

TANFIELD GROUP PLC
REPORT AND FINANCIAL
STATEMENTS 2018

Registered in England & Wales

Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2018

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DIRECTORS AND ADVISORS

DIRECTORS

NON-EXECUTIVE

D Robinson

M Groak

Chairman

Non-Executive Director

SECRETARY

D Robinson

REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE

Sandgate House
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Newcastle upon Tyne
NE1 3DX

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WH Ireland
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EC4R 0DR

AUDITOR

RSM UK Audit LLP
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Newcastle upon Tyne
NE1 4AD

NOMINATED BROKER

WH Ireland
24 Martin Lane
London
EC4R 0DR

SOLICITOR

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NE1 3DX

REGISTRAR

Link Market Services Limited
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Kent
BR3 4TU

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STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The Company's main investment, Snorkel, once again saw a period of growth in sales and the Board continues to closely monitor performance. However, due to matters further explained in this document, the investment value has been reduced from £36.3 million to £19.1 million. The Board continues to be pleased with the progress made by Snorkel, seeing another period of year on year sales growth in 2018, and should this progress continue, the Board believe it makes the likelihood of a realisation of value more probable.

The investment in Smith continues to be held at nil value, despite the settlement of the legal dispute with Smith's former strategic partner and investor FDG Electric Vehicles Limited ("FDG").

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 retain an investment in Snorkel (currently valued at £19.1m, 2017: £36.3m) consisting of a 49% interest and a preferred interest position, which it has held since the joint venture was established in October 2013.

Sales levels (unaudited) have continued to grow during 2018, increasing by 21% resulting in sales of \$200.5m (2017: \$165.8m & 27% / 2016: \$130.5m & 19% / 2015: \$109.9m & 29% / 2014: \$85.3m). 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 2019.

The Snorkel unaudited accounts for 2018 report an operating profit, excluding depreciation, of \$2.9m (2017: \$1.6m / 2016: \$2.8m loss / 2015: \$10.6m loss / 2014: \$14.9m loss). The Board is once again pleased to see the trading performance of Snorkel improve further with increases in both sales and operating profitability. This is evidence of the continuing hard work and improvements that have taken place in recent years. With continued focus, the Board sees no reason why Snorkel could not once again see growth in 2019.

In November 2018, the Board received a call option notice in which Xtreme, via its subsidiary SKL Holdings, requested to exercise a call option to acquire Tanfield's interest in Snorkel. In the request, SKL Holdings stated that the option price to acquire Tanfield's holding was \$0 (nil) and that payment of the priority amount and preferred return (collectively "the Preferred Interest") was not required.

The Board did not agree with this statement and does not believe that the contractual agreements, or the circular distributed to shareholders to fully explain the terms of the transaction - and thereby seek their authority to enter in to the transaction - allow for a call option whereby Xtreme can acquire Tanfield's interest in Snorkel for a nil value. The Board therefore rejected the call option notice.

The Board is currently of the opinion that the investment in Snorkel will result in a return to shareholders in the future, but would like to draw your attention to the "Valuation of Snorkel holding" below and the critical accounting estimates and key judgments on pages 18 and 19 which further explain the potential risks.

Valuation of Snorkel holding: reduction to £19.1 million (2017: £36.3 million)

At the end of September 2018 the fixed terms of the agreement came to end. In summary, if the trailing 12 month EBITDA had reached \$25m by 30 September 2018, this would have triggered payment of the Preferred Interest, valued at £19.1m, which once paid, would have allowed the Company to exercise its put option, compelling the purchase of Tanfield's remaining holding in Snorkel. As a \$25m trailing 12 month EBITDA was not reached by the deadline, the put option expired, Tanfield retains a 49% interest in Snorkel and its Preferred Interest position, but it can no longer compel Xtreme to pay the Preferred Interest position and acquire its 49% interest. However, the Board remain of the opinion that the Preferred Interest is the minimum payment required under the terms of the contractual agreements, as described in the circular, in order for Xtreme to acquire Tanfield's interest and that this is therefore an appropriate basis for determining the value the investment is to be carried at.

