on both the future trading performance of Snorkel and the exchange rate at the date of realisation. Having undertaken these sensitivities, because of the significant uncertainties over the amount and timing of realisation, the Board have concluded that it remains appropriate to include the investment at the existing fair value of £36.3m. In carrying out our audit work described above we have considered the range of outcomes and the sensitivities applied by the directors, the conclusion the directors have reached about the reliability of any alternative valuation and the disclosures on pages 18 and 19 and in Note 6.

Our application of materiality
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £248,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £1,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
Our audit scope covered 100% of revenue, profit and total assets and liabilities. It was performed to the materiality levels set out above.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Andrew Allchin FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

23 April 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000's	2016 £000's
Revenue		**-**	**-**
Staff costs	1	(83)	(85)
Other operating income		84	30
Other operating expenses	3	(149)	(182)
Loss from operations		**(148)**	**(237)**
Finance expense	2	-	(13)
Finance income	2	-	1
Net finance expense		**-**	**(12)**
Loss from operations before tax		**(148)**	**(249)**
Taxation	4	-	-
Loss & total comprehensive income for the year attributable to equity shareholders		**(148)**	**(249)**

Earnings per share

Loss per share from operations			
Basic and diluted (p)	5	(0.1)	(0.2)

STATEMENT OF FINANCIAL POSITION (Company registration number 04061965)

AS AT 31 DECEMBER 2017

	Notes	2017 £000's	2016 £000's
Non current assets			
Non current Investments	6	36,283	36,283
		36,283	36,283
Current assets			
Trade and other receivables	8	13	61
Cash and cash equivalents	7	134	269
		147	330
Total assets		**36,430**	**36,613**
Current liabilities			
Trade and other payables	9	56	91
		56	91
Total liabilities		**56**	**91**
Equity			
Share capital	10	7,816	7,816
Share premium	10	17,190	17,190
Share option reserve		331	459
Special reserve		66,837	66,837
Merger reserve		1,534	1,534
Retained earnings		(57,334)	(57,314)
Total equity attributable to equity shareholders		36,374	36,522
Total equity and liabilities		**36,430**	**36,613**

The financial statements on pages 12 to 25 were approved by the board of directors and authorised for issue on 23 April 2018 and are signed on its behalf by:

Daryn Robinson
Chairman

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium[a]	Share option reserve[b]	Merger reserve[c]	Special reserve[d]	Retained earnings[e]	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2016	**7,546**	**16,800**	**461**	**1,534**	**66,837**	**(57,067)**	**36,111**
Comprehensive income							
Loss for the year	-	-	-	-	-	(249)	(249)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(249)**	**(249)**
Transactions with owners in their capacity as owners:-							
Issuance of new shares (note 10)	270	390	-	-	-	-	**660**
Share based payments (note 11)	-	-	(2)	-	-	2	-
At 31 December 2016	**7,816**	**17,190**	**459**	**1,534**	**66,837**	**(57,314)**	**36,522**
Comprehensive income							
Loss for the year	-	-	-	-	-	(148)	(148)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(148)**	**(148)**
Transactions with owners in their capacity as owners:-							
Share based payments (note 11)	**-**	-	(128)	-	-	128	-
At 31 December 2017	**7,816**	**17,190**	**331**	**1,534**	**66,837**	**(57,334)**	**36,374**

[a] The share premium account represents amounts subscribed for share capital in excess of nominal value, net of directly attributable share issue costs.

[b] The share option reserve represents the cumulative share-based payment expense.

[c] The merger reserve has arisen on the legal acquisition of subsidiary companies.

[d] The special reserve relates to a previous reclassification of the share premium account.

