TANFIELD GROUP PLC
REPORT AND FINANCIAL STATEMENTS 2013

Registered in England & Wales

Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2013

SUMMARY OF CONTENTS

DIRECTORS AND ADVISERS

DIRECTORS

EXECUTIVE

DS Kell	Chief Executive (resigned 5 November 2013)
CD Brooks	Finance Director (resigned 5 November 2013)
BJ Campbell	Managing Director Powered Access (resigned 5 November 2013)

NON-EXECUTIVE

J Pither	Chairman
RRE Stanley	Non executive Director
M Groak	Non executive Director

SECRETARY

CD Brooks	Resigned 5 November 2013
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

REGISTRAR
Capita IRG plc
Bourne House
34 Beckenham
Beckenham
Kent
BR3 4TH

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

It is with some mixed emotions that I review the past twelve months but with optimism that I look to the future. Those twelve months need to be put into the context of the past five years. The context being that the company went through the most difficult trading period and the deepest recession ever experienced in its market for industrial products. It is a credit to all the people involved that the businesses, in their various guises, continue to operate and that Tanfield continues to be a shareholder in these businesses.

Tanfield Group Plc has gone through a radical structural change from being a strong manufacturing entity to being an investment company. This process of change is a response to the circumstances that the company faced during those five difficult years. We have managed to come through with a reasonable level of shareholder value intact and I am confident that our investments have the potential to provide a future return to shareholders.

NON-EXECUTIVES' REVIEW

Background

The Company is currently 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 24% of Smith Electric Vehicles Corp. ("Smith") and 49% of Snorkel International Holdings LLC ("Snorkel"). The Directors believe that these 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 of the realised value in these investments to shareholders as and when they occur. In line with it being defined as a passive investment company Tanfield does not hold Board seats in Smith or Snorkel. However the Company continues to hold the right to two seats on the Board of Smith. The Company has significantly reduced its cost base commensurate with its change to an investment company.

OVERVIEW

Tanfield Engineering Services Limited

Through a process of administration this loss making business was disposed of in November 2013. We are pleased to say that a significant number of jobs were saved. As a result of an increase in working capital the business is developing, although Tanfield no longer has an ongoing interest in this business.

Snorkel

The Snorkel business continues to progress well over the six months that it has been in new ownership. The new entity is a limited liability corporation under the laws of the State of Nevada, with Tanfield owning 49%. Production is increasing and the business is taking advantage of the general uplift in the market for its products. The new partners in the business have invested a significant level of working capital into the company currently totalling in excess of $30 million. This has meant that supplier constraints are being alleviated and that production is ramping up in line with the increasing demand. The order book has risen by over 200% in the past six months. The annualised run rate of sales has now reached over $100 million. A planned restructuring is taking place to further reduce the breakeven of the business. All the positives regarding order book, output and fixed cost reduction mean the business is moving towards meaningful profitability. The Board are satisfied that significant progress continues to be made.

Valuation of Snorkel holding

The Board of Tanfield have 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 with these markets. The range of potential valuation can be broad. The decision has been made to carry a realistic but prudent valuation. 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.

Taking into consideration these factors the fair value of the Snorkel holding has been assessed as £36.28 million ($60.06m).

STRATEGIC REPORT (Continued)

Smith Electric

Smith is pursuing a business strategy of combined manufacturing and licensing of its technology in markets outside of North America. It has been realigning its business in this context. We understand that there are a number of potential licenses currently in negotiation. Smith has downsized its manufacturing operation and proposes to create smaller manufacturing units in various locations to accommodate demand. It is in a position, having raised the appropriate working capital, to instigate its material and component cost down plan. This will mean the realisation of a competitive pricing strategy and the aim of achieving sustainable profitability. If Smith can achieve the listing plan, the Smith Board feel that the potential of the business, in its recapitalised form, is very strong.

As announced on 12 May 2014, an agreement was reached between Smith and Sinopoly Battery Limited ('Sinopoly') for a strategic investment in Smith. The investment will come in 3 tranches. The first tranche (which has been completed) was for $2 million in secured debentures. The second tranche is $10 million in preferred stock, as part of a minimum $20m to maximum $30m issuance of preferred stock by Smith, subject to, inter alia, the execution of a battery supply contract and Component Supply Memorandum of Understanding between Smith and Sinopoly. The third tranche is to subscribe for $30m of common stock subject to, inter alia, a US Listing. The agreement is subject, inter alia, to Sinopoly shareholder approval.

