

TANFIELD GROUP PLC REPORT AND FINANCIAL STATEMENTS 2014

Registered in England & Wales

Company number 04061965



REPORT AND FINANCIAL STATEMENTS 2014

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DIRECTORS AND ADVISERS

DIRECTORS

NON-EXECUTIVE

J Pither
RRE Stanley
M Groak

Chairman
Non executive Director
Non executive Director

SECRETARY

D Robinson

Appointed 25 April 2014

REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE

Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

NOMINATED ADVISOR

WH Ireland
24 Martin Lane
London
EC4R 0DR

AUDITOR

Baker Tilly UK Audit LLP
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

NOMINATED BROKER

WH Ireland
24 Martin Lane
London
EC4R 0DR

SOLICITOR

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

NOMINATED BROKER

Peterhouse Corporate Finance Plc
3rd Floor
New Liverpool House
15 Eldon Street
London
EC2M 7LD

REGISTRAR

Capita IRG Plc
Bourne House
34 Beckenham
Beckenham
Kent
BR3 4TH

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

During the year both of the investments made progress which the Board feels brings the realisation of value a step closer. The current combined value per share of investments is 33p per share.

NON-EXECUTIVES' REVIEW

Background

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

OVERVIEW

Snorkel

Tanfield continues to own 49% of Snorkel, which it has held since the disposal of the business in October 2013. The business continued to make steady progress through 2014 in a number of key areas. Production during 2014 increased from recent years and the business took advantage of the general uplift in the market for its products. Following a significant level of working capital invested into the Snorkel business since its disposal, currently in excess of \$45 million, supplier constraints have reduced, allowing both production and the spares business to improve. This has resulted in Snorkel being able to more effectively support its machines in the field. As a result the order book rose to higher levels than when the business was disposed of. Ahern Rental, a related company through ownership of Snorkel, has absorbed the full costs of certain Snorkel assembly and distribution centres as well as consolidating a number of functions onto one site. This strategic restructuring has had the benefit of extending Ahern's reach whilst maintaining Snorkel distribution at a reduced cost, lowering the breakeven level of turnover of the business. The Snorkel business is going through a process of redesigning its catalogue of equipment with a view to increasing the commonality of parts, reducing build cost and improving functionality for the end user. Snorkel is competing for an increasing market share in a very aggressive environment. Its product development program together with cost and price reductions positions Snorkel in this highly competitive market.

Snorkel is targeting to turn over about \$150m in 2015. As expected and indicated in previous announcements the business made a loss through the winter. In the early part of this year the turnover of the business was cycling, on average, at approximately \$9 million per month. It is understood that the break even of the business is between \$10 and \$11 million per month, depending upon the mix of products sold. Through the winter months the order book in Europe was, as expected, relatively flat, although better than in previous years. The European order book has subsequently lifted, although still being impacted by the continuing need to re-establish the Snorkel brand after the severe downturn in the market over the previous five years. The order book in the U.S. supported by orders from Ahern Rentals is much stronger. The sales teams both in Europe and USA have been substantially increased. The Board of Tanfield recognises that Mr Don Ahern, the owner of Extreme and Ahern Rentals has continued to make positive statements about Snorkel in trade magazine articles and has firmly established his commitment to the business by the level of the investment in working capital and in new product development of \$50 million.

Valuation of Snorkel holding

The Board of Tanfield has taken a view of the carrying value of its 49% holding and its preferred interest holding (Loan note) that takes account of risks in the industrial global markets and the normal cycles that operate within these markets. The range of potential valuation can be broad. The valuation has, to an extent, a time driven element. The agreement for the valuation formula to be triggered is over a five year period. At the end of 2014 there were four years left to run on this aspect of the agreement. If the formula is not triggered within the 5 year time frame Tanfield will still retain 49% of the equity. The decision has been made to maintain its valuation of £36.3m (\$60.1m). This valuation has been assessed against a number of criteria using discounted cash flow in relation to the sale and purchase agreement and its valuation formula:

- Level of investment in working capital.
- Capital investment.
- Production capacity.
- Order Book.
- Market conditions.
- Historical capability of the business to ramp up output.

The valuation has not been adjusted for foreign currency fluctuations due to the uncertain nature of future foreign currency markets. Based on the exchange rate at 31 December 2014, the \$60.1m valuation would convert to £38.5m and based on the exchange rate at 1 June 2015, it would convert to £39.5m. This represents approximately 27p per share.

STRATEGIC REPORT (Continued)

Smith

In October 2013 Smith completed a restructuring exercise that saw it convert debt to equity. As a result of this, the Company's equity shareholding went from 24% to 5.76% (excluding warrants).