[e] The retained earnings represents the accumulated retained profits and losses less dividend payments.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £000's	2016 £000's
Loss before interest and taxation	(148)	(237)
Operating cash flows before movements in working capital	**(148)**	**(237)**
Decrease in receivables	48	25
Decrease in payables	(35)	(273)
Net cash used in operating activities	**(135)**	**(485)**
Cash flow from financing activities		
Proceeds from issuance of ordinary shares net of costs	-	660
Net cash generated by financing activities	**-**	**660**
Net (decrease)/increase in cash and cash equivalents	**(135)**	**175**
Cash and cash equivalents at the start of year	269	94
Cash and cash equivalents at the end of the year	**134**	**269**

ACCOUNTING POLICIES

(i) Basis of preparation of the financial statements

Tanfield Group Plc is a public company incorporated in England and quoted on AIM. These 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 financial statements present the company accounts only and have not been consolidated as the changes to the accounts upon consolidation would be immaterial. The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The preparation of the financial statements requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the 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 Company will continue to be able to meet its liabilities as they fall due for the foreseeable future. At 31 December 2017 the Company had cash balances of £0.1m and is debt free.

The Directors are confident that, following the successful placing of shares on 22 February 2018 raising £0.25m, the cash balances will allow the Company continue for a minimum of 12 months, or until it realises the value of its investments, and that the assumptions underlying their opinion are reasonable and that the Company can operate within its cash balances. Having taken the uncertainties into account the Board believes 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 statement of financial position assets or provisions for further liabilities, which would result should the going concern assumption not be valid.

(iii) Foreign currencies

Transactions in currencies other than sterling, the presentational currency of the company, are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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.

(iv) Retirement benefit cost

The company operates a defined contribution pension scheme and pays contributions to an externally administered pension plan. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period in which they fall due.

(v) Share based payments

The Company 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 Company's estimate of shares that will eventually vest.

(vi) Borrowing costs

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

(vii) Financial instruments

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument.

Financial assets

Investments

Investments are included at either cost less amounts written off or fair value where applicable.

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 impairment.

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

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

ACCOUNTING POLICIES (continued)

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

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 Company 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.

(viii) Segmental reporting

IFRS 8 provides segmental information for the Company on the basis of information reported to the chief operating decision-maker for decision-making purposes. The Company considers that it only has one segment and that the role of chief operating decision-maker is performed by the Tanfield Group Plc's board of directors.

(ix) 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 Company recognises termination benefits when it is demonstrably committed to the affected employees leaving the Company.

(x) Provisions

Provisions are recognised when the Company 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.

(xi) 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 Company'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.

Investments

The status of the Company's holding in Smith Electric Corp was reviewed. The Board previously advised that the company had ceased operations and did not feel that Smith had made sufficient progress towards achieving its plan of obtaining a public listing to maintain the previous valuation and had therefore decided to impair the investment in Smith to nil. Subsequently, a plan to joint-venture was beset by litigation (see Strategic Review above) and Smith has not been able to raise further funds, so the Board is maintaining its view that the investment currently has nil value.

Nevertheless, the Board acknowledges that there is a chance the investment could result in a return to Shareholders and will continue to monitor the investment. Should progress be made in the future the valuation of the investment will be revisited.

The status of the Company's holding in Snorkel International Holdings was reviewed. The Board has concluded that, while Tanfield continues to own 49% of Snorkel, under the terms of the joint venture, they are unable to exercise significant influence over the activities and strategic direction of Snorkel and therefore holding the investment as a trade investment continues to be the correct treatment.

Since the injection of working capital, following the joint venture in October 2013, Snorkel has continued to progress well with sales levels (unaudited) growing by 27% in 2017 (2016: 19% / 2015: 29%) resulting in sales of $165.8m in 2017 (2016: $130.5m / 2015: $109.9m / £2014: $85.3m). The 2017 operating profit (unaudited), excluding depreciation, was $1.6m (2016: $2.8m loss / 2015: $10.6m loss / 2014: $14.9m loss).

The Board is not aware of any market factors and have not been made aware of any specific reason why sales growth and the trend of improved gross margins should not continue and therefore the board sees scope for further sales growth and increased operating profitability in 2018. Tanfield are, however, unsure if the dependency in the US upon Ahern Rentals as its principal customer may impact upon the possible outcome. Nevertheless, as the Board has not been made aware of an expected material reduction in sales from Ahern Rentals, the Board believes Snorkel could still achieve a reasonable level of sales growth, and therefore increase the level of sales and operating profitability, in 2018.