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 acquire Tanfield's interest in Snorkel at some point in the future. One possible outcome is that Tanfield continues to hold its 49% interest for the foreseeable future however, the Board do not believe such a scenario would be in the best interest of shareholders and are considering options that may assist in moving from this position.

As the \$25m EBITDA trigger was not achieved by the expiry date, any future realisation of value from the investment in Snorkel will be dependent on the financial performance of Snorkel at the time of realisation. The Board does not believe the current financial performance of Snorkel will result in an additional value, on top of the Preferred Interest amount of £19.1m, for its 49% interest, and so the Board has taken the decision to impair the value of its investment to that ascribed to the Preferred Interest only, which at 31 December 2018 was valued at £19.1m.

The Board will continue to assess the performance of Snorkel and, if appropriate, revalue the investment if it believes the future performance should result in an increased realisation in value.

STRATEGIC REPORT (Continued)

Due to the risks involved with the ongoing different opinions regarding the contractual agreements, it is possible the actual realisation of value could be less than the current valuation. 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.

Due to these inherent uncertainties, the Board is unable to determine whether the actual outcome will be less than the current valuation of £19.1m, which it believes is underpinned by the value of the Preferred Interest, so feel the valuation of £19.1m 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 the reader's 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 9 in which it is also highlighted.

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 in January 2019, an out of court settlement of all claims was reached. This settlement took the form of Smith being issued with a number of FDG shares but to date, Smith have not been able to provide the Board with an understanding as to the value of these shares or when it may be possible to realise value from them.

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, which have now been concluded.

In the light of Smith not being able to provide the Board with a valuation of the shares it has received in settlement of the dispute, nor any certainty on the future of Smith, 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. With regard to Smith, due to the ongoing uncertainty, the Board is unable to say, at this time, whether it 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 will continue to fulfil 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

No interest cost was incurred in the period (2017: £nil) and interest income of £1k (2017: £nil) was received on bank balances.

Loss from operations

The loss from operations was £17,377k (2017: £148k), the most significant difference compared to the prior year being the impairment of investments of £17,183k.

Loss per share

Loss per share from continuing operations was 10.99 pence (2017: 0.09 pence). No dividend has been declared. (2017: £nil)

Cash

At 31 December 2018, the Company had cash of £0.2m (2017: £0.1m) and approximately £0.3m as at the date of this report.

Risks and uncertainties

Following the successful placing of shares on 31 May 2019 raising £0.23m, the Board believes the business has sufficient cash funds to continue for 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, or of the costs associated in securing a realisation, 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 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
12 June 2019

TANFIELD GROUP PLC FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group Plc for the year ended 31 December 2018. 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 2018 reflects the principal activity of the company being that of an investment company.

Turnover for the year was £nil (2017: £nil). The operating loss before impairments in the year of £195k (2017: £148k) arose from operating costs.

The statement of financial position has reduced following the impairment of investments with total assets at the end of the year of £19.3m (2017: £36.4m). Net Current Assets were £0.2m (2017: £0.1m) with cash balances of £0.2m (2017: £0.1m). The directors believe the Company has sufficient working capital to allow it to continue for a period of 12 months from the date of this report.

No dividend has been paid or proposed for the year (2017: £nil). The loss of £17,377k (2017: £148k) has been transferred to reserves.

FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash, non-current investments, current debtors and 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 page 7.

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 2018 were 45 days (2017: 65 days).

SUBSTANTIAL SHAREHOLDINGS

On 31 December 2018 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	46,690,559	29.48%
CHASE NOMINEES LIMITED	30,616,087	19.33%
AURORA NOMINEES LIMITED	19,903,349	12.56%
VIDACOS NOMINEES LIMITED	12,379,078	7.81%
THE BANK OF NEW YORK (NOMINEES)	11,733,594	7.41%
EUROCLEAR NOMINEES LIMITED	6,897,399	4.35%

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
12 June 2019

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CORPORATE GOVERNANCE

All members of the board believe strongly in the value and importance of good corporate governance and in our accountability to all of Tanfield's stakeholders, including shareholders, staff, clients and suppliers.