During the year Smith continued to pursue a business strategy of combined manufacturing and licensing of its technology and has made significant progress towards this goal since the year end. In May 2015 it executed a conditional agreement to form an exclusive joint venture ("the JV") with strategic partner and investor FDG Electric Vehicles Limited ("FDG"). FDG is an international company listed on the Hong Kong Stock Exchange and is a vertically integrated electric vehicle manufacturer engaged in the R&D, production and distribution of all-electric vehicles. Under the terms of the JV, Smith will invest the Smith brand, licence for Newton™ EV design and IP while FDG will invest \$15M in cash and \$30m in assets, licence for commercial EV design and IP. The New Joint Venture entity will be responsible for US product development, sales and marketing and Smith will be responsible for manufacturing and maintain its right to territories outside of the USA. The agreement is conditional on certain conditions precedent including , inter-alia, necessary government approvals and FDG due diligence.

Smith will hold 20 million shares out of a total of 42.5 million which represents a holding of 47%. Under the terms of the JV agreement Smith will distribute all the shares in the JV to its common stockholders on a pro rata basis, of which Tanfield currently hold 5.76%. The Board views these developments as positive and believes the joint forces of Smith and FDG and the combined investment in EV technology presents significant opportunities in a developing EV market.

The Smith Board is still following a strategy of a public listing. On the completion of the merger with ABSR leading to a listing on the OTC, 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 of \$40 million of which FDG is contractually committed to providing \$30 million. 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.

Valuation of Smith holding

Based on the most recent valuation where Smith have raised funds, the Company's 5.76% holding would be valued at £7.0m (\$10.7m). The Board also believes, based on the valuation of the JV that has been agreed between the JV parties in contributing their respective assets, subject to the JV agreement completing, that this will represent approximately £1.5m (\$2.3m) of value to Tanfield giving a combined valuation of approximately £8.5m (\$13.0m). This could represent approximately 6p per share.

Despite Smith recently raising funds based on the valuation above, there remains no active market in these shares and the disposal of Tanfield's shares at those values is not possible at this time. Therefore, the Board is of the opinion that it is correct to continue to value the investment at cost. The realisation value may be higher than its carrying value but because of the uncertainty attached the Board feels it is correct to maintain this position. As a result of the debt conversion, this sees the balance sheet carrying value increase from £1.3m (\$2.0m) at 31 December 2013 to £4.8m (\$7.4m) at 31 December 2014.

It has been agreed by Smith Board that all the warrants granted to Tanfield are now exercisable at a maximum price of \$0.31 cents. It is understood from Smith that it still intends to pursue a listing on a US stock exchange.

Strategy of Tanfield Board of Directors in relation to its Investments

Although the Board cannot predict the timeframe for the return of value in its investments, the Directors believe that its two investments will result in a return of value to shareholders over time. The strategy of the Company in relation to these investments is to return as much as possible of the realised value to shareholders as the events occur and circumstances allow, subject to compliance with any legal requirements associated with such distributions.

The Board takes the view that while there has been progress made by both Snorkel and Smith, there is still a risk of failure. The Board will continue to fulfil its obligation to its shareholders in seeking to optimise the value on 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 income

The interest cost in the period of £91k (2013: £80k) was incurred from loan interest charged during the period and interest income of £624k (2013: £48k) received on deferred consideration and loans with Smith and bank balances.

Taxation

There is no tax charge for the period under review. There is no brought forward deferred tax asset, and none was recognised in the period resulting in no adjustment to deferred tax, consistent with 2013.

Loss from operations

Loss from operations was £0.4m, (2013: £7.4m profit), the most significant difference between 2014 and 2013 being the adjustment to fair value of investments of £27.0m in 2013 and reduced staff costs in 2014 following the resignation of the executive director's.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

STRATEGIC REPORT (Continued)

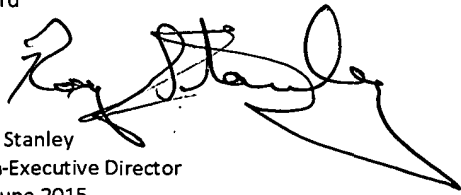
Profit per share

Profit per share from continuing operations was 0.1 pence (2013: 5.4 pence). No dividend has been declared. (2013: nil)

Cash

At 31 December 2014, the Company had cash of £0.4m (2013: £0.4m).

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

A handwritten signature in black ink, appearing to read 'Roy Stanley', with a large, sweeping flourish extending to the right.

Roy Stanley
Non-Executive Director
19 June 2015

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 2014.

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.

RESULTS AND DIVIDENDS

The financial result, for the year to 31 December 2014 reflects the changes to the principal activity of the company to that of an investment company.

Turnover for the year was nil compared with £2.2m in 2013. The operating loss before impairments in the year of £0.4m (2013: £1.1m) arose from operating costs.

The balance sheet remains consistent with prior years with total assets at the end of the year of £41.6m (2013: £41.2m). Net Current Assets were £0.4m (2013: £1.7m) following the conversion of Smith debt to common stock equity with cash balances of £0.4m. The directors believe the Company has sufficient working capital to allow it to continue through to realising value from one of its investments.