Under the terms of the joint venture, the level of financial information available to the Board to assess the fair value of the investment in Snorkel is limited to quarterly historical financial information, incorporating a consolidated operating statement, balance sheet and cashflow.

The current valuation of £36.3m was calculated in 2013 and assumed the $25m EBITDA trigger, compelling the payment of the $22.4m adjusted priority amount and the purchase of Tanfield's interest in Snorkel, would be reached within the pre defined period ending September 2018. At the end of 2017 there were 9 months left to run before the fixed term of the agreement after which Tanfield can no longer compel the purchase of the 49% interest in Snorkel.

The Board continues to hold the view that Don Ahern, the owner of Xtreme, would wish to one day own 100% of Snorkel and will seek to exercise the call option to buy Tanfield's holding in Snorkel at some point in the future. The Board has reviewed the historic financial information, along with the global industrial and aerial work platform market conditions, and has concluded that the range of potential valuations, beyond the expiry date of September 2018, can be broad. However, based on the information available to the Board, it is felt the valuation of £36.3m should be maintained.

This valuation has been assessed against various criteria, including past performance (including but not limited to a growth in sales, a reduction in bill of material costs and improved operating profitability), production capacity, market conditions, the capability of the business to increase output and exchange rate fluctuations. In coming to this opinion, the Board has considered the trends within the business and their consistency; in particular:

- the rate of sales growth being more or less than that recently achieved by Snorkel.
- the level of operating profitability improvement being more or less than that recently achieved by Snorkel.
- The impact of exchange rate movements given that any proceeds will be received in USD, considering current, historic and average exchange rates.

Between January 2017 to March 2018, the range of the GBP to USD exchange rate has been vast with a low of 1.205 and a high of 1.427, the average being 1.309. If £36.3m is assumed to represent the average exchange rate then based on the low of 1.205 the valuation increases by approximately 8% to £39.4m and based on the high of 1.427 the valuation reduces by approximately 9% to £33.3m giving a potential movement of 17% in the valuation. There is an added element of uncertainty in the foreign currency markets due to the Brexit process which may result in the GBP to USD exchange rate improving or worsening as the process progresses. Whilst the Board is not in a position to mitigate against any potential exchange rate variation, until such time as the realisation of the Snorkel investment is known, it will continue to consider such means as may be possible to maximise the GBP return to shareholders.

CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (continued)

If the assumption is made that both the progress within Snorkel and the wider global market conditions will continue to improve, then the current £36.3m valuation could still be a fair reflection of the investment value beyond the 5 year period. As the Board is of the view that the EBITDA target will not be met, it has considered scenarios that resulted in assumed realisation values, beyond September 2018, ranging from $29m to $52m (or £22m to £40m based on the average exchange rate); with the caveat that a number of factors could influence the valuation and performance of Snorkel between now and a potential realisation date, including Xtreme's negotiating stance and the exchange rate at the time of any realisation.

Given the range of possible realisation values, which includes the potential for sums below the investment value of £36.3m, the Board has considered whether an impairment loss should be recognised but, due to the inherent uncertainties it is unable to determine whether it is likely that an impairment exists and, if it does, the quantum of this.

Should economic conditions materially change during the remainder of 2018, this may have an impact on the expected outcome, but the Tanfield Board is currently of the opinion that the investment in Snorkel will result in a return to shareholders in the future, although it should be noted that this is not expected to materialise until after 30 September 2018, when the outcome then becomes uncertain and could be less than the current fair value of the investment.

Accounting standards, interpretations and amendments to published accounts

The Company considered the implications, if any, of the following amendments to IFRSs during the year ended 31 December 2017.

New and amended standards and interpretations effective from 1 January 2017 adopted by the Company

During the year ended 31 December 2017, the Company has not adopted any new IFRS, IAS or amendments issued by the IASB, and interpretations by the IFRS Interpretations Committee, which have had a material impact on the Company's financial statements.