As announced on 20 May 2014, the Tanfield Board signed an agreement with Smith which conditionally binds it to sign certain consents to allow Smith to raise funding up to $30 million and to restructure the capital of the company. The Smith Board plan is to convert all debt into common stock prior to listing on the Over-the-Counter Bulletin Board ('OTCBB') and simultaneously raise up to $30 million. It is then proposed that Smith seeks a full listing on a U.S. National Exchange.

Smith will issue Tanfield 5,050,017 warrants at an exercise price equal to post-money valuation at the closing of the Series E Preferred stock and 5,050,017 at an exercise price equal to the post-money valuation at the closing of the post-merger financing or underwritten public offering. The warrants will be exercisable within 6 months of issuance and carry a term of 2 years. As a consequence of the agreement and as a current common stock holder in Smith, Roy Stanley, will receive two tranches totalling 3,997,600 warrants on the same terms. Mr Stanley is assigning the rights to these warrants to the Company for nil consideration for the benefit of the Company and its shareholders. In aggregate, the total number of warrants to be issued to Tanfield including those assigned to Tanfield are expected to amount to just under 2% of the issued share capital at the time of the OTCBB listing.

Public Company merger

The Board of Smith has executed a Letter of Intent with an OTCBB company and has conducted due diligence for the proposed merger of Smith into the company. It is anticipated, assuming funds are raised, that the listing will take place by the end of June 2014.

Proposed subsequent flotation on a US Market

Subsequent to the proposed reverse merger it is intended to apply for a Listing on a US national exchange. The company intends to complete a minimum of a $40 million underwritten offering in order to satisfy the waiver of the one year seasoning requirement relating primarily to applicant companies having been traded on another exchange and the reporting of information. Subject to meeting the other requirements of NYSE or NASDAQ, it is proposed that Smith will apply to list on NYSE or NASDAQ upon completion of the offering. The Company is in the process of negotiating with an underwriting Bank. It is anticipated that this listing will be effective within 90 days to 120 days from the OTCBB listing.

View of the Tanfield Board

It is estimated that post-merger (listing on OTCBB) Tanfield will hold between 4% and 5% of Smith shares, (excluding warrants) based upon a post money valuation of $275 million. The ultimate holding post the public listing on a US National exchange will depend on the price at which any money is raised at that point.

The shares in the OTCBB entity will not be tradable for 180 days. Shares in the entity listed on the National exchange will be tradable on the ending of this 180 day period.

The Tanfield Board takes the view that although there is still a risk of failure in the plan that this risk has diminished. On balance it remains positive that supporting this plan represents the best possible outcome for all stakeholders of Smith, including Tanfield. The Tanfield Board considers that in entering this agreement it has sought to fulfil its obligation to its shareholders in seeking to optimise the value on its investment in Smith.

Valuation of Smith holding

Currently Tanfield has a carrying value of £1.28m ($2.11m) for its equity investment in Smith and this has been the carrying value since its disposal by the Company in 2009. Depending upon the ongoing viability of Smith the realisation of value may be higher than its carrying value but because of the risks attached to the viability of Smith the Board feels that it is prudent to maintain its current carrying value. The future value of Smith will depend upon its performance and its reception as a public listed entity. In addition Tanfield has loans and other debts outstanding due from Smith totalling £2.86m ($4.70m)

STRATEGIC REPORT (Continued)

Strategy of Tanfield Board of Directors in relation to its current Investment

It is the aim of the Tanfield Board to return any value realisation from its investments in Smith and Snorkel to shareholders as soon as these events occur and circumstances allow.

Review of Investment Strategy

The Company is currently 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 the Snorkel division in October 2013. Tanfield Group Plc currently owns (24%) of Smith and (49%) of Snorkel. The Directors believe that whilst these investments will result in a return of value to shareholders over time that there is an opportunity to further enhance the potential value to shareholders. Accordingly, the Directors believe that it is in the Company's interests to adopt an amended strategy for the development of the Company as a broader investing company as set out below and for which it will seek shareholder approval at its forthcoming AGM.