No dividend has been paid or proposed for the year (2013: £nil). The profit of £0.1m (2013: £7.4m) has been transferred to reserves.

FINANCIAL INSTRUMENTS

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

RISKS AND UNCERTAINTIES

The business believes it has sufficient cash funds to continue in business for the foreseeable future through to the realisation of value from one of its investments. It recognises that its investments have a level of risk associated with them and is reliant on the continued performance within their respective markets.

DIRECTORS

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

All directors have the right to acquire shares in the company via the exercise of options granted under the terms of their service contracts, copies of which may be inspected by shareholders upon written application to the company secretary. Details of the directors' options to acquire shares are set out in the Directors' Remuneration Report on pages 9 to 10.

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 2014 were 67 days (2013: 71 days).

SUBSTANTIAL SHAREHOLDINGS

On 31 December 2014 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 (UK)	47,719,312	33.20%
CHASE NOMINEES LIMITED	10,675,506	7.43%
THE BANK OF NEW YORK (NOMINEES)	9,887,239	6.88%
RATHBONE NOMINEES LIMITED	9,875,212	6.87%
HARGREAVES LANSDOWN (NOMINEES)	7,594,763	5.28%
FOREST NOMINEES LIMITED	7,385,179	5.14%
VIDACOS NOMINEES LIMITED	7,348,488	5.11%

RRE Stanley holds shares of 8.9% which are held through nominee companies.

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 Baker Tilly UK Audit LLP as auditor will be put to the members at the annual general meeting. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 have 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.

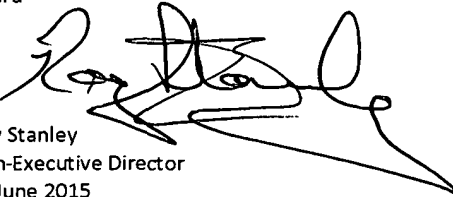
TANFIELD GROUP PLC FINANCIAL STATEMENTS

DIRECTORS' REPORT (Continued)

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

A handwritten signature in black ink, appearing to read 'Roy Stanley', is written over a horizontal line.

Roy Stanley
Non-Executive Director
19 June 2015

CORPORATE GOVERNANCE

Principles of Corporate Governance

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

The role of the Board is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives and reviews management performance. The Board sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Board Structure

During the year the Board comprised the Non-Executive Chairman and two independent Non-Executive Directors.

Board Role

The Board is responsible to shareholders for the proper management of the Company. The Non-Executive Directors have a particular responsibility to ensure that the strategy is fully considered. To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Company. The Board has a formal schedule of matters reserved to it. The Board met on six separate occasions in the year.

Appointment and Induction of Directors

The composition of the Board is kept under review with the aim of ensuring that the directors collectively possess the necessary skills and experience to direct the Company's business activities.

Board Committees

The Board delegates certain matters to its two principal committees, which deal with remuneration and audit.

Remuneration Committee

During the year the Remuneration Committee comprised Roy Stanley and Jon Pither. The Remuneration Committee determined and agreed with the Board the framework of remuneration for the Non-Executive Directors. There was one remuneration committee meeting in the period which was fully attended. The report on Directors' remuneration is set out on pages 9 to 10.

Audit Committee

During the year the Audit Committee comprised of Martin Groak and Jon Pither.

The Audit Committee is responsible for:

- Reviewing the scope of external audit, to receive regular reports from Baker Tilly UK Audit LLP.
- Reviewing the half-yearly and annual accounts prior to their recommendation to the Board.
- Reviewing the Company's internal financial controls and risk management systems and processes.
- Making recommendations on the appointment, re-appointment and removal of external auditors and approving the terms of engagement.
- Reviewing the nature of the work and level of fees for non-audit services provided by the external auditors.
- Assessing the independence, objectivity and effectiveness of the external auditor.

The committee met on two occasions during the year and they were fully attended.

Internal Control

The Board has overall responsibility for the Company's system of internal control and risk management and for reviewing the effectiveness of this system. Such a system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute assurance against material misstatement or loss.

The Board are of the view that due to the current size and composition of the Company, that it is not necessary to establish an internal audit function.

Relations with Shareholders

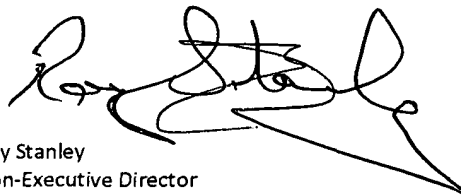
The Company values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

Private investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on current business activity. The Chairmen of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer any shareholder questions.

Notice of Annual General Meeting will be issued in due course.

Going Concern

The directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Roy Stanley
Non-Executive Director
19 June 2015

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 RRE Stanley and J Pither and the committee was chaired by J Pither.