Changes to AIM rules on 30 March 2018 require AIM companies to apply a recognised corporate governance code by 28 September 2018.

The corporate governance framework which the company operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the company's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances, and we provide an explanation of the approach taken in relation to each in the full details of our approach to Corporate Governance which can be found on our website. The board considers that it does not depart from any of the principles of the QCA Code.

Full details of our Corporate Governance approach can be found on our website www.tanfieldgroup.com/about#governance

Going Concern

The directors are satisfied that the Company has adequate resources to continue for a period of 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Daryn Robinson
Chairman
12 June 2019

TANFIELD GROUP PLC FINANCIAL STATEMENTS

DIRECTORS' REMUNERATION REPORT

Remuneration committee

The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the committee during the year were D Robinson and M Groak and the committee was chaired by D Robinson.

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.

Remuneration review

Directors emoluments for the financial year were as follows:

	Salary 2018 £000's	Pension 2018 £000's	Total 2018 £000's	Salary 2017 £000's	Pension 2017 £000's	Total 2017 £000's
M Groak	20	-	20	25	-	25
J Pither ^a	-	-	-	14	-	14
D Robinson	52	2	54	42	2	44
Total	72	2	74	81	2	83

^a J Pither resigned on 31 May 2017

Directors share options held at 31 December 2018 were as follows:

	31 December 2017	Granted/ (Lapsed)	Exercised	31 December 2018	Option price per share ^a	Date from which normally exercisable	Expiry Date
M Groak	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	200,000	-	-	200,000			

^a On 31 December 2018 the market price of the ordinary shares was 4.99p. The range during 2018 was 4.56p to 13.50p

Approval

This report was approved by the board of directors and authorised for issue on 12 June 2019 and signed on its behalf by:

Daryn Robinson
Chairman

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 below.

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 2018 and 1 January 2018 are shown below:

	Number of shares	
	2018	2017
D Robinson	942,785	942,785
M Groak	40,000	-
Total	982,785	942,785

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.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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 and the AIM Rules of the London Stock Exchange 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.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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 2018 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 2018 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

The risk

Included in the Statement of Financial Position are non current investments with a carrying value of £19.1m. This represents holdings of 6% and 49% respectively in Smith Electric Vehicles US Corp and Snorkel International Holdings LLC. Note 6 and the Accounting Policies 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 significant uncertainty concerning the carrying value of the company's £19.1m 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. As described on pages 18 and 19 there are significant uncertainties over the timing of any realisation, and the amount that might ultimately be realised on this investment, that could have a material effect on the recoverable amount. Accordingly, 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 timing thereof. 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 assessments and conclusion of the directors are based on the Circular setting out the Proposed Transaction issued to Shareholders in September 2013, the legal advice obtained at the time and subsequent to that date and the information received in respect of the financial performance and position of Snorkel. The directors have concluded that the most appropriate basis for determining the carrying amount is the Preferred Interest element, which was established at the time of the Transaction and have consequently written down the investment in Snorkel to this amount.

As explained on page 3, the timing of realisation and the sum to be realised are dependent on whether Xtreme wish to own 100% of Snorkel and will therefore seek to acquire Tanfield's investment in Snorkel and definitive clarification as to the legal position of the call option notice. The eventual amount realised is also dependent on the applicable rate of exchange at the time that the US\$ proceeds are converted into GBP.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

Our response

Our audit work has considered the nature of the financial and other information held by management described above and in the public domain, the assumptions used by management to assess the timing of realisation and calculate the estimated realisation value, and such other audit evidence as was available, to consider the reasonableness of these assumptions and calculations. We have also re-performed the calculations undertaken by management of the realisation value based on the information used by management.

In carrying out our audit work we have considered the range of outcomes applied by the directors, the conclusion the directors have reached about the reliability of any alternative valuation and the disclosures made in the Strategic Report and financial statements, specifically in the Critical Accounting Estimates and Judgements disclosures 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 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 £708,000, 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 8, 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.

