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Tanfield Group Plc
("Tanfield", or "the Company")

Interim Results for the six-month period to 30 June 2019

Tanfield, an investing company as defined by AIM Rules, announces its half year results for the period ending 30 June 2019. The unaudited financial information will shortly be available on the Company website at www.tanfieldgroup.com.

Background

The Company is currently defined as an investing company that has two passive investments. This status resulted from the disposal of Smith Electric Vehicles in 2010 and the transfer of the Snorkel division to Snorkel International Holdings LLC ("Snorkel") in October 2013. Tanfield currently owns 49% of Snorkel and 5.76% of Smith Electric Vehicles Corp. ("Smith").

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.

Summary

- As reported in the 2018 interim results, the Board impaired the Snorkel investment value to £19.1m, representing approximately 11.7p per share.
- Smith continues to be held at a nil balance sheet value following the impairment of the investment at the end of 2015.
- As reported 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 discussions are ongoing.
- The Board remain of the opinion that the Preferred Interest, being the calculated value placed on the assets Tanfield transferred to the joint venture, 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. Therefore, the Board deem this to be an appropriate basis for determining the value the investment is to be carried at.
- 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. 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, and so feel the valuation of £19.1m should be maintained.

- Should Xtreme attempt to acquire Tanfield's 49% interest in Snorkel for an unacceptable value, the Board will vigorously defend its position that the Preferred Interest is payable.
- The Company's operating loss in H1 2019 increased to £127k (H1 2018: £94k) as a consequence of additional legal fees during the period, with the retained loss for the period being £127k (H1 2018: £17.3m, including a £17.2m impairment of the Snorkel investment).

Overview of investments

Based on the unaudited financial information received from Snorkel, during the first 6 months of 2019 the business achieved further sales growth resulting in sales of US\$112.5m, an increase of around 17% compared to H1 2018 when sales were US\$96.3m. Should the trend of sales growth continue for the remainder of the year, the Board believes 2019 could see total sales of around US\$230m (2018: US\$201m).

The reported gross profit for the period was US\$13.8m, an increase of \$1.5m compared to H1 2018 (US\$12.3m) however, the gross profit margin reduced slightly to 12.2% compared to 12.7% in H1 2018. Selling, general and administrative costs increased to US\$12.7m (2018: US\$11.5m) during the period, resulting in an operating profit, excluding depreciation, of US\$1.1m (H1 2018 US\$0.8m).

The reported EBITDA for the last 12 month period, ending June 2019, is US\$3.2m. The Board did not receive the information necessary to provide a comparison for the 12 month period ending June 2018, and the closest comparison available is for the 12 month period ending September 2018, which saw a last 12 month EBITDA of US\$1.8m reported.

The Board is unable to provide an opinion at this juncture on the profit expectation for the remainder of 2019.

In 2015 the investment in Smith was impaired to nil due to the uncertainty around its future and the level of funding it required. The situation continues to be monitored but the Board is of the opinion that it is highly unlikely that any value will materialise from the investment.

For further information:

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDING 30 JUNE 2019

	Six months to 30 Jun 19 (unaudited) £000's	Six months to 30 Jun 18 (unaudited) £000's	Year to 31 Dec 18 (audited) £000's
Revenue	-	-	-
Staff costs	(32)	(32)	(74)
Other operating income	11	15	28
Other operating expenses	(106)	(77)	(149)
Loss from operations before impairments	(127)	(94)	(195)
Impairment of Investments	-	(17,183)	(17,183)
Loss from operations after impairments	(127)	(17,277)	(17,378)
Finance expense	-	-	-
Finance income	-	-	1
Net finance expense	-	-	1
Loss from operations before tax	(127)	(17,277)	(17,377)
Taxation	-	-	-
Loss & total comprehensive income for the period attributable to equity shareholders	(127)	(17,277)	(17,377)
Loss per share from operations			
Basic and diluted (p)	(0.08)	(10.95)	(10.99)