Remuneration policy

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

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

Basic salary

The basic salary of the directors is reviewed annually having regard to the commitment of time required and the level of fees in similar companies. Non-executive directors are employed on renewable fixed term contracts not exceeding three years.

Annual bonus

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

Share options

The directors have options granted to them under the terms of the Share Option Scheme. There are no performance conditions attached to the share options. Share options were awarded as set out in the table on page 10.

Pension arrangements

Some directors were members of a money purchase pension scheme to which the company contributed. No other payments to directors were pensionable.

Directors interests

The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2014 and 1 January 2014 are shown below:

	Number of shares	
	2014	2013
RRE Stanley	12,799,479	12,617,661
M Groak	-	-
J Pither	1,015,084	815,084
Total	13,814,563	13,432,745

The directors, as a group, beneficially own 9.6% of the company's shares.

All directors have the right to acquire shares in the company via the exercise of options granted under the terms of their service contracts, copies of which may be inspected by shareholders upon written application to the company secretary.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration review

Directors emoluments for the financial year were as follows:

	Salary	Benefits in kind	Total 2014	Total 2013	Pension Total 2014	Pension Total 2013
RRE Stanley	30	-	30	97	16	16
DS Kell ^a	-	-	-	342	-	61
CD Brooks ^b	-	-	-	238	-	36
BJ Campbell ^c	-	-	-	217	-	39
M Groak	25	-	25	28	-	-
J Pither ^d	38	-	38	36	-	-
Total	93	-	93	958	16	152

^a DS Kell resigned on 5 November 2013

^b CD Brooks resigned on 5 November 2013

^c BJ Campbell resigned on 5 November 2013

^d J Pither is paid through Surrey Management Services.

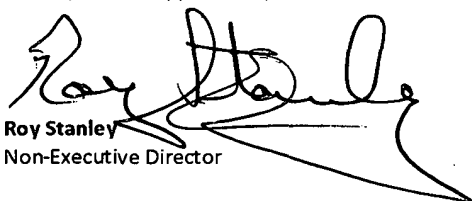
Directors share options held at 31 December 2014 were as follows:

	31 December 2013	Granted/ Lapsed	Exercised	31 December 2014	Option price per share ^e	Date from which normally exercisable	Expiry Date
RRE Stanley	800,000	-	-	800,000	5p	02/01/2010	02/01/2017
M Groak	30,000	-	-	30,000	5p	01/03/2009	01/03/2016
J Pither	200,000	-	200,000	-	5p	21/01/2014	21/01/2021
Total	1,030,000	-	200,000	830,000			

^e On 31 December 2014 the market price of the ordinary shares was 20.50p. The range during 2014 was 13.50p to 20.50p

Approval

This report was approved by the board of directors and authorised for issue on 19 June 2015 and signed on its behalf by:



Roy Stanley
Non-Executive Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS as adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Tanfield Group Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITOR

Independent auditor's report to the members of Tanfield Group PLC

We have audited the financial statements on pages 13 to 27. 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.

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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 provisions of the Companies Act 2006.

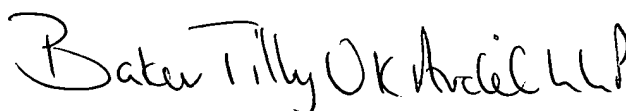
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



ALAN AITCHISON (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

19 June 2015

TANFIELD GROUP PLC FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £000's	2013 £000's
Revenue	1	-	2,223
Staff costs	2	(111)	(2,606)
Other operating income		18	-
Other operating expenses	4	(296)	(679)
Loss from operations before impairments		(389)	(1,062)
Impairment of Investments		-	(1,357)
Intercompany loan forgiveness		-	(17,141)
Adjustment to fair value of investments		-	26,984
(Loss)/profit from operations after impairments		(389)	7,424
Finance expense	3	(91)	(80)
Finance income	3	624	48
Net finance income/(expense)		533	(32)
Profit from operations before tax		144	7,392
Taxation	5	-	-
Profit & total comprehensive income for the year attributable to equity shareholders		144	7,392

Earnings per share

Earnings per share from operations

Basic (p)	6	0.1	5.4
Diluted (p)	6	0.1	5.3

TANFIELD GROUP PLC FINANCIAL STATEMENTS

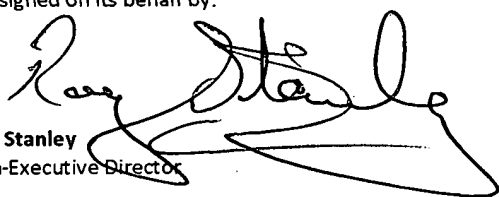
BALANCE SHEET (Company registration number 04061965)

