

## Tanfield Group Plc

("Tanfield", or "the Company")

### Interim Results for the six-month period to 30 June 2018

Tanfield, an investing company as defined by AIM Rules, announces its half year results for the period ending 30 June 2018. The unaudited financial information will shortly be available on the Company website at [www.tanfieldgroup.com](http://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 disposal of Snorkel Europe Limited in October 2013. Tanfield currently owns 49% of Snorkel International Holdings LLC ("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 Snorkel Investment Update on 20 September 2018, the Board have impaired the Snorkel investment value to £19.1m (\$25.3m), which represents approximately 12p per share.
- Smith continues to be held at a nil balance sheet value following the impairment of the investment at the end of 2015.
- In June 2018, Snorkel indicated to the Board that it expects Xtreme will cause SKL Holdings to exercise its call option at the earliest opportunity, in October 2018. However, this has not been confirmed by Xtreme or SKL Holdings.
- Based on the information currently available to the Board, it is likely that the trailing 12 month EBITDA at October 2018 will result in the price of the call option being at best a modest amount, possibly nil, but this will need to be validated at the time and consequently the Board has restricted its current valuation of the Company's interest in Snorkel to the priority amount and preferred return values only.
- As reported in the Snorkel Investment Update on 20 September 2018, Charles Brooks, the former Chief Financial Officer of Tanfield Group Plc who had significant input in to the key documents pertaining to the joint venture between Tanfield and Xtreme and whose employment transferred following the joint venture and who is now the Chief Financial Officer at both Snorkel and Xtreme, has made assertions that the preferred interest position is only applicable until 30 September 2018, after which date the value will be nil. The Board do not agree with the assertions made by Mr Brooks and are of the belief that the intent of the agreement requires the payment of the preferred interest position prior to or in conjunction with Xtreme seeking to exercise the call option to acquire Tanfield's equity in Snorkel.
- Whilst there is no formal dispute with Xtreme currently, the Board has inferred from its correspondence with Mr Brooks that this may occur in due course. Should Xtreme attempt to exercise its call option and dispute that the adjusted preferred interest position is payable, the Board will vigorously defend its position that the preferred interest is payable.
- The Company's operating loss in H1 2018 reduced to £94k (H1 2017: £109k). The retained loss for the period, after a £17.2m impairment of the Snorkel investment valuation, was £17.3m (H1 2017: £0.1m).

## Overview of investments

Based on the unaudited financial information received from Snorkel, during the first six months of 2018 the business achieved further sales growth resulting in sales of \$96.3m, an increase of 21% compared to H1 2017 when sales were \$79.7m. Should the trend of sales growth continue for the remainder of the year, the Board believes 2018 could see sales in excess of \$200m. The reported gross profit for the period was \$12.3m, an increase of \$1.7m compared to H1 2017 (\$10.6m). Despite the \$1.7m increase in gross profit, the operating profit, excluding depreciation, saw a \$0.7m decrease to \$0.8m compared to H1 2017 (\$1.5m). This was as a result of a material increase in selling, general and admin costs of \$2.4m during the first 6 months of 2018, up to \$11.5m in H1 2018 from \$9.1m in H1 2017. As a comparison, the value of selling, general and admin costs in H1 2016 was \$8.9m which is consistent with the H1 2017 value of \$9.1m.

As referenced in the summary, whilst there is no formal dispute with Xtreme currently, should Xtreme attempt to exercise its call option and dispute that the adjusted preferred interest position is payable, the Board will vigorously defend its position that the preferred interest is payable.

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 2018

|   | Six months to<br>30 Jun 18<br>(unaudited)<br>£000's | Six months to<br>30 Jun 17<br>(unaudited)<br>£000's | Year to<br>31 Dec 17<br>(audited)<br>£000's |
|---|---|---|---|
| <b>Revenue</b>  | -   | -   | -   |
| Staff costs   | (32)  | (44)  | (83)  |
| Other operating income  | 15  | 16  | 84  |
| Other operating expenses  | (77)  | (81)  | (149)                                       |
| <b>Loss from operations before impairments</b>  | <b>(94)</b>   | <b>(109)</b>  | <b>(148)</b>                                |
| Impairment of Investments   | (17,183)  | -   | -   |
| <b>Loss from operations after impairments</b>   | <b>(17,277)</b>                                     | <b>(109)</b>  | <b>(148)</b>                                |
| Finance expense   | -   | -   | -   |
| Finance income  | -   | -   | -   |
| <b>Net finance expense</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>                                    |
| <b>Loss from operations before tax</b>  | <b>(17,277)</b>                                     | <b>(109)</b>  | <b>(148)</b>                                |
| Taxation  | -   | -   | -   |
| <b>Loss &amp; total comprehensive income for the period attributable to equity shareholders</b> | <b>(17,277)</b>                                     | <b>(109)</b>  | <b>(148)</b>                                |
| <b>Loss per share from operations</b>   |   |   |   |
| Basic and diluted (p)   | (11.0)  | (0.1)   | (0.1)                                       |