The Board intend to "ring fence" current funds to preserve the continuity and value in its existing investments. The strategy of the Company in relation to these investments is to return as much as possible of the value in these investments to shareholders as and when it is realised. The Company would therefore raise money to acquire and fund any new investments. Where appropriate it will use a small proportion of its shares and cash (excluding existing funds) to acquire or invest in businesses in the technology sector. Any new fundraising for such a purpose will be subject to shareholder approval. The Company intends to issue a circular in the near future informing shareholders of an open offering to all shareholders of up to £2m at the same time as giving notice of its AGM.

The Directors believe that this approach is a way of not only increasing shareholder value but also of spreading risk in relation to the realisation of current investments.

Proposed New Investing Policy

Tanfield Group Plc is classified as an Investing Company. The Company does not have and will not make cross-holding investments. The Company does not have a policy on gearing.

The Company has a 49% membership interest in Snorkel International Holdings and a 24% interest in the shares of Smith Electric Vehicles Corp (together the "Existing Investments"). Under its Investing Policy, the Company holds the Existing Investments and may seek to make further investments in the technology sector ("New Investments").

Existing Investments

The Existing Investments are passive investments. It is the intention that where distributions are received from or realisations made of the Existing Investments (or there is a receipt of marketable securities) that these are distributed to shareholders, subject to compliance with any legal requirements associated with such distributions. There is no limit on the amount of time the Existing Investments are to be held by the Company.

New Investments

The Directors of the Company intend to identify and, subject to the availability of financial resources to do so, make New Investments in any company or asset within the technology sector offering the potential to deliver a favourable return to shareholders either through distributions or capital gain. The Company's equity interest in a New Investment may range from a minority position to 100% ownership. New Investments may be either in quoted or unquoted companies and may also include debt, convertible securities or joint venture structures. New Investments are not to be subject to limits upon concentration or diversification, and may be held for any period of time. The Directors intend to be either active or passive investors in New Investments as appropriate.

Finance income

The interest cost in the period of £80k (2012 nil) was incurred from bank borrowings and loan interest charged during the period and interest income of £48k (2012 £71k) 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 2012.

Profit from operations

Profit from operations was £7.4m, (2012 £13.4m loss), the most significant difference between 2013 and 2012 being the adjustment to fair value of investments of £27.0m.

Earnings per share

Profit per share from continuing operations was 5.4 pence (2012: Loss 11.0 pence). No dividend has been declared. (2012: nil)

Cash

At 31 December 2013, the Company had cash of £0.4m (2012: £0.4m).

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

Roy Stanley
Non-Executive Director
30 May 2014

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group PLC for the year ended 31 December 2013.

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 2013 reflect the changes to the principal activity of the company to that of an investment company.

Turnover for the year was £2.2m compared with £3.3m in 2012. The operating loss before impairments in the year of £1.1m (2012: £1.3m loss) arose from operating costs.

The balance sheet strength has increased with total assets at the end of the year of £41.2m (2012: £31.7m). Net Current Assets were £1.7m (2012: £17.8m) 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 (2012: £nil). The profit of £7.4m (2012: £13.4m loss) has been transferred to reserves.

FINANCIAL INSTRUMENTS
The Company's financial instruments comprise cash, short term debtors and 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. DS Kell, CD Brooks and BJ Campbell resigned on 5 November 2013.

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 2013 were 71 days (2012: 52 days).

SUBSTANTIAL SHAREHOLDINGS
On 31 December 2013 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)	26,908,140	19.29%
THE BANK OF NEW YORK (NOMINEES)	24,869,344	17.83%
VIDACOS NOMINEES LIMITED	14,893,223	10.68%
UBS PRIVATE BANKING NOMINEES LTD	9,610,579	6.89%
CHASE NOMINEES LIMITED	9,194,506	6.59%
TD DIRECT INVESTING NOMINEES	4,256,256	3.05%

RRE Stanley holds shares of 9.05% 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.