AS AT 31 DECEMBER 2014

	Notes	2014 £000's	2013 £000's
Non current assets			
Non current Investments	7	41,053	37,563
		41,053	37,563
Current assets			
Trade and other receivables	10	131	2,902
Deferred consideration	8	-	349
Cash and cash equivalents	9	369	375
		500	3,626
Total assets		41,553	41,189
Current liabilities			
Trade and other payables	11	135	1,885
		135	1,885
Non-current liabilities			
Other payables	11	1,565	-
Deferred tax liabilities	12	-	-
		1,565	-
Total liabilities		1,700	1,885
Equity			
Share capital	13	7,187	6,975
Share premium	13	16,455	16,262
Share option reserve		845	1,904
Special reserve		66,837	66,837
Merger reserve		1,534	1,534
Retained earnings		(53,005)	(54,208)
Total equity attributable to equity shareholders		39,853	39,304
Total equity and total liabilities		41,553	41,189

The financial statements on pages 13 to 27 were approved by the board of directors and authorised for issue on 19 June 2015 and are signed on its behalf by:

Roy Stanley
Non-Executive Director



TANFIELD GROUP PLC FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Share option reserve	Merger reserve	Special reserve ^a	Retained earnings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2013	6,450	14,823	1,885	1,534	66,837	(61,736)	29,793
Comprehensive income							
Profit for the year	-	-	-	-	-	7,392	7,392
Total comprehensive income for the year	-	-	-	-	-	7,392	7,392
Transactions with owners in their capacity as owners:-							
Issuance of new shares (note 13)	525	1,439	-	-	-	-	1,964
Share based payments (note 14)	-	-	19	-	-	136	155
At 31 December 2013	6,975	16,262	1,904	1,534	66,837	(54,208)	39,304
Comprehensive income							
Profit for the year	-	-	-	-	-	144	144
Total comprehensive income for the year	-	-	-	-	-	144	144
Transactions with owners in their capacity as owners:-							
Issuance of new shares (note 13)	212	193	-	-	-	-	405
Share based payments (note 14)	-	-	(1,059)	-	-	1,059	-
At 31 December 2014	7,187	16,455	845	1,534	66,837	(53,005)	39,853

^a The company's special reserve relates to the reclassification of the share premium account.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £000's	2013 £000's
(Loss)/profit before interest and taxation	(389)	7,424
Loss on deferred consideration currency fluctuations	55	27
Adjustment to fair value of investment	-	(26,650)
Loss on intercompany loan write off	-	17,141
Loss on impairment of investments	-	1,357
Operating cash flows before movements in working capital	(334)	(701)
Decrease/(increase) in receivables	109	(1,513)
(Decrease)/increase in payables	(186)	270
Net cash from/(used in) operations	(411)	(1,944)
Interest paid	-	(80)
Net cash from/(used in) operating activities	(411)	(2,024)
Cash flow from Investing Activities		
Interest received	-	34
Net cash (used in)/from investing activities	-	34
Cash flow from financing activities		
Proceeds from issuance of ordinary shares net of costs	405	1,963
Net cash from financing activities	405	1,963
Net decrease in cash and cash equivalents	(6)	(27)
Cash and cash equivalents at the start of year	375	402
Cash and cash equivalents at the end of the year	369	375

ACCOUNTING POLICIES

(i) Basis of preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"), IFRIC interpretations and the requirements of the Companies Act applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, modified for the revaluation of certain financial assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also 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 consolidated 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 2014 the Company has cash balances of £0.4m and, apart from director loans, is debt free.

The Directors are confident that the cash balances will be sufficient to see the Company continue until it realises the value of one of its investments and that the assumptions underlying their opinion are reasonable and that the Company will be able to operate within its cash balances. Having taken the uncertainties into account the Board believes that 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 balance sheet assets or provisions for further liabilities, which would result should the going concern assumption not be valid.

(iii) Revenue

All revenue relates to management recharges and is recognised when the recharges are made.

(iv) 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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.

(v) Share based payments

The Company issues equity-settled share based payments to certain employees and has applied the requirements of IFRS2 "Share-based payments".

Equity settled share-based payments are measured at fair value at the date of the grant. Fair value is measured using a Black-Scholes model.

The fair value is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

(vi) Borrowing costs

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

(vii) Financial instruments

Recognition of financial assets and financial liabilities

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

Financial assets

Investments

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

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and are subsequently carried at fair value less provisions made for doubtful receivables.

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

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received.

Trade and other payables

Financial liabilities within trade and other payables are initially recorded at fair value, which is usually the original invoiced amount, and subsequently carried at historical cost.

ACCOUNTING POLICIES (continued)

(viii) Segmental reporting

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

(ix) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(xi) Termination benefits

Termination benefits (leaver costs) are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to the affected employees leaving the Company.

(x) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

(xi) Functional and presentational currencies

The consolidated financial statements are presented in sterling which is also the functional currency of the company.

TANFIELD GROUP PLC 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 Corp was reviewed. Smith Electric Corp continues to demonstrate ability to raise capital to fund its development, and as a result the Company considers its receivables from Smith Electric Corp are recoverable in full.