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<http://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our 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

12 June 2019

TANFIELD GROUP PLC FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000's	2017 £000's
Revenue		-	-
Staff costs	1	(74)	(83)
Other operating income		28	84
Other operating expenses	3	(149)	(149)
Loss from operations before impairments		(195)	(148)
Impairment of Investments	6	(17,183)	-
Loss from operations after impairments		(17,378)	(148)
Finance expense	2	-	-
Finance income	2	1	-
Loss from operations before tax		(17,377)	(148)
Taxation	4	-	-
Loss & total comprehensive income for the year attributable to equity shareholders		(17,377)	(148)
Loss per share			
Loss per share from operations			
Basic and diluted (p)	5	(10.99)	(0.09)

TANFIELD GROUP PLC FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (Company registration number 04061965)

AS AT 31 DECEMBER 2018

	Notes	2018 £000's	2017 £000's
Non current assets			
Non current Investments	6	19,100	36,283
		19,100	36,283
Current assets			
Trade and other receivables	8	11	13
Cash and cash equivalents	7	188	134
		199	147
Total assets		19,299	36,430
Current liabilities			
Trade and other payables	9	52	56
		52	56
Total liabilities		52	56
Equity			
Share capital	10	7,920	7,816
Share premium	10	17,336	17,190
Share option reserve		331	331
Special reserve		66,837	66,837
Merger reserve		1,534	1,534
Retained earnings		(74,711)	(57,334)
Total equity attributable to equity shareholders		19,247	36,374
Total equity and liabilities		19,299	36,430

The financial statements on pages 12 to 25 were approved by the board of directors and authorised for issue on 12 June 2019 and are signed on its behalf by:

Daryn Robinson
Chairman

TANFIELD GROUP PLC FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017	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
Comprehensive income							
Loss for the year	-	-	-	-	-	(17,377)	(17,377)
Total comprehensive income for the year	-	-	-	-	-	(17,377)	(17,377)
Transactions with owners in their capacity as owners:-							
Issuance of new shares (note 10)	104	146	-	-	-	-	250
At 31 December 2018	7,920	17,336	331	1,534	66,837	(74,711)	19,247

^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.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000's	2017 £000's
Loss before interest and taxation	(17,378)	(148)
Loss on impairment of investments	17,183	-
Operating cash flows before movements in working capital	(195)	(148)
Decrease in receivables	2	48
Decrease in payables	(4)	(35)
Net cash used in operating activities	(197)	(135)
Cash flow from Investing Activities		
Interest received	1	-
Net cash from investing activities	1	-
Cash flow from financing activities		
Proceeds from issuance of ordinary shares net of costs	250	-
Net cash generated by financing activities	250	-
Net increase/(decrease) in cash and cash equivalents	54	(135)
Cash and cash equivalents at the start of year	134	269
Cash and cash equivalents at the end of the year	188	134

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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 on the going concern basis in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"), IFRS Interpretation Committee interpretation ("IFRSIC") 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 2018 the Company had cash balances of £0.2m and is debt free.

The Directors are confident that, following the successful placing of shares on 31 May 2019 raising £0.23m, the cash balances will allow the Company continue in operation for a minimum of 12 months 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) 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 fair value with fair value gains and losses recognised in profit or loss.

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and are subsequently carried at amortised cost 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.

An impairment loss is recognised for the expected credit losses on receivables when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

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 amortised cost.

(vii) 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.

(viii) 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.

(ix) 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.

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 2018.

New and amended standards and interpretations effective from 1 January 2018 adopted by the Company

During the year ended 31 December 2018, the following new IFRS, IAS or amendments issued by the IASB, and interpretations by the IFRS Interpretations Committee, came into effect.

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.

Given the nature of the company's financial instrument, the Directors confirm that the transition to IFRS9 has resulted no measurement differences because the change from incurred to expected loss model does not result in material difference in impairment provisions.

Following transition, loans and receivables have been reclassified as financial assets held at amortised cost.

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.

Given the operational status of the company and the fact that it generates no revenue, the Directors confirm that the new standard does not have a material impact on the financial statements.