AUDITORS
A resolution to reappoint Baker Tilly UK Audit LLP as auditors 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 auditors are 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.

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

Roy Stanley
Non-Executive Director

30 May 2014

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. In addition, until their resignation on 5 November 2013, the Chief Executive and two other Executive Directors were members of the board.

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 John Pither. The Remuneration Committee determined and agreed with the Board the framework of remuneration for the Executive Directors. The Board itself determines the remuneration of 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 John 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 30 May 2014

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
The policy of the committee was to reward executive directors in order to recruit, motivate and retain high quality executives within a competitive market place.

There were four main elements of the remuneration packages for executive directors and senior management:

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

Basic salary
Basic salary was reviewed annually in March with increases taking effect from 1 April. In addition to basic salary, the executive directors also received certain benefits in kind, principally private medical insurance.

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 executive directors and other senior employees for achieving above average performance which also benefits shareholders.

Share options
The executive and non executive 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
Executive directors were members of a money purchase pension scheme to which the company contributed. Their dependants were eligible for dependants' pension and the payment of a lump sum in the event of death in service. No other payments to directors were pensionable.

Non executive directors
The fees of non-executive directors are determined by the board as a whole 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.

Board changes
On 5 November 2013 DS Kell, CD Brooks and BJ Campbell resigned as directors. These former Directors had in their contracts exit packages of two years but this was agreed to be reduced to the equivalent of one year. The Company has provided for settlement payments to the former directors as at 31 December 2013 of no more than £891k (DS Kell £371k, CD Brooks £278k, BJ Campbell £242k). It is intended that the agreements will state that repayments will be the earlier of the Company having available free cash from its investments in Snorkel and Smith or October 2018.

Directors interests
The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2013 and 1 January 2013 are shown below:

	Number of shares	
	2013	2012
RRE Stanley	12,617,661	12,617,661
M Groak	-	-
J Pither	815,084	815,084
Total	**13,432,745**	**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 2013**	Total 2012	**Pension Total 2013**	**Pension Total 2012**
RRE Stanley	79	18	**97**	110	**16**	**15**
DS Kell[a]	324	18	**342**	459	**61**	**58**
CD Brooks[b]	220	18	**238**	328	**36**	**15**
BJ Campbell[c]	199	18	**217**	276	**39**	**35**
M Groak	28	-	**28**	38	**-**	**-**
J Pither[d]	36	-	**36**	43	**-**	**-**
Total	**886**	**72**	**958**	1,254	**152**	**123**

[a] DS Kell resigned on 5 November 2013

[b] CD Brooks received a loan in a previous year of £31k which was outstanding at 31 December 2013. CD Brooks resigned 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 2013 were as follows:

	31 December 2012[f]	Granted/ Lapsed	Exercised	31 December 2013	Option price per share[e,g]	Date from which normally exercisable[f]	Expiry Date
DS Kell	411,334	-	-	411,334	1p	01/03/2009	01/03/2016
	860,000	-	-	860,000	1p	02/01/2010	02/01/2017
	1,800,000	-	-	1,800,000	27p	21/01/2014	21/01/2021
CD Brooks	250,000	-	-	250,000	1p	14/06/2009	14/06/2016
	200,000	-	-	200,000	1p	02/01/2010	02/01/2017
	1,100,000	-	-	1,100,000	27p	21/01/2014	21/01/2021
BJ Campbell	140,000	-	-	140,000	5p	14/09/2008	14/09/2015
	50,000	-	-	50,000	1p	01/03/2009	01/03/2016
	320,000	-	-	320,000	1p	02/01/2010	02/01/2017
	900,000	-	-	900,000	27p	21/01/2014	21/01/2021
RRE Stanley	800,000	-	-	800,000	1p	02/01/2010	02/01/2017
M Groak	30,000	-	-	30,000	1p	01/03/2009	01/03/2016
J Pither	200,000	-	-	200,000	27p	21/01/2014	21/01/2021
Total	**7,091,334**	-	-	**7,091,334**			

[e] Certain option agreements allow for the option price to reduce in the event of a demerger.

[f] Certain share option agreements have a clause that allows the options to be exercised early if market capitalisation exceeds a certain level.