The status of the Company's holding in Snorkel International Holdings was reviewed. Since the injection of working capital Snorkel International Holdings continues to progress well with production increasing. The company has reviewed the financial projections prepared by Snorkel and taking in to account improving global market conditions, the injection of working capital and applying its own sensitivity to the time taken to achieve EBITDA growth to \$25m, considers its investment in Snorkel International Holdings to be at fair market value.

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 2014.

New and amended standards and interpretations effective from 1 January 2014 adopted by the Company

During the year ended 31 December 2014, the Company has not adopted any new IFRS, IAS or amendments issued by the IASB, and interpretations by the IFRS Interpretations Committee, which have had a material impact on the Company's financial statements.

New and amended standards and interpretations effective from 1 January 2015 not yet adopted by the Company

The Company currently adopts all relevant accounting standards that have been endorsed by the EU. There are various standards that are expected to be endorsed in 2015 which the Company believes will have no significant impact on the Company's financial position or results for the current or prior years but may impact the accounting for future transactions or arrangements.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS

1. Revenue

An analysis of the Company's revenue is as follows:

	2014 £000's	2013 £000's
Management recharges	-	2,223
Total	-	2,223

2. Staff costs

Aggregate remuneration comprised	2014 £000's	2013 £000's
Wages and Salaries	90	2,155
Share scheme expense	-	155
Social Security Costs	5	143
Other Pension Costs	16	153
Total staff costs	111	2,606

Average monthly number of employees	2014 No.	2013 No.
Head Office and Administration	3	17
Total	3	17

Details of Directors' fees and salaries, bonuses, pensions, benefits in kind and other benefit schemes together with details in respect of Directors' share option plans are given in the Directors' Remuneration Report on pages 9 to 10.

3. Finance expense and finance income

Finance expense	2014 £000's	2013 £000's
Interest on bank overdrafts, loans & financial instruments	-	21
Interest on director loans (note 16)	91	59
Total finance expense	91	80

Finance income	2014 £000's	2013 £000's
Interest on cash, cash equivalents & financial instruments ^a	604	3
Interest on deferred consideration (note 8)	20	14
Interest on Intercompany loans	-	31
Total finance income	624	48

^aIncludes a one off £548k interest credit as part of the Smith debt conversion.

4. Other operating expenses

	2014 £000's	2013 £000's
Other operating expenses		
Property related expenses	1	153
Net loss on foreign exchange	-	112
Auditor's remuneration (see below)	22	54
Other operating expenses	273	360
Total operating expenses	296	679

TANFIELD GROUP PLC FINANCIAL STATEMENTS

4. Other operating expenses (continued)

Auditor's remuneration

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

	2014 £000's	2013 £000's
Audit Services		
• statutory audit of accounts	22	38
Other services relating to taxation		
• compliance services	2	16
	24	54
Comprising		
• Audit services	22	38
• Non audit services	2	16

5. Taxation

Analysis of taxation charge for the year

	2014 £000's	2013 £000's
United Kingdom		
Corporation tax at 21.5% (2013: 23.25%)	-	-
Total current taxation charge	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Total deferred tax charge	-	-
Total taxation charge in the income statement	-	-

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:

	2014 £000's	2013 £000's
Profit before taxation	144	7,392
Notional taxation charge at UK rate of 21.5% (2013: 23.25%)	31	1,719
Effects of:		
Non (taxable) income/deductable expenses	-	(2,082)
Deferred tax asset not recognised in the period	-	363
Utilisation of tax losses brought forward	(31)	-
Total taxation charge	-	-

The Company has tax losses of approximately £2,134k (2013: £2,283k) 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.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

6. Earnings per share

Basic earnings 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. The average share price during the year was 16.90p (2013: 20.25p).

Number of shares

	2014 No. 000's	2013 No. 000's
Weighted average number of ordinary shares for the purposes of basic earnings per share	141,755	136,879
Effect of dilutive potential ordinary shares from share options	584	2,883
Weighted average number of ordinary shares for the purposes of diluted earnings per share	142,339	139,762

Earnings

	2014 £000's	2013 £000's
From operations		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the parent	144	7,392
Potential dilutive ordinary shares from share options	-	-
Earnings for the purposes of diluted earnings per share	144	7,392

Earnings per share from operations

Basic (p)	0.1	5.4
Diluted (p)	0.1	5.3

7. Non current investments

A summary of the Non current investments is shown below:

	2014 £000's	2013 £000's
Investment in Smith Electric Vehicles US Corp	4,770	1,280
Investment in Snorkel International Holdings LLC	36,283	36,283
Total Non current Investments	41,053	37,563

Smith Electric Vehicles US Corp

At 31 December 2014, the Company held a 5.76% (2013: 24%) share of the issued share capital of Smith Electric Vehicles US Corp, a company registered in the US. This Shareholding is being held as a non current investment at the lower of cost and realisable value (2014: £4,770k, 2013 £1,280k). On 4 October 2014, Smith restructured its debt by converting it in to common stock equity which resulted in a change to the Company's holding (further details can be found at note 16).

