

## **The Tanfield Group Plc ("Tanfield", or "the Company")**

### **Interim Results for the six-month period to 30 June 2014**

Tanfield Group Plc, an investing company as defined by AIM Rules, announces its half year results for the period ending 30 June 2014. The unaudited financial statements are available on the Company website at [www.tanfieldgroup.com](http://www.tanfieldgroup.com).

#### **Summary**

- Positive update on Snorkel
  - Valuation of holding in Snorkel: £36.28 million (\$60.1 million)
- Smith Electric Vehicles:
  - Acquisition of OTCBB target completed
  - Planned OTCBB listing and subsequent planned US National Exchange flotation
  - Planned completion of Series E funding
  - Valuation of holding in Smith: £1.28 million (\$2.11 million) equity and £2.78 million (\$4.75 million) debt
- Based on revised, positive outlook for short-term realisation of value:
  - No requirement for an Open Offer to shareholders
  - No current proposed change in investment strategy
- Date of AGM 30 September 2014

#### **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 disposal of Snorkel Europe Limited in October 2013. Tanfield Group Plc currently owns 24% of Smith Electric Vehicles Corp. ("Smith") and 49% of Snorkel International Holdings LLC ("Snorkel"). The Directors believe that these investments have the potential to provide a return of value to shareholders over time.

The strategy of the company in relation to these investments is to return as much of the realised value in these investments as soon possible to shareholders as and when they occur. The way that value will be returned to shareholders is under review.

#### **Overview of current investments**

##### **Snorkel**

The Snorkel business continues to progress well. The new entity in which Tanfield holds its interest is an LLC organised under US law with Tanfield owning 49%. Both production and the order book continue to increase. The annualised run rate of sales currently exceeds \$100 million. Significant new working capital of in excess of \$30m has been introduced into the business. Restructuring has taken place to reduce the breakeven of the business. The Board of Tanfield is confident that the Snorkel business continues to move towards meaningful profitability.

The carrying value of Tanfield's investment in Snorkel is £36.28 million. This represents a value per share of 25.6p.

### **Smith Electric Vehicles**

Smith has executed the acquisition of American Business Services, Inc (ABSR), an OTCBB company, by acquiring 85% of the common stock of ABSR. Smith is in the process of completing its Series E funding round, expected to raise up to \$20 million. On the closing of this funding round Smith then intends to complete the merger with ABSR and become a publicly traded company on the OTCBB

### **Proposed subsequent flotation on a US National Exchange**

As previously announced on 20 May 2014, following the completion of the merger with ABSR Smith intends to apply for a Listing on a US national exchange. Subject to meeting the applicable listing requirements, it is proposed that Smith will apply to list on NYSE or NASDAQ upon completion of a subsequent underwritten offering. This is in order to satisfy the waiver of the one year seasoning requirement, a regulation relating primarily to applicant companies that have previously been traded on another exchange, and the reporting of information.

### **Realisation of Smith Investment**

It is currently anticipated that Tanfield Group could have tradable NYSE or NASDAQ listed stock in ABSR after 180 day lock in expires from the date that Smith becomes a publicly traded company on the OTCBB.

### **Strategy of the Board of Directors' in relation to its current investment status**

The Tanfield Group Board has now decided that in the light of the potential realisation of its investment in Smith Electric Vehicles, it will not pursue an open offer to shareholders, as previously indicated in its announcement of 2 June 2014. In addition the Board has also decided not to seek to change its current investment strategy, but feels it prudent to keep this under review.

It is the aim of the Board to return any value realisation from its investments in Smith and Snorkel to shareholders as soon as these events occur and circumstances allow. If and when opportunities arise, the methods of return of value will be decided on the basis of the most cost effective and efficient ways available at the time.

### **AGM**

The Company's AGM will be held at 10:00am on 30 September 2014 at the Company's registered office, Sandgate House, 102 Quayside, Newcastle upon Tyne, NE1 3DX. A notice of AGM will be sent out in due course and will be available on the Company website [www.tanfieldgroup.com](http://www.tanfieldgroup.com).