[g] On 31 December 2013 the market price of the ordinary shares was 16.88p. The range during 2013 was 13.88p to 26.75p

Approval

This report was approved by the board of directors and authorised for issue on 30 May 2014 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 28. 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/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx

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 2013 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

30 May 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £000's	2012 £000's
Revenue	1	**2,223**	**3,250**
Staff costs	2	(2,606)	(2,100)
Depreciation and amortisation expense		-	-
Other operating expenses	4	(679)	(2,469)
Loss from operations before impairments		**(1,062)**	**(1,319)**
Impairment of Investments		(1,357)	(2,323)
Intercompany loan forgiveness		(17,141)	(9,787)
Adjustment to fair value of investments		26,984	-
Profit/(loss) from operations after impairments		**7,424**	**(13,429)**
Finance expense	3	(80)	-
Finance income	3	48	71
Net finance (expense) income		**(32)**	**71**
Profit/(loss) from operations before tax		**7,392**	**(13,358)**
Taxation	5	-	-
Profit/(loss) & total comprehensive income for the year attributable to equity shareholders		**7,392**	**(13,358)**

Earnings/(loss) per share

	Notes	2013	2012
Earnings/(loss) per share from operations			
Basic (p)	6	5.4	(11.0)
Diluted (p)	6	5.3	(11.0)

BALANCE SHEET (Company registration number 04061965)

AS AT 31 DECEMBER 2013

	Notes	2013 £000's	2012 £000's
Non current assets			
Non current Investments	7	37,563	1,280
Investments in subsidiaries	19	-	10,685
		37,563	11,965
Current assets			
Trade and other receivables	10	2,902	19,002
Deferred consideration	8	349	339
Cash and cash equivalents	9	375	402
		3,626	19,743
Total assets		**41,189**	**31,708**
Current liabilities			
Trade and other payables	11	1,885	1,915
		1,885	1,915
Non-current liabilities			
Deferred tax liabilities	12	-	-
		-	-
Total liabilities		1,885	1,915
Equity			
Share capital	13	6,975	6,450
Share premium	13	16,262	14,823
Share option reserve		1,904	1,885
Special reserve		66,837	66,837
Merger reserve		1,534	1,534
Retained earnings		(54,208)	(61,736)
Total equity		**39,304**	**29,793**
Total equity and total liabilities		**41,189**	**31,708**

The financial statements on pages 13 to 28 were approved by the board of directors and authorised for issue on 30 May 2014 and are signed on its behalf by:

Roy Stanley
Non-Executive Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	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 2012	**4,728**	**3,097**	**1,785**	**1,534**	**66,837**	**(48,378)**	**29,603**
Comprehensive income							
Loss for the year	-	-	-	-	-	(13,358)	(13,358)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(13,358)**	**(13,358)**
Transactions with owners in their capacity as owners:-							
Issuance of new shares	1,721	11,726	-	-	-	-	13,447
Share based payments	1	-	100	-	-	-	101
At 31 December 2012	**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**

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £000's	2012 £000's
Profit/(loss) before interest and taxation	7,424	(13,428)
Loss on deferred consideration currency fluctuations	27	99
Adjustment to fair value of investment	(26,650)	-
Loss on intercompany loan write off	17,141	9,787
Loss on impairment of investments	1,357	2,323
Operating cash flows before movements in working capital	**(701)**	**(1,219)**
(Increase)/decrease in receivables	(1,513)	944
Increase/(decrease) in payables	270	(169)
Net cash (used in) operations	**(1,944)**	**(444)**
Interest paid	(80)	-
Net cash used in operating activities	**(2,024)**	**(444)**
Cash flow from Investing Activities		
Purchase of investments	-	(12,000)
Loan to Smith Electric Vehicles US Corp	-	(1,935)
Interest received	34	56
Net cash from/(used in) investing activities	**34**	**(13,879)**
Cash flow from financing activities		
Proceeds from issuance of ordinary shares net of costs	1,963	13,447
Net cash from financing activities	**1,963**	**13,447**
Net decrease in cash and cash equivalents	**(27)**	**(876)**
Cash and cash equivalents at the start of year	402	1,278
Cash and cash equivalents at the end of the year	**375**	**402**

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 2013 the Company has cash balances of £0.4m and 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. As disclosed in note 16, RRE Stanley and DS Kell have confirmed they will defer repayment of their loans for 12 months. 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.