New and amended standards and interpretations effective from 1 January 2019 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:

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 this new standard, nor any of the matters raised in the Annual Improvements projects 2014 - 2016 and 2015 – 2017, nor the amendments to IAS1 and IAS8, will have a material impact on the financial statements.

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 Vehicles US 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 establish a joint-venture was beset by litigation (see Strategic Review above) and while the litigation has now been settled, no progress has since been made to give rise to an expectation of a realisation in value, 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 LLC was reviewed. The Board has concluded that, while Tanfield continues to retain an investment in Snorkel (currently valued at £19.1m), consisting of a 49% interest and a Preferred Interest position, 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, as opposed to applying equity accounting, 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 21% in 2018 (2017: 27% / 2016: 19% / 2015: 29%) resulting in sales of \$200.5m in 2018 (2017: \$165.8m / 2016: \$130.5m / 2015: \$109.9m / £2014: \$85.3m). The 2018 operating profit (unaudited), excluding depreciation, was \$2.9m (2017: \$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 operating profit should not continue and therefore the board sees scope for further sales growth and increased operating profitability in 2019.

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.

Following a material increase in Snorkel's selling, general and administrative costs in Q1 2018, which continued in to Q2 2018, the Board impaired Tanfield's investment value in Snorkel down to £19.1m, from the previous valuation of £36.3m. The valuation of £19.1m is based on the value of the Preferred Interest which is made up of the priority amount, set in 2013 based upon the assets of Snorkel contributed to the joint venture, plus the preferred return, being interest accruing on the priority amount. This is the basis that was set out in the Circular issued to Shareholders at the time. The Board have not included the effect of discounting for the timing of a future realisation as they do not believe this materially impacts on the valuation set.

The previous valuation of £36.3m was originally calculated in 2013 and assumed the \$25m EBITDA trigger, compelling the payment of the Preferred Interest and the purchase of Tanfield's interest in Snorkel by Xtreme, would be reached within the predefined period ending September 2018. As this trigger was not reached, Tanfield retains a 49% interest in Snorkel and its Preferred Interest position, but it can no longer compel Xtreme to pay the Preferred Interest position and acquire its 49% interest.

In November 2018, the Board received a call option notice in which Xtreme, via its subsidiary SKL Holdings, requested to exercise a call option to acquire Tanfield's interest in Snorkel. In the request, SKL Holdings stated that the option price to acquire Tanfield's holding was \$0 (nil) and that payment of the priority amount and preferred return (collectively "the Preferred Interest") was not required.

The Board did not agree with this statement and does not believe that the contractual agreements, or the circular distributed to shareholders to fully explain the terms of the transaction - and thereby seek their authority to enter in to the transaction - allow for a call option whereby Xtreme can acquire Tanfield's interest in Snorkel for a nil value. The Board therefore rejected the call option notice and continues to have discussions with Xtreme in relation to the ongoing different opinions regarding the contractual agreements.

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 buy Tanfield's holding in Snorkel at some point in the future. One possible outcome is that Tanfield continues to hold its 49% interest for the foreseeable future however, the Board do not believe such a scenario would be in the best interest of shareholders and are considering options that may assist in moving from this position.

The Board has reviewed the historic financial information, along with the global industrial and aerial work platform market conditions and has concluded it is appropriate to value Tanfield's investment in Snorkel based on what the Board understands are the contractual arrangements and so at an amount based on the Preferred Interest amount of £19.1m, compared to the 31 December 2017 valuation of £36.3m which attributed a variable element linked to Snorkel's potential future EBITDA.

CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (continued)

This valuation has been assessed against various criteria, including past performance (including but not limited to a growth in sales, 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 1 January 2018 to 31 March 2019, the range of the GBP to USD exchange rate has a low of 1.252 and a high of 1.433, the average being 1.329. If £19.1m is assumed to represent the average exchange rate then based on the low of 1.252 the valuation increases by approximately 6% to £20.3m and based on the high of 1.433 the valuation reduces by approximately 8% to £17.7m giving a potential movement of 14% in the valuation. There is an added element of uncertainty in the foreign currency markets due to the extended 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.