Snorkel International Holdings LLC

At 31 December 2014, the Company held a 49% (2013: 49%) share of the issued share capital of Snorkel International Holdings LLC, a company registered in the US. This share holding is being held as a non current investment at fair value (2014: £36,283k, 2013: £36,283k).

TANFIELD GROUP PLC FINANCIAL STATEMENTS

8. Deferred consideration

A summary of the deferred consideration receivable is shown below:

	2014 £000's	2013 £000's
Due from Smith Electric Vehicles US Corp	-	349
Total Deferred consideration receivable	-	349

Smith Electric Vehicles US Corp

The sale and purchase agreement of the group's electric vehicle division on 1 January 2011 allowed for USD 14.25m of the total USD 15.0m consideration to be deferred with interest payable to the group at 4% above the base rate of Barclays Bank PLC on the outstanding balance.

A summary of the movements in deferred consideration is shown below:

	2014 £000's	2013 £000's
Total consideration receivable at 1 Jan	349	341
Total interest receivable on outstanding consideration	20	14
Effects of currency fluctuations	10	(6)
Converted to common stock equity	(379)	-
Deferred consideration receivable net of interest	-	349

9. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by the Company treasury function. The carrying amount of these assets approximates their fair value.

The Company primarily holds Sterling. Currency denominated balances are translated to sterling at the balance sheet date.

	2014 £000's	2013 £000's
Cash and cash equivalents	369	375

10. Trade and other receivables

	2014 £000's	2013 £000's
Payable within one year		
Amounts due from Snorkel International Holdings LLC	15	223
Amounts due from Smith Electric Vehicles US Corp and its subsidiary	-	2,511
Other debtors and prepayments	116	168
	131	2,902

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

11. Trade and other payables

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

	2014 £000's	2013 £000's
Payable within one year		
Trade payables	56	114
Social security and other taxes	38	77
Accrued expenses	41	970
Loans	-	724
	135	1,885

Average credit period taken on trade purchases (days) ^a	67	71
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^a Creditor days have been calculated as trade payables over other operating expenses multiplied by 365 days.

11. Trade and other payables (continued)

	2014 £000's	2013 £000's
Payable after one year		
Loans	805	-
Other creditors	760	-
	1,565	-

12. Deferred taxation**Company**

There is no movement in deferred taxation in the current or proceeding years.

13. 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 31 December 2012	5p	128,991,225	6,450	14,823
New share issue 25 March 2013 ^a	5p	7,247,826	362	993
New share issue 16 April 2013 ^a	5p	3,252,174	163	446
At 31 December 2013	5p	139,491,225	6,975	16,262
Share options exercised	5p	2,231,334	111	-
New share issue 28 November 2014 ^b	5p	1,818,180	91	193
Share options exercised	5p	200,000	10	-
At 31 December 2014	5p	143,740,739	7,187	16,455

^a On 20 March 2013 the Company announced that it had conditionally raised gross proceeds of GBP2.1m. These funds were raised by way of a placing of 10,500,000 new Ordinary Shares of 5 pence ("Shares") with institutional investors at a price of 20 pence per Share. 7,247,826 shares were issued onto the AIM market on 25 March 2013 under existing authorities, a further 3,252,174 shares were issued on 16 April 2013 after the resolution allowing their issue was passed.

^b On 25 November 2014 the Company announced that it had conditionally raised gross proceeds of GBP0.3m. These funds were raised by way of a placing of 1,818,180 new Ordinary Shares of 5 pence ("Shares") with institutional investors at a price of 16.5 pence per Share which were issued onto the AIM market on 28 November 2014 under existing authorities. Costs of £15,000 attributable to the share issue have been charged against the Share Premium account.

14. Share based payments

IFRS2 requires share based payments to be recognised at fair value. The group measures the fair value of its share based payments to employees, "share options", using the Black-Scholes valuation method.

All share based payments are equity settled and details of the share option activity during 2014 and 2013 are shown below.

	2014		2013	
	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	7,061,334	16	8,746,334	21
Granted	-	-	-	-
Forfeited	-	-	(1,685,000)	(41)
Exercised	(2,431,334)	(5)	-	-
Expired	-	-	-	-
Outstanding at the end of the year	4,630,000	23	7,061,334	16
Exercisable	4,630,000	23	3,061,334	1

The outstanding options at 31 December 2014 had a weighted average remaining contractual life of 5.33 years (2013: 5.20 years)

TANFIELD GROUP PLC FINANCIAL STATEMENTS

14. Share based payments (continued)

The following table relates to share options outstanding and exercisable at 31 December 2014

Exercise price (pence)	Option exercise prices		Total
	5p	27p	
No of share options	830,000	3,800,000	4,630,000
No of exercisable options	830,000	3,800,000	4,630,000

Income statement charge

In accordance with IFRS2 the group determined the fair value of its options at 'grant date'. The group 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 (2013: £155k) and a credit directly to equity of £1,059k (2013: £136k) have been made during the year in accordance with IFRS2 'Share-based payments'.