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 after calculating the present day value of the investment. The investment value in the financial statements assumes that an EBITDA of $25m will be achieved in November 2016.

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 2013.

New and amended standards and interpretations effective from 1 January 2013 adopted by the Company

During the year ended 31 December 2013, 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 2014 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 2013 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.

NOTES TO THE ACCOUNTS

1. Revenue

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

	2013 £000's	2012 £000's
Management recharges	2,223	3,250
Total	**2,223**	**3,250**

2. Staff costs

Aggregate remuneration comprised	2013 £000's	2012 £000's
Wages and Salaries	2,155	1,680
Share scheme expense	155	100
Social Security Costs	143	193
Other Pension Costs	153	127
Total staff costs	**2,606**	**2,100**

Average monthly number of employees	2013 No.	2012 No.
Head Office and Administration	17	21
Total	**17**	**21**

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	2013 £000's	2012 £000's
Interest on bank overdrafts, loans & financial instruments	21	-
Interest on director loans (note 16)	59	-
Total finance expense	**80**	**-**

Finance income	2013 £000's	2012 £000's
Interest on cash and cash equivalents	3	10
Interest on deferred consideration (note 8)	14	14
Interest on Intercompany loans	31	47
Total finance income	**48**	**71**

4. Other operating expenses

	2013 £000's	2012 £000's
Other operating expenses		
Property related expenses	153	191
Net loss (gain) on foreign exchange	112	1,663
Auditor's remuneration (see below)	54	69
Other operating expenses	360	546
Total operating expenses	**679**	**2,469**

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:

	2013 £000's	2012 £000's
Audit Services		
• statutory audit of accounts	38	53
Other services relating to taxation		
• compliance services	16	16
	54	69
Comprising		
• Audit services	38	53
• Non audit services	16	16

5. Taxation

Analysis of taxation charge for the year

	2013 £000's	**2012 £000's**
United Kingdom		
Corporation tax at 23.25% (2012: 24.5%)	-	-
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:

	2013 £000's	**2012 £000's**
Profit/(loss) before taxation	**7,392**	**(13,358)**
Notional taxation charge at UK rate of 23.25% (2012: 24.5%)	1,719	(3,239)
Effects of:		
Non (taxable) income/deductable expenses	(2,082)	567
Deferred tax asset not recognised in the period	363	2,672
Total taxation charge	**-**	**-**

The Company has tax losses of approximately £2,283k (2012: £720k) available to carry forward against future profits of the same trade.

6. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of shares in issue during the period.
In calculating the dilution per share, share options outstanding and other potential ordinary shares have been taken into account where the impact of these is dilutive. The average share price during the year was 20.25p (2012: 44.55p).

Number of shares

	2013 No. 000's	2012 No. 000's
Weighted average number of ordinary shares for the purposes of basic earnings per share	136,879	121,202
Effect of dilutive potential ordinary shares from share options	2,883	2,736
Weighted average number of ordinary shares for the purposes of diluted earnings per share	139,762	123,938

Earnings

From operations	2013 £000's	2012 £000's
Earnings/(loss) for the purposes of basic earnings per share being net profit attributable to owners of the parent	7,392	(13,358)
Potential dilutive ordinary shares from share options	-	-
Earnings/(loss) for the purposes of diluted earnings per share	7,392	(13,358)

Earnings/(loss) per share from operations		
Basic (p)	5.4	(11.0)
Diluted (p)[a]	5.3	(11.0)

[a]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 share are omitted from the dilutive loss per share calculation in 2012.

7. Non current investments

A summary of the Non current investments is shown below:

	2013 £000's	2012 £000's
Investment in Smith Electric Vehicles US Corp	1,280	1,280
Investment in Snorkel International Holdings LLC	36,283	-
Total Non current Investments	**37,563**	**1,280**

Smith Electric Vehicles US Corp

At 31 December 2013, the Company held a 24% (2012: 24%) share of the issued share capital of Smith Electric Vehicles US Corp, a company registered in the US. This Share holding is being held as a non current investment at the lower of cost and realisable value (2013: £1,280k, 2012 £1,280k).