If the assumption is made that both the progress within Snorkel and the wider global market conditions will continue to improve, then the Board note that the valuation could potentially increase beyond £19.1m which is underpinned by the Preferred Interest element. However, the Board has considered various Snorkel trading scenarios, based around a continuing sales growth trend and does not believe the valuation is likely to materially increase from £19.1m in the near future.

The Board however caveat that a number of factors could influence the valuation and performance of Snorkel between now and a potential realisation date, including Xtreme's opinion of the contractual agreements and their negotiating stance. Due to the risks involved with the ongoing different opinions regarding the contractual agreements, it is possible the actual realisation of value could be less than the current valuation. Given the risks, the Board has considered whether a further impairment loss should be recognised but have concluded that based on their understanding of the contractual agreements in place, no further impairment is required at this time.

Whilst the timing and quantum of realisation of the investment remains unclear, the Tanfield Board is currently of the opinion that the investment in Snorkel will result in a return to shareholders in the future and that the current value of the investment of £19.1m remains appropriate.

NOTES TO THE ACCOUNTS

1. Staff costs

	2018	2017
	£000's	£000's
Aggregate remuneration comprised		
Wages and salaries	72	81
Other pension costs	2	2
Total staff costs	74	83
	2018	2017
	No.	No.
Average monthly number of employees		
Directors	2	2
Total	2	2

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 page 7.

2. Finance expense and finance income

	2018	2017
	£000's	£000's
Finance expense		
Interest	-	-
Total finance expense	-	-
	2018	2017
	£000's	£000's
Finance income		
Interest on cash, cash equivalents & financial instruments	1	-
Total finance income	1	-

3. Other operating expenses

	2018	2017
	£000's	£000's
Property related expenses	40	43
Auditor's remuneration (see below)	25	26
Other operating expenses	84	80
Total operating expenses	149	149

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:

	2018	2017
	£000's	£000's
Audit Services		
• statutory audit of accounts	23	24
Other services relating to taxation		
• compliance services	2	2
	25	26
Comprising		
• Audit services	23	24
• Non audit services	2	2

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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:

	2018 £000's	2017 £000's
Loss before taxation	(17,377)	(148)
Notional taxation charge at UK rate of 19% (2017: 19.25%)	(3,302)	(28)
Effects of:		
Non-deductible expenses	3,265	-
Deferred tax asset not recognised in the period	37	28
Total taxation charge in the income statement	-	-

The Company has tax losses of approximately £3.8m (2017: £3.6m) 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 10.35p (2017: 14.10p).

	2018 No. 000's	2017 No. 000's
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	158,070	156,324
Effect of dilutive potential ordinary shares from share options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	158,070	156,324

Loss

	2018 £000's	2017 £000's
From operations		
Loss for the purposes of basic earnings per share being net profit attributable to owners of the parent	(17,377)	(148)
Potential dilutive ordinary shares from share options	-	-
Loss for the purposes of diluted earnings per share	(17,377)	(148)
Loss per share from operations		
Basic and diluted (p)	(10.99)	(0.09)

6. Non current investments

A summary of the Non current investments is shown below:

	2018 £000's	2017 £000's
Investment in Smith Electric Vehicles US Corp	-	-
Investment in Snorkel International Holdings LLC	19,100	36,283
Total non current investments	19,100	36,283

Smith Electric Vehicles US Corp

At 31 December 2018, the Company held a 5.76% (2017: 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 2018, the Company held a 49% (2017: 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 (2018: £19,100k, 2017: £36,283k). The cumulative impairment provision against this investment is £17,183k (2017: £nil). See Strategic Report for further considerations.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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.

	2018 £000's	2017 £000's
Cash and cash equivalents	188	134

8. Trade and other receivables

	2018 £000's	2017 £000's
Receivable within one year		
Other debtors and prepayments	11	13
	11	13

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.