# BALANCE SHEET

AS AT 30 JUNE 2018

|   | 30 Jun 18<br>(unaudited)<br>£000's | 30 Jun 17<br>(unaudited)<br>£000's | 31 Dec 17<br>(audited)<br>£000's |
|---|------------------------------------|------------------------------------|----------------------------------|
| <b>Non current assets</b>                 |                                    |                                    |                                  |
| Non current Investments                   | 19,100                             | 36,283                             | 36,283                           |
|   | 19,100                             | 36,283                             | 36,283                           |
| <b>Current assets</b>                     |                                    |                                    |                                  |
| Trade and other receivables               | 32                                 | 65                                 | 13                               |
| Cash and cash equivalents                 | 255                                | 166                                | 134                              |
|   | 287                                | 231                                | 147                              |
| <b>Total assets</b>                       | <b>19,387</b>                      | <b>36,514</b>                      | <b>36,430</b>                    |
| <b>Current liabilities</b>                |                                    |                                    |                                  |
| Trade and other payables                  | 40                                 | 101                                | 56                               |
|   | 40                                 | 101                                | 56                               |
| <b>Total liabilities</b>                  | <b>40</b>                          | <b>101</b>                         | <b>56</b>                        |
| <b>Equity</b>                             |                                    |                                    |                                  |
| Share capital                             | 7,920                              | 7,816                              | 7,816                            |
| Share premium                             | 17,336                             | 17,190                             | 17,190                           |
| Share option reserve                      | 331                                | 459                                | 331                              |
| Special reserve                           | 66,837                             | 66,837                             | 66,837                           |
| Merger reserve                            | 1,534                              | 1,534                              | 1,534                            |
| Retained earnings                         | (74,611)                           | (57,423)                           | (57,334)                         |
| <b>Total equity</b>                       | <b>19,347</b>                      | <b>36,413</b>                      | <b>36,374</b>                    |
| <b>Total equity and total liabilities</b> | <b>19,387</b>                      | <b>36,514</b>                      | <b>36,430</b>                    |

## STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br>£000's | Share<br>premium<br>£000's | Share<br>option<br>reserve<br>£000's | Merger<br>reserve<br>£000's | Special<br>reserve<br>£000's | Retained<br>earnings<br>£000's | Total<br>£000's |
|--|----------------------------|----------------------------|--------------------------------------|-----------------------------|------------------------------|--------------------------------|-----------------|
| <b>For the 6 month period ended 30 June 2018</b>       |                            |                            |                                      |                             |                              |                                |                 |
| <b>At 1 January 2018</b>                               | <b>7,816</b>               | <b>17,190</b>              | <b>331</b>                           | <b>1,534</b>                | <b>66,837</b>                | <b>(57,334)</b>                | <b>36,374</b>   |
| <b>Comprehensive income</b>                            |                            |                            |                                      |                             |                              |                                |                 |
| Loss for the period                                    | -                          | -                          | -                                    | -                           | -                            | (17,277)                       | (17,277)        |
| <b>Total comprehensive income for the year</b>         | <b>-</b>                   | <b>-</b>                   | <b>-</b>                             | <b>-</b>                    | <b>-</b>                     | <b>(17,277)</b>                | <b>(17,277)</b> |
| Transactions with owners in their capacity as owners:- |                            |                            |                                      |                             |                              |                                |                 |
| Issuance of new shares                                 | 104                        | 146                        | -                                    | -                           | -                            | -                              | 250             |
| <b>At 30 June 2018</b>                                 | <b>7,920</b>               | <b>17,336</b>              | <b>331</b>                           | <b>1,534</b>                | <b>66,837</b>                | <b>(74,611)</b>                | <b>19,347</b>   |
| <b>For the 6 month period ended 30 June 2017</b>       |                            |                            |                                      |                             |                              |                                |                 |
| <b>At 1 January 2017</b>                               | <b>7,816</b>               | <b>17,190</b>              | <b>459</b>                           | <b>1,534</b>                | <b>66,837</b>                | <b>(57,314)</b>                | <b>36,522</b>   |
| <b>Comprehensive income</b>                            |                            |                            |                                      |                             |                              |                                |                 |
| Loss for the period                                    | -                          | -                          | -                                    | -                           | -                            | (109)                          | (109)           |
| <b>Total comprehensive income for the year</b>         | <b>-</b>                   | <b>-</b>                   | <b>-</b>                             | <b>-</b>                    | <b>-</b>                     | <b>(109)</b>                   | <b>(109)</b>    |
| <b>At 30 June 2017</b>                                 | <b>7,816</b>               | <b>17,190</b>              | <b>459</b>                           | <b>1,534</b>                | <b>66,837</b>                | <b>(57,423)</b>                | <b>36,413</b>   |
| <b>For the year ended 31 December 2017</b>             |                            |                            |                                      |                             |                              |                                |                 |
| <b>At 1 January 2017</b>                               | <b>7,816</b>               | <b>17,190</b>              | <b>459</b>                           | <b>1,534</b>                | <b>66,837</b>                | <b>(57,314)</b>                | <b>36,522</b>   |
| <b>Comprehensive income</b>                            |                            |                            |                                      |                             |                              |                                |                 |
| Loss for the year                                      | -                          | -                          | -                                    | -                           | -                            | (148)                          | (148)           |
| <b>Total comprehensive income for the year</b>         | <b>-</b>                   | <b>-</b>                   | <b>-</b>                             | <b>-</b>                    | <b>-</b>                     | <b>(148)</b>                   | <b>(148)</b>    |
| Transactions with owners in their capacity as owners:- |                            |                            |                                      |                             |                              |                                |                 |
| Share based payments                                   | -                          | -                          | (128)                                | -                           | -                            | 128                            | -               |
| <b>At 31 December 2017</b>                             | <b>7,816</b>               | <b>17,190</b>              | <b>331</b>                           | <b>1,534</b>                | <b>66,837</b>                | <b>(57,334)</b>                | <b>36,374</b>   |

## CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDING 30 JUNE 2018

|   | Six months<br>to 30 Jun 18<br>(unaudited)<br>£000's | Six months<br>to 30 Jun 17<br>(unaudited)<br>£000's | Year to<br>31 Dec 17<br>(audited)<br>£000's |
|---|---|---|---|
| Loss before interest and taxation                               | (17,277)  | (109)   | (148)                                       |
| Loss on impairment of investments                               | 17,183  | -   | -   |
| <b>Operating cash flows before movements in working capital</b> | <b>(94)</b>   | <b>(109)</b>  | <b>(148)</b>                                |
| Decrease/(increase) in receivables                              | (20)  | 5   | 48  |
| Increase/(decrease) in payables                                 | (15)  | 1   | (35)  |
| <b>Net cash used in operating activities</b>                    | <b>(129)</b>  | <b>(103)</b>  | <b>(135)</b>                                |
| <b>Cash flow from financing activities</b>                      |   |   |   |
| Proceeds from issuance of ordinary shares net of costs          | 250   | -   | -   |
| <b>Net cash from financing activities</b>                       | <b>250</b>  | <b>-</b>  | <b>-</b>                                    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>     | <b>121</b>  | <b>(103)</b>  | <b>(135)</b>                                |
| Cash and cash equivalents at the start of period                | 134   | 269   | 269   |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>255</b>  | <b>166</b>  | <b>134</b>                                  |

## 1 Basis of preparation

The Interim Report of the Company for the six months ended 30 June 2018 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 2017 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

New and amended standards and interpretations effective from 1 January 2018, which have been considered by the Directors, are IFRS9 financial instruments and IFRS15 revenue from contracts with customers. Given the operational status of the company, the Directors have concluded that these standards and interpretations have no 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 2017, 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:

| <b>Number of shares</b>   | <b>Six months<br/>to 30 Jun 18<br/>000's</b> | <b>Six months<br/>to 30 Jun 17<br/>000's</b> | <b>Year to<br/>31 Dec 17<br/>000's</b> |
|---|--|--|--|
| Weighted average number of ordinary shares for the purposes of basic earnings per share                 | 157,727                                      | 156,324                                      | 156,324                                |
| Effect of dilutive potential ordinary shares from share options   | -  | 129  | -                                      |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share               | 157,727                                      | 156,453                                      | 156,324                                |
| <b>Loss</b>   | <b>Six months<br/>to 30 Jun 18<br/>000's</b> | <b>Six months<br/>to 30 Jun 17<br/>000's</b> | <b>Year to<br/>31 Dec 17<br/>000's</b> |
| <b>From operations</b>  |  |  |  |
| Loss for the purposes of basic earnings per share being net profit attributable to owners of the parent | (17,277)                                     | (109)  | (148)                                  |
| Potential dilutive ordinary shares from share options   | -  | -  | -                                      |
| Loss for the purposes of diluted earnings per share   | (17,277)                                     | (109)  | (148)                                  |
| <b>Loss per share from operations</b>   |  |  |  |
| Basic and diluted (p)   | (11.0)                                       | (0.1)  | (0.1)                                  |