Snorkel International Holdings LLC

On 15 October 2013 the Company disposed of its Powered Access division Snorkel Europe Ltd in exchange for a 49% share of the issued share capital of Snorkel International Holdings LLC. At 31 December 2013, the Company held a 49% (2012: Nil) 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 (2013: £36,283k, 2012: £Nil) having been held as an investment in subsidiaries in 2012 (£9,677k).

8. Deferred consideration

A summary of the deferred consideration receivable is shown below:

	2013 £000's	2012 £000's
Due from Smith Electric Vehicles US Corp	349	339
Total Deferred consideration receivable	**349**	**339**

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:

	2013 £000's	2012 £000's
Total consideration receivable at 1 Jan	341	341
Total interest receivable on outstanding consideration	14	14
Effects of currency fluctuations	(6)	(16)
Deferred consideration receivable net of interest	**349**	**339**

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.

	2013 **£000's**	2012 £000's
Cash and cash equivalents	**375**	402

10. Trade and other receivables

	2013 £000's	2012 £000's
Current		
Amounts due from subsidiary undertakings	-	16,378
Amounts due from Snorkel International Holdings LLC	223	-
Amounts due from Smith Electric Vehicles US Corp and its subsidiary	2,511	1,852
Other debtors and prepayments	168	772
	2,902	**19,002**

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.

	2013 £000's	2012 £000's
Current		
Trade payables	114	137
Social security and other taxes	77	151
Accrued expenses	970	212
Loans	724	-
Amounts due to subsidiary undertakings	-	1,415
	1,885	**1,915**
Average credit period taken on trade purchases (days)[a]	**71**	**52**

[a] Creditor days have been calculated as trade payables and accrued expenses over other operating expenses multiplied by 365 days. The calculation includes only continuing operations.

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[b] £000's	Share premium £000's
At 31 December 2011	**5p**	**94,567,218**	**4,728**	**3,097**
New share issue 13 Feb 2012	5p	29,268,293	1,464	9,930
New share issue 23 July 2012	5p	5,135,714	257	1,796
Share options exercised	5p	20,000	1	-
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**

[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.

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 2013 and 2012 are shown below.

	2013		2012	
	Number of share options	Weighted average exercise price (pence)	Number of share options (Restated)	Weighted average exercise price (pence)
Outstanding at the beginning of the year	8,746,334	21	9,606,334	113
Granted	-	-	-	-
Forfeited	(1,685,000)	(41)	(840,000)	(135)
Exercised	-	-	(20,000)	(5)
Expired	-	-	-	-
Outstanding at the end of the year	7,061,334	16	8,746,334	21
Exercisable	3,061,334	1	3,196,334	10

The outstanding options at 31 December 2013 had a weighted average remaining contractual life of 5.20 years (2012: 6.49 years)

The following table relates to share options outstanding and exercisable at 31 December 2013

	Option exercise prices			
Exercise price (pence)	1p	5p	27p	Total
No of share options	2,921,334	140,000	4,000,000	7,061,334
No of exercisable options	2,921,334	140,000	-	3,061,334

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 £155k (2012: £100k) and a credit directly to equity of £136k (2012: £Nil) 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:

	2013 £'000	2012 £'000
Trade and other receivables	2,902	19,002
Cash and cash equivalents	375	402
	3,277	19,404

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
2013				
Trade and other payables	1,885	-	-	1,885
	1,885	-	-	1,885
2012				
Trade and other payables	1,915	-	-	1,915
	1,915	-	-	1,915

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 disposal, as disclosed below.

	2013 £000's	2012 £000's
Net position at 1 January	14,963	26,251
Management charges	2,221	3,250
Impairments net of intercompany loan forgiveness[a]	(17,141)	(9,787)
Other transactions including new loans issued and cash balances received	(43)	(4,751)
Net position at 31 December	**-**	**14,963**

[a] During 2013 the company formally forgave £17,141k of its intercompany receivables, of this balance £10,566k (2012: £9,787k) related to Snorkel Europe Limited (formerly Tanfield Powered Access Limited), £3,810k (2012: Nil) to Snorkel International Inc, £1,283k (2012: Nil) 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 (2012: Nil).