For further information:

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# STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDING 30 JUNE 2014

	Six months to 30 Jun 14 (unaudited) £000's	Six months to 30 Jun 13 (unaudited) £000's	Year to 31 Dec 13 (audited) £000's
<b>Revenue</b>	-	<b>1,270</b>	<b>2,223</b>
Staff costs	(56)	(909)	(2,606)
Depreciation and amortisation expense		-	-
Other operating income	9	-	-
Other operating expenses	(82)	(443)	(679)
<b>Loss from operations before impairments</b>	<b>(129)</b>	<b>(82)</b>	<b>(1,062)</b>
Impairment of Investments	-	-	(1,357)
Intercompany loan forgiveness	-	-	(17,141)
Adjustment to fair value of investments	-	-	26,984
<b>Profit/(loss) from operations after impairments</b>	<b>(129)</b>	<b>(82)</b>	<b>7,424</b>
Finance expense	(139)	-	(80)
Finance income	7	22	48
<b>Net finance (expense) income</b>	<b>(132)</b>	<b>22</b>	<b>(32)</b>
<b>Profit/(loss) from operations before tax</b>	<b>(261)</b>	<b>(60)</b>	<b>7,392</b>
Taxation	-	-	-
<b>Profit/(loss) &amp; total comprehensive income for the year attributable to equity shareholders</b>	<b>(261)</b>	<b>(60)</b>	<b>7,392</b>

## Earnings/(loss) per share

Earnings/(loss) per share from operations

Basic (p)	(0.18)	(0.04)	5.40
Diluted (p)	(0.18)	(0.04)	5.29

# BALANCE SHEET

AS AT 30 JUNE 2014

	30 Jun 14 (unaudited) £000's	30 Jun 13 (unaudited) £000's	31 Dec 13 (audited) £000's
<b>Non current assets</b>			
Non current Investments	37,563	-	37,563
Investments in subsidiaries	-	11,965	-
	<b>37,563</b>	<b>11,965</b>	<b>37,563</b>
<b>Current assets</b>			
Trade and other receivables	2,574	19,719	2,902
Deferred consideration	341	339	349
Cash and cash equivalents	257	380	375
	<b>3,172</b>	<b>20,438</b>	<b>3,626</b>
<b>Total assets</b>	<b>40,735</b>	<b>32,403</b>	<b>41,189</b>
<b>Current liabilities</b>			
Trade and other payables	1,581	624	1,885
	<b>1,581</b>	<b>624</b>	<b>1,885</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,581</b>	<b>624</b>	<b>1,885</b>
<b>Equity</b>			
Share capital	7,086	6,975	6,975
Share premium	16,262	16,262	16,262
Share option reserve	862	1,966	1,904
Special reserve	66,837	66,837	66,837
Merger reserve	1,534	1,534	1,534
Retained earnings	(53,427)	(61,796)	(54,208)
<b>Total equity</b>	<b>39,153</b>	<b>31,778</b>	<b>39,304</b>
<b>Total equity and total liabilities</b>	<b>40,735</b>	<b>32,402</b>	<b>41,189</b>

## 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
<b>For the 6 month period ended 30 June 2014</b>							
<b>At 1 January 2014</b>	<b>6,975</b>	<b>16,262</b>	<b>1,904</b>	<b>1,534</b>	<b>66,837</b>	<b>(54,208)</b>	<b>39,304</b>
<b>Comprehensive income</b>							
Loss for the year	-	-	-	-	-	(261)	(261)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(261)</b>	<b>(261)</b>
Transactions with owners in their capacity as owners:-							
Share options exercised	111	-	(1,042)	-	-	1,042	111
<b>At 30 June 2014</b>	<b>7,086</b>	<b>16,262</b>	<b>862</b>	<b>1,534</b>	<b>66,837</b>	<b>(53,427)</b>	<b>39,154</b>
<b>For the 6 month period ended 30 June 2013</b>							
<b>At 1 January 2013</b>	<b>6,450</b>	<b>14,823</b>	<b>1,885</b>	<b>1,534</b>	<b>66,837</b>	<b>(61,736)</b>	<b>29,793</b>
<b>Comprehensive income</b>							
Loss for the year	-	-	-	-	-	(60)	(60)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>(60)</b>
Transactions with owners in their capacity as owners:-							
Issuance of new shares	525	1,439	-	-	-	-	1,964
Share based payments	-	-	81	-	-	-	81
<b>At 30 June 2013</b>	<b>6,975</b>	<b>16,262</b>	<b>1,966</b>	<b>1,534</b>	<b>66,837</b>	<b>(61,796)</b>	<b>31,778</b>
<b>For the year ended 31 December 2013</b>							
<b>At 1 January 2013</b>	<b>6,450</b>	<b>14,823</b>	<b>1,885</b>	<b>1,534</b>	<b>66,837</b>	<b>(61,736)</b>	<b>29,793</b>
<b>Comprehensive income</b>							
Profit for the year	-	-	-	-	-	7,392	7,392
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,392</b>	<b>7,392</b>
Transactions with owners in their capacity as owners:-							
Issuance of new shares	525	1,439	-	-	-	-	1,964
Share based payments	-	-	19	-	-	136	155
<b>At 31 December 2013</b>	<b>6,975</b>	<b>16,262</b>	<b>1,904</b>	<b>1,534</b>	<b>66,837</b>	<b>(54,208)</b>	<b>39,304</b>

## CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDING 30 JUNE 2014

	Six months to 30 Jun 14 (unaudited) £000's	Six months to 30 Jun 13 (unaudited) £000's	Year to 31 Dec 13 (audited) £000's
Profit/(loss) before interest and taxation	(129)	(82)	7,424
Loss on current asset currency fluctuations	(95)	-	27
Adjustment to fair value of investment	-	-	(26,650)
Loss on intercompany loan write off	-	-	17,141
Loss on impairment of investments	-	-	1,357
<b>Operating cash flows before movements in working capital</b>	<b>(224)</b>	<b>(82)</b>	<b>(701)</b>
(Increase)/decrease in receivables	337	(2,132)	(1,513)
Increase/(decrease) in payables	(305)	207	270
<b>Net cash (used in) operations</b>	<b>(192)</b>	<b>(2,007)</b>	<b>(1,944)</b>
Interest paid	(44)	-	(80)
<b>Net cash used in operating activities</b>	<b>(236)</b>	<b>(2,007)</b>	<b>(2,024)</b>
<b>Cash flow from Investing Activities</b>			
Purchase of investments	-	-	-
Loan to Smith Electric Vehicles US Corp	-	-	-
Interest received	7	22	34
<b>Net cash from/(used in) investing activities</b>	<b>7</b>	<b>22</b>	<b>34</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of ordinary shares net of costs	111	1,963	1,963
<b>Net cash from financing activities</b>	<b>111</b>	<b>1,963</b>	<b>1,963</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(118)</b>	<b>(22)</b>	<b>(27)</b>
Cash and cash equivalents at the start of year	375	402	402
<b>Cash and cash equivalents at the end of the year</b>	<b>257</b>	<b>380</b>	<b>375</b>

## 1 Basis of preparation

The Interim Report of the Company for the six months ended 30 June 2014 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 2013 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](http://www.tanfieldgroup.com).

## 2 Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those financial statements. In particular, the accounts have been prepared on a going concern basis, and as set out on page 17 of those financial statements.

## 3 Earnings/(loss) per share

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

<b>Number of shares</b>	<b>Six months to 30 Jun 14 000's</b>	<b>Six months to 30 Jun 13 000's</b>	<b>Year to 31 Dec 13 000's</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>141,427</b>	134,223	136,879
Effect of dilutive potential ordinary shares from share options	<b>720</b>	2,891	2,883
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>142,147</b>	137,114	139,762

  

<b>Earnings</b>	<b>Six months to 30 Jun 14 £000's</b>	<b>Six months to 30 Jun 13 £000's</b>	<b>Year to 31 Dec 13 £000's</b>
<b>From operations</b>			
Earnings/(loss) for the purposes of basic earnings per share being net profit attributable to owners of the parent	(261)	(60)	7,392
Potential dilutive ordinary shares from share options	-	-	-
Earnings/(loss) for the purposes of diluted earnings per share	(261)	(60)	7,392

  

<b>Earnings/(loss) per share from operations</b>			
Basic (p)	(0.18)	(0.04)	5.40
Diluted (p) <sup>a</sup>	(0.18)	(0.04)	5.29

<sup>a</sup>IAS33 defines dilution as a reduction in earnings per share or an increase in loss per share resulting from the assumption that options are exercised. As the potential dilutive ordinary shares from share options reduce the loss per share these shares are omitted from the dilutive loss per share calculation in 2012.