New and amended standards and interpretations effective from 1 January 2018 not yet adopted by the Company

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS9 Financial instruments
The IASB issued IFRS9 to include a logical model for classification and measurement, a single forward looking expected loss impairment model, and a substantially reformed approach to hedge accounting. Endorsed by the EU and effective from 1 January 2018.

IFRS15 Revenue from contracts with customers
Dealing with the recognition of revenues from contracts and customers. Endorsed by the EU and effective from 1 January 2018.

IFRS16 Leases
Introduces a single lessee accounting model, and eliminates the previous distinction between an operating lease and a finance lease. Endorsed by the EU and effective from 1 January 2019.

Given the operational status of the company, the Directors do not think these new standards will have a material impact on the financial statements.

NOTES TO THE ACCOUNTS

1. Staff costs

Aggregate remuneration comprised	2017 £000's	2016 £000's
Wages and salaries	81	85
Other pension costs	2	-
Total staff costs	**83**	**85**

Average monthly number of employees	2017 No.	2016 No.
Directors	2	3
Total	**2**	**3**

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 7 to 8.

2. Finance expense and finance income

Finance expense	2017 £000's	2016 £000's
Interest on director loans	-	13
Total finance expense	**-**	**13**

Finance income	2017 £000's	2016 £000's
Interest on cash, cash equivalents & financial instruments	-	1
Total finance income	**-**	**1**

3. Other operating expenses

	2017 £000's	2016 £000's
Property related expenses	43	43
Auditor's remuneration (see below)	26	24
Other operating expenses	80	115
Total operating expenses	**149**	**182**

Auditor's remuneration

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

	2017 £000's	2016 £000's
Audit Services		
• statutory audit of accounts	24	22
Other services relating to taxation		
• compliance services	2	2
	26	24
Comprising		
• Audit services	24	22
• Non audit services	2	2

4. Taxation

Analysis of and 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:

	2017 £000's	2016 £000's
Loss before taxation	**(148)**	**(249)**
Notional taxation charge at UK rate of 19.25% (2016: 20%)	(28)	(50)
Effects of:		
Deferred tax asset not recognised in the period	28	50
Total taxation charge in the income statement	**-**	**-**

The Company has tax losses of approximately £3.1m (2016: £3.0m) available to carry forward against future profits of the same trade. No deferred tax asset has been recognised due to the uncertainty of future profitability of the Company.

5. 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. As the potential dilutive ordinary shares from share options reduce the loss per share these shares are omitted from the dilutive loss per share calculation. The average share price during the year was 14.10p (2016: 12.88p).

Number of shares	2017 No. 000's	2016 No. 000's
Weighted average number of ordinary shares for the purposes of basic earnings per share	156,324	153,677
Effect of dilutive potential ordinary shares from share options	-	122
Weighted average number of ordinary shares for the purposes of diluted earnings per share	156,324	153,799

Loss

From operations	2017 £000's	2016 £000's
Loss for the purposes of basic earnings per share being net profit attributable to owners of the parent	(148)	(249)
Potential dilutive ordinary shares from share options	-	-
Loss for the purposes of diluted earnings per share	(148)	(249)

Loss per share from operations		
Basic and diluted (p)	(0.1)	(0.2)

6. Non current investments

A summary of the Non current investments is shown below:

	2017 £000's	2016 £000's
Investment in Smith Electric Vehicles US Corp	-	-
Investment in Snorkel International Holdings LLC	36,283	36,283
Total non current investments	**36,283**	**36,283**

Smith Electric Vehicles US Corp

At 31 December 2017, the Company held a 5.76% (2016: 5.76%) share of the issued share capital of Smith Electric Vehicles US Corp, a company registered in the US. In 2015 the Board decided to impair the investment in Smith to nil and they continue to maintain this position. However, the Board will continue to monitor the investment.

Snorkel International Holdings LLC

At 31 December 2017, the Company held a 49% (2016: 49%) share of the issued share capital of Snorkel International Holdings LLC, a company registered in the US. This shareholding is being held as a non current investment at fair value (2017: £36,283k, 2016: £36,283k). See Strategic Report for impairment considerations.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by the Company. The carrying amount of these assets approximates their fair value. The Company primarily holds Sterling. Currency denominated balances are translated to sterling at the statement of financial position date.