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

During the year the group recharged £513k (2012: £800k) 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 13 there was an outstanding balance due from Smiths Electric Vehicles Europe Ltd of £682k (2012: £739k) relating to the these transactions.

Remuneration of key personnel

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

Directors emoluments are shown in the table below:

	2013 £000's	2012 £000's
Salaries and short term benefits including NI	1,995	1,433
Post employment benefits	152	123
	2,147	**1,556**

Transactions with directors

Loans

During the year RRE Stanley and DS Kell loaned the Company £400k and £100k respectively. The terms of the loan agreements allowed for a 5% 'borrowing charge' payable upon initial drawdown of the funds along with a 9.5% interest rate attached to the loan capital from the drawdown date (30 Aug 13 and 17 Sept 13 respectively) until the date of the sale of the Company's Powered Access division on 15 October 2013, notwithstanding the period. From the date of sale the loans have attracted an annual interest rate of 10% and the total interest for RRE Stanley and DS Kell during the year amounted to £47k and £12k respectively. In return for a fee of £132k and £33k, RRE Stanley and DS Kell have agreed to defer the repayment by up to 12 months, or when cash is available whichever is the earlier. Each of the loan agreements are secured by a Debenture. The Debentures are in a form which is relatively standard and constitute fixed and floating charges over the Company's assets. As of 31 December 2013 the borrowing charges had been repaid leaving an aggregate outstanding balance due of £724k which has been classified under trade and other payables within the balance sheet.

Settlement agreements

On 5 November 2013 DS Kell, CD Brooks and BJ Campbell resigned as directors. These former Directors had in their contracts exit packages of two years but this was agreed to be reduced to the equivalent of one year. The Company has provided for settlement payments to the former directors as at 31 December 2013 of no more than £891k (DS Kell £371k, CD Brooks £278k, BJ Campbell £242k). It is intended that the agreements will state that repayments will be the earlier of the Company having available free cash from its investments in Snorkel and Smith or October 2018.

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 £153k (2012:£194k) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. As at 31 December 2013, contributions of £5k (2012: £Nil) due in respect of the current reporting period had not been paid over to the schemes.

18. Financial instruments recognised in the balance sheet

	2013			2012		
Assets	Loans and receivables £000's	Assets Held to maturity[a] £000's	**Total** **£000's**	Loans and receivables £000's	Assets Held to maturity[a] £000's	**Total** **£000's**
Current financial assets						
Trade and other receivables	2,902	-	**2,902**	19,002	-	**19,002**
Investments	-	37,563	**37,563**	**-**	11,965	**11,965**
Cash and cash equivalents	375	-	**375**	402	-	**402**
Total	3,277	37,563	**40,840**	19,404	11,965	**31,369**

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	1,808	-	**1,808**	1,764	-	**1,764**
Total	1,808	-	**1,808**	1,764	-	**1,764**

[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 2013. The Company had no operating subsidiaries as of 31 December 2013.

Investments	**Principal activity**	**Group Interest in allotted capital & voting rights**	**Country of incorporation**
Smith Electric Vehicles US Corp	Electric vehicle manufacture	24.00%	US
Smith Electric Vehicles Europe Ltd[a]	Electric vehicle manufacture	24.00%	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.

Details of the investments held in the Subsidiaries are as follows:

	2013 £000's	2012 £000's
Tanfield Engineering Systems Ltd	-	1,008
Snorkel Europe Ltd (formerly Tanfield Powered Access Ltd)	-	9,677
	-	**10,685**

Tanfield Engineering Systems Ltd

Through a process of administration Tanfield Engineering Systems Ltd was disposed of in November 2013.

Snorkel Europe Ltd (formerly Tanfield Powered Access Ltd)

On 15 October 2013 the Company disposed of its Powered Access division Snorkel Europe Ltd in exchange for a 49% share of the issued share capital of Snorkel International Holdings LLC. This investment is being held as a non current investment (Note 7).