BALANCE SHEET

AS AT 30 JUNE 2019

	30 Jun 19 (unaudited) £000's	30 Jun 18 (unaudited) £000's	31 Dec 18 (audited) £000's
Non current assets			
Non current Investments	19,100	19,100	19,100
	19,100	19,100	19,100
Current assets			
Trade and other receivables	35	32	11
Cash and cash equivalents	273	255	188
	308	287	199
Total assets	19,408	19,387	19,299
Current liabilities			
Trade and other payables	63	40	52
	63	40	52
Total liabilities	63	40	52
Equity			
Share capital	8,145	7,920	7,920
Share premium	17,336	17,336	17,336
Share option reserve	331	331	331
Special reserve	66,837	66,837	66,837
Merger reserve	1,534	1,534	1,534
Retained earnings	(74,838)	(74,611)	(74,711)
Total equity	19,345	19,347	19,247
Total equity and total liabilities	19,408	19,387	19,299

STATEMENT OF CHANGES IN EQUITY

	Share capital £000's	Share premium £000's	Share option reserve £000's	Merger reserve £000's	Special reserve £000's	Retained earnings £000's	Total £000's
Six months to 30 June 2019 (unaudited)							
At 1 January 2019	7,920	17,336	331	1,534	66,837	(74,711)	19,247
Comprehensive income							
Loss for the period	-	-	-	-	-	(127)	(127)
Total comprehensive income for the year	-	-	-	-	-	(127)	(127)
Transactions with owners in their capacity as owners:-							
Issuance of new shares	225	-	-	-	-	-	225
At 30 June 2019	8,145	17,336	331	1,534	66,837	(74,838)	19,345
Six months to 30 June 2018 (unaudited)							
At 1 January 2018	7,816	17,190	331	1,534	66,837	(57,334)	36,374
Comprehensive income							
Loss for the period	-	-	-	-	-	(17,277)	(17,277)
Total comprehensive income for the year	-	-	-	-	-	(17,277)	(17,277)
Transactions with owners in their capacity as owners:-							
Issuance of new shares	104	146	-	-	-	-	250
At 30 June 2018	7,920	17,336	331	1,534	66,837	(74,611)	19,347
Year to December 2018 (audited)							
At 1 January 2018	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:-							
Share based payments	104	146	-	-	-	-	250
At 31 December 2018	7,920	17,336	331	1,534	66,837	(74,711)	19,247

CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDING 30 JUNE 2019

	Six months to 30 Jun 19 (unaudited) £000's	Six months to 30 Jun 18 (unaudited) £000's	Year to 31 Dec 18 (audited) £000's
Loss before interest and taxation	(127)	(17,277)	(17,378)
Loss on impairment of investments	-	17,183	17,183
Operating cash flows before movements in working capital	(127)	(94)	(195)
(Increase)/decrease in receivables	(24)	(20)	2
Increase/(decrease) in payables	11	(15)	(4)
Net cash used in operating activities	(140)	(129)	(197)
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	225	250	250
Net cash from financing activities	225	250	250
Net increase in cash and cash equivalents	85	121	54
Cash and cash equivalents at the start of period	188	134	134
Cash and cash equivalents at the end of the period	273	255	188

1 Basis of preparation

The Interim Report of the Company for the six months ended 30 June 2019 has been prepared in accordance with AIM Rule 18 and not in accordance with IAS34 "Interim Financial Reporting" therefore is not fully in compliance with IFRS.

The half year report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 December 2018 which is available on request from the Company's registered office, Sandgate House, 102 Quayside, Newcastle upon Tyne NE1 3DX or can be downloaded from the corporate website www.tanfieldgroup.com.

2 Accounting Policies

New and amended standards and interpretations effective from 1 January 2019, which have been considered by the Directors, are IFRS16 leases. 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 interim results. Therefore, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those financial statements. In particular, the accounts have been prepared on a going concern basis, and as set out on page 16 of those financial statements.

3 Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

Number of shares	Six months to 30 Jun 19 000's	Six months to 30 Jun 18 000's	Year to 31 Dec 18 000's
Weighted average number of ordinary shares for the purposes of basic earnings per share	159,004	157,727	158,070
Effect of dilutive potential ordinary shares from share options	-	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	159,004	157,727	158,070
Loss	Six months to 30 Jun 19 £000's	Six months to 30 Jun 18 £000's	Year to 31 Dec 18 £000's
From operations			
Loss for the purposes of basic earnings per share being net profit attributable to owners of the parent	(127)	(17,277)	(17,377)
Potential dilutive ordinary shares from share options	-	-	-
Loss for the purposes of diluted earnings per share	(127)	(17,277)	(17,377)
Loss per share from operations			
Basic and diluted (p)	(0.08)	(10.95)	(10.99)