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

15. 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:

	2014 £'000	2013 £'000
Trade and other receivables	131	2,902
Cash and cash equivalents	369	375
	500	3,277

The Company did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through profit and loss in either the current or proceeding year.

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 balance sheet liquidity. The Board reviews forecasts, including cash flow forecasts on a quarterly basis.

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 balance sheet date up to the contractual maturity date.

	Within 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
2014				
Trade and other payables	135	1,565	-	1,700
	135	1,565	-	1,700
2013				
Trade and other payables	1,885	-	-	1,885
	1,885	-	-	1,885

15. Financial risk management (continued)

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. 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, translation reserve and retained earnings. No gearing is currently calculated as the Company currently has no borrowings.

16. Related party transactions

Company

The Company entered into transactions with its subsidiaries, until its disposal in the prior year, as disclosed below.

	2014 £000's	2013 £000's
Net position at 1 January	-	14,963
Management charges	-	2,221
Impairments net of intercompany loan forgiveness ^a	-	(17,141)
Other transactions including new loans issued and cash balances received	-	(43)
Net position at 31 December	-	-

^a During 2013 the company formally forgave £17,141k of its intercompany receivables, of this balance £10,566k related to Snorkel Europe Limited (formerly Tanfield Powered Access Limited), £3,810k to Snorkel International Inc, £1,283k to Tanfield Engineering System (US) Inc and £1,510k to Snorkel Australia PTY Ltd. In 2013 the company also wrote off a loan due to Tanfield Union of £28k.

Transactions with its Smith Electric Vehicles US Corp and it's subsidiary

During the year the group recharged nil (2013: £513k) to Smith Electric Vehicles Europe Ltd for property related costs. These transactions have been deducted from other operating expense in the statement of comprehensive income. At 31 December 14 there was an outstanding balance due from Smith Electric of nil (2013: £682k) relating to these transactions. On 4 October 2014, the Company converted its debt with Smith Electric totaling £3,490k in to common stock equity. This included £683k property related costs, £2,329k loans, £379k deferred consideration and £99k interest.

Remuneration of key personnel

The remuneration of the key management personnel, which includes Directors, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on pages 9 to 10.

Directors emoluments are shown in the table below:

	2014 £000's	2013 £000's
Salaries and short term benefits including NI	98	1,995
Post employment benefits	16	152
	114	2,147

Transactions with directors

Loans

During the year the loan provided to the Company by RRE Stanley continued. The agreed extension to the original loan was due to expire in October 2014 and with this in mind, the board approached RRE Stanley in July 2014 and agreed to amend the terms of the loan to a convertible loan with a further extension through to June 2016 as well as a reduction in the interest from 12% to 6% in return for payment of a £150k fee. Until the loan is either fully repaid or fully converted, the loan agreement is secured by a Debenture. The Debenture is in a form which is relatively standard and constitute fixed and floating charges over the Company's assets. As of 31 December 2014 the outstanding balance due was £623k (2013: £579k) which has been classified under trade and other payables within the balance sheet.

TANFIELD GROUP PLC FINANCIAL STATEMENTS

17. Retirement benefits

The Company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £16k (2013:£153k) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. As at 31 December 2014, contributions of nil (2013: £5k) due in respect of the current reporting period had not been paid over to the schemes.

18. Financial instruments recognised in the balance sheet

Assets	2014			2013		
	Loans and receivables £000's	Assets Available for Sale ^a £000's	Total £000's	Loans and receivables £000's	Assets Available for Sale ^a £000's	Total £000's
Current financial assets						
Trade and other receivables	131	-	131	3,251	-	3,251
Investments	-	41,053	41,053	-	37,563	37,563
Cash and cash equivalents	369	-	369	375	-	375
Total	500	41,053	41,553	3,626	37,563	41,189
Liabilities	Other financial liabilities £000's	Held for trading ^a £000's	Total £000's	Other financial liabilities £000's	Held for trading ^a £000's	Total £000's
Current liabilities						
Trade and other payables	97	-	97	1,808	-	1,808
Total	97	-	97	1,808	-	1,808

^a Assets and liabilities at fair value through profit and loss.

19. Investments

The tables below give brief details of the Company's investments at 31 December 2014. The Company had no operating subsidiaries as of 31 December 2014.

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

^a Smith Electric Vehicle Europe Ltd is a 100% owned subsidiary of Smith Electric Vehicles US Corp. The Company's interest in Smith Electric Vehicles Europe Ltd is held indirectly through its investment in Smith Electric Vehicles US Corp.

^b The Company's interest is held indirectly through its investment in Snorkel International Holdings LLC.