	2017 £000's	2016 £000's
Cash and cash equivalents	**134**	**269**

8. Trade and other receivables

	2017 £000's	2016 £000's
Receivable within one year		
Other debtors and prepayments	13	61
	13	**61**

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

9. Trade and other payables

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

	2017 £000's	2016 £000's
Payable within one year		
Trade payables	23	23
Social security and other taxes	1	37
Accrued expenses	32	31
	56	**91**
Average credit period taken on trade purchases (days)[a]	**65**	**48**

[a] Creditor days have been calculated as trade payables over other operating expenses multiplied by 365 days.

10. 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 £000's	Share premium £000's
At 1 January 2016	**5p**	**150,924,073**	**7,546**	**16,800**
Share options exercised	5p	30,000	1	-
New share issue 22 March 2016[a]	5p	2,758,620	138	254
New share issue 10 October 2016[b]	5p	2,610,824	131	136
At 31 December 2016	**5p**	**156,323,517**	**7,816**	**17,190**
At 31 December 2017	**5p**	**156,323,517**	**7,816**	**17,190**

[a] On 16 March 2016 the Company announced that it had conditionally raised gross proceeds of £400k. These funds were raised by way of a placing of 2,758,620 new Ordinary Shares of 5 pence ("Shares") with institutional investors at a price of 14.5 pence per Share which were issued onto the AIM market on 22 March 2016. Costs of £8k attributable to the share issue have been charged against the Share Premium account.

[b] On 5 October 2016 the Company announced that Directors and former Directors of the Company were converting £267k of convertible loan and accrued interest in to equity which resulted in 2,610,814 new Ordinary Shares of 5 pence ("Shares") being issued. Under the terms of the convertible loan agreements, the shares were issued at a price of 10.25 pence per Share and were admitted onto the AIM market on 10 October 2016.

11. Share based payments

IFRS2 requires share based payments to be recognised at fair value. The company measures the fair value of its share based payments to employees, "share options", using the Black-Scholes valuation method at the date of grant and recognised in profit or loss over the vesting period.

All share based payments are equity settled and details of the share option activity during 2017 and 2016 are shown below.

	2017		2016	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at the beginning of the year	**4,300,000**	**26**	**4,330,000**	**24**
Granted/(Lapsed)	(200,000)	5	-	-
Exercised	-	-	(30,000)	(5)
Outstanding at the end of the year	**4,100,000**	**27**	**4,300,000**	**26**
Exercisable	**4,100,000**	**27**	**4,300,000**	**26**

The outstanding options at 31 December 2017 had a weighted average remaining contractual life of 4.0 years (2016: 3.8 years)

The following table relates to share options outstanding and exercisable at 31 December 2017

	Option exercise prices	
Exercise price (pence)	**27p**	**Total**
No of share options	4,100,000	**4,100,000**
No of exercisable options	4,100,000	**4,100,000**

Income statement charge

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

A charge to the income statement of £nil (2016: £nil), a credit directly to equity of £nil (2016: £2k) and a reserves transfer of £128k (2016: £nil) due to the lapse of share options have been made during the year in accordance with IFRS2 'Share-based payments'.

The company uses the Black-Scholes model to value its share options.

12. Financial risk management

The Company'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 Company's exposure to credit risk arises from its trade and other receivables and cash deposits with financial institutions.

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

	2017	2016
	£000's	£000's
Trade and other receivables	4	61
Cash and cash equivalents	134	269
	138	**330**

Liquidity risk management

The Company is exposed to liquidity risk arising from having insufficient funds to meet the Company's future financing needs. The Company's liquidity management process includes projecting cash flows and considering the level of liquid assets available to meet future cash requirements along with monitoring statement of financial position liquidity. The Board reviews forecasts, including cash flow forecasts on a quarterly basis.