	2018 £000's	2017 £000's
Payable within one year		
Trade payables	18	23
Social security and other taxes	1	1
Accrued expenses	33	32
	52	56
Average credit period taken on trade purchases (days) ^a	45	65

^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 2017	5p	156,323,517	7,816	17,190
At 31 December 2017	5p	156,323,517	7,816	17,190
New share issue 28 February 2018 ^a	5p	2,083,333	104	146
At 31 December 2018	5p	158,406,850	7,920	17,336

^a On 22 February 2018 the Company announced that it had conditionally raised gross proceeds of £250k. These funds were raised by way of a placing of 2,083,333 new Ordinary Shares of 5 pence ("Shares") with institutional investors at a price of 12.0 pence per Share which were issued onto the AIM market on 28 February 2018.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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 2018 and 2017 are shown below.

	2018		2017	
	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	4,100,000	27	4,300,000	26
Lapsed	-	-	(200,000)	5
Outstanding at the end of the year	4,100,000	27	4,100,000	27
Exercisable	4,100,000	27	4,100,000	27

The outstanding options at 31 December 2018 had a weighted average remaining contractual life of 2.0 years (2017: 3.0 years)

The following table relates to share options outstanding and exercisable at 31 December 2018

Exercise price (pence)	Option exercise prices	
	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 (2017: £nil), a credit directly to equity of £nil (2017: £nil) and a reserves transfer of £nil (2017: £128k) 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:

	2018 £000's	2017 £000's
Trade and other receivables	2	4
Cash and cash equivalents	188	134
	190	138

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.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

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
2018				
Trade and other payables	52	-	-	52
	52	-	-	52
2017				
Trade and other payables	56	-	-	56
	56	-	-	56

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 2018, the GBP to USD exchange rate averaged 1.3350 with a low of 1.2697 and a high of 1.4332. 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 page 7.

	2018 £000's	2017 £000's
Salaries and short term benefits including NI	72	81
Post employment benefits	2	2
	74	83

15. Retirement benefits

The Company operates a defined contribution retirement benefit plan for all qualifying employees. The total cost charged to income of £2k (2017: £2k) represents contributions payable to that scheme by the Company at rates specified in the rules of the scheme. As at 31 December 2018, contributions of £nil (2017: £nil) due in respect of the current reporting period had not been paid over to the scheme.

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16. Financial instruments recognised in the statement of financial position

Assets	2018			2017		
	Amortised cost £000's	Fair value through profit and loss £000's	Total £000's	Loans and receivables £000's	Fair value through profit and loss £000's	Total £000's
Current financial assets						
Trade and other receivables	2	-	2	4	-	4
Investments	-	19,100	19,100	-	36,283	36,283
Cash and cash equivalents	188	-	188	134	-	134
Total	190	19,100	19,290	138	36,283	36,421
Liabilities						
Liabilities	2018		2017		2016	
	Other financial liabilities £000's	Held for trading £000's	Total £000's	Other financial liabilities £000's	Held for trading £000's	Total £000's
Current liabilities						
Trade and other payables	51	-	51	55	-	55
Total	51	-	51	55	-	55

Financial assets and liabilities measured at fair value are measured using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:-

- Level 1 – Unadjusted quoted prices in active markets for identical asset or liabilities ('quoted prices');
- Level 2 – Inputs (other than quoted prices in active markets for identical assets or liabilities) that are directly or indirectly observable for the asset or liability ('observable inputs'); or
- Level 3 – Inputs that are not based on observable market data ('unobservable inputs').

All of the company's financial assets and liabilities measured at fair value are measured using level 3 valuations in both the year ended 31 December 2018 and the year ended 31 December 2017.

The fair value investment is measured against the contractual terms of the joint venture with Xtreme, as detailed in the circular distributed to shareholders to fully explain the terms of the transaction – and thereby seek their authority to enter into the transaction. Further details are provided in the strategic report on pages 3 and 4 and in the critical accounting estimates and key judgements on pages 18 and 19.

17. Investments

The tables below give brief details of the Company's investments at 31 December 2018. The Company had no operating subsidiaries as of 31 December 2018.

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 £0.23m through the placing of 4,500,000 ordinary shares at a price of 5 pence per share on 31 May 2019. The shares were admitted to trading on AIM, a market operated by the London Stock Exchange plc, on 6 June 2019.