12. Financial risk management (continued)

Maturity analysis

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

	Within 1 year £000's	1 to 5 years £000's	Over 5 years £000's	Total £000's
2017				
Trade and other payables	56	-	-	56
	56	**-**	**-**	**56**
2016				
Trade and other payables	91	-	-	91
	91	**-**	**-**	**91**

Foreign exchange risk management

The Company is exposed to movements in foreign exchange rates due to the net assets of its foreign investments being denominated in foreign currencies. During 2017, the GBP to USD exchange rate averaged 1.2886 with a low of 1.2053 and a high of 1.3595. If appropriate the Company can use currency derivative financial instruments such as foreign exchange contracts to reduce exposure. These were not used in the period.

Capital management

The Company's main objective when managing capital is to protect returns to shareholders. The Company also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital. The Company 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 Company considers its capital to include share capital, share premium, special reserve, share option reserve and retained earnings. No gearing is currently calculated as the Company currently has no borrowings.

13. Contingencies

Authorised Guarantee Agreement

At the time of the joint venture between Tanfield Group Plc and Xtreme Manufacturing LLC relating to Snorkel in October 2013, Tanfield Group Plc was the tenant of the Vigo Centre manufacturing facility from which Snorkel carried out its UK manufacturing operations. In order to gain permission to assign the lease to Snorkel Europe Limited, Tanfield Group Plc entered into an authorised guarantee agreement on the 25 year lease which commenced 27 June 2006.

14. Related party 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 7 to 8.

	2017 £000's	2016 £000's
Salaries and short term benefits including NI	81	85
Post employment benefits	2	-
	83	**85**

15. Retirement benefits

The Company operates a defined contribution retirement benefit plan for all qualifying employees. The total cost charged to income of £2k (2016: £nil) represents contributions payable to that scheme by the Company at rates specified in the rules of the scheme. As at 31 December 2017, contributions of £nil (2016: £nil) due in respect of the current reporting period had not been paid over to the scheme.

16. Financial instruments recognised in the statement of financial position

Assets	2017 Loans and receivables £000's	2017 Assets Available for Sale[a] £000's	2017 **Total £000's**	2016 Loans and receivables £000's	2016 Assets Available for Sale[a] £000's	2016 **Total £000's**
Current financial assets						
Trade and other receivables	4	-	**4**	61	-	**61**
Investments	-	36,283	**36,283**	**-**	36,283	**36,283**
Cash and cash equivalents	134	-	**134**	269	-	**269**
Total	**138**	**36,283**	**36,421**	**330**	**36,283**	**36,613**

Liabilities	2017 Other financial liabilities £000's	2017 Held for trading[a] £000's	2017 Total **£000's**	2016 Other financial liabilities £000's	2016 Held for trading[a] £000's	2016 **Total £000's**
Current liabilities						
Trade and other payables	55	-	**55**	54	-	**54**
Total	**55**	**-**	**55**	**54**	**-**	**54**

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

17. Investments

The tables below give brief details of the Company's investments at 31 December 2017. The Company had no operating subsidiaries as of 31 December 2017.

Investments	**Principal activity**	**Group Interest in allotted capital & voting rights**	**Country of incorporation**
Smith Electric Vehicles US Corp	Electric vehicle manufacture	5.76%	US
HBWP Inc	Holding Company	100.00%	US
Snorkel International Holdings LLC	Holding Company	49.00%	US
Tanfield Engineering Systems US (Inc) [a]	Powered Access	49.00%	US
Snorkel Europe Ltd [a]	Powered Access	49.00%	UK
Snorkel International Inc [a]	Powered Access	49.00%	US
Snorkel Australia Limited [a]	Powered Access	49.00%	AUS
Snorkel New Zealand Limited [a]	Powered Access	49.00%	NZ

[a] The Company's interest is held indirectly through HBWP Inc, a wholly owned subsidiary, and its investment in Snorkel International Holdings LLC

18. Post balance sheet events

The Company raised a total of £0.25m through the placing of 2,083,333 ordinary shares at a price of 12 pence per share. The shares were admitted to trading on AIM, a market operated by the London Stock Exchange plc, on 22 February 2018.