TANFIELD GROUP PLC
REPORT AND FINANCIAL STATEMENTS 2022

Registered in England & Wales

Company number 04061965

REPORT AND FINANCIAL STATEMENTS 2022

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DIRECTORS AND ADVISORS

DIRECTORS

NON-EXECUTIVE

D Robinson	Chairman
M Groak	Non-Executive Director

SECRETARY
D Robinson

REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE
c/o Weightmans LLP
1 St James' Gate
Newcastle upon Tyne
Tyne and Wear
NE99 1YQ

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WH Ireland
24 Martin Lane
London
EC4R 0DR

AUDITOR
RSM UK Audit LLP
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

NOMINATED BROKER
WH Ireland
24 Martin Lane
London
EC4R 0DR

SOLICITOR
Weightmans LLP
1 St James' Gate
Newcastle upon Tyne
Tyne and Wear
NE99 1YQ

REGISTRAR
Link Group
10th Floor
Central Square
29 Wellington Road
Leeds
LS1 4DL

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

The Company's main investment, Snorkel International Holdings LLC ("Snorkel International"), continued to recover and see an increase in sales following the decline caused by the impact of Covid-19. The Board continues to closely monitor performance and is hopeful that 2023 will see a continued recovery and further increase in sales.

Following Tanfield's 51% joint venture partner Xtreme Manufacturing LLC ("Xtreme"), via its subsidiary SKL Holdings LLC ("SKL") and Snorkel International, filing a Summons and Complaint (the "US Proceedings") against the Company and its subsidiary HBWP Inc ("HBWP"), the Board remains disappointed that an amicable resolution has not been possible. The US Proceedings are therefore ongoing and the Board continues to seek advice and vigorously defend its position.

As a result of the issues arising from the US Proceedings, it became necessary for Tanfield to issue and serve a claim against the Company's former solicitors acting for the Company at the time of the Contemplated Transaction in the English High Court (the "UK Proceedings"). In October 2022 the Board announced that the UK Proceedings had been settled on a no-fault basis which saw the Company receive £6.9m.

The investment in Smith Electric Vehicles Corp. ("Smith") continues to be held at nil value.

NON-EXECUTIVES' REVIEW

Background

The Company is defined as an investment company with two passive investments. This definition resulted from the disposal of the controlling interest in Smith in 2009 and the formation of a joint venture between Tanfield and Xtreme relating to the Snorkel division in October 2013 (the "Joint Venture"). Tanfield currently owns 5.76% of Smith and 49% of Snorkel International.

OVERVIEW

Snorkel International

Tanfield continues to retain an investment in Snorkel International (currently valued at £19.1m, 2021: £19.1m) consisting of a 49% interest and a preferred interest position, incorporating a Priority Amount and a Preferred Return (collectively the "Preferred Interest"), which it has held since the Joint Venture was established in October 2013.

Since the injection of working capital following the Joint Venture, Snorkel achieved increased year on year sales levels however, during 2020 the impact of the Covid-19 pandemic saw the first reduction of sales. A summary of sales (unaudited) and the operating profit/(loss) (unaudited), excluding depreciation is shown below:

Year	Sales	Increase/ (decrease)	Operating profit/ (loss) excluding depreciation
2021	$155.0m	40%	($9.1m)
2020	$110.8m	(50%)	($12.3m)
2019	$220.8m	10%	$0.3m
2018	$200.5m	21%	$2.9m
2017	$165.8m	27%	$1.6m
2016	$130.5m	19%	($2.8m)
2015	$109.9m	29%	($10.6m)
2014	$85.3m	-	($14.9m)

In the first 9 months of 2022, Snorkel has seen its sales increase by 15% to $131m compared to the same period in 2021 (first 9 months of 2021: $114m), with an operating loss, excluding depreciation of $8.8m (first 9 months of 2021: $5.0m).

The Board is not aware of any market factors and have not been made aware of any specific reason why sales growth for the full 2022 year should not be achieved. The Board is also not aware of any reason why the sales growth should not continue in 2023.

In October 2019, the Board received the US Proceedings, in which Xtreme, via its subsidiary SKL and Snorkel International, allege that Tanfield has refused to comply with its contractual obligations by not agreeing to sign over its interest in Snorkel International for £nil consideration. It is the Board's belief that the intent of Tanfield, its non-conflicted directors at the time and its shareholders, as well as the contractual terms, require that the Preferred Interest is paid to the Company before its 49% holding in Snorkel International can be acquired. Notwithstanding that, in the Board's opinion, payment of the Preferred Interest is a clear requirement described in the Circular that was distributed to shareholders in advance of shareholders approving the contemplated transaction, Xtreme allege that this was not their intent or understanding of the contemplated transaction despite both they, and their advisers, reviewing and commenting on the Circular prior to its distribution. They also allege that they do not believe payment of the Preferred Interest is a requirement of the contractual agreements.

The position of Xtreme, which is the premise of the US Proceedings, is that while they accept that Tanfield received a 49% interest in Snorkel International and an adjusted priority amount of $22.5m (adjusted from the headline $50m value detailed in the Circular, and with interest accruing) in exchange for contributing the entire Snorkel division, including all its assets and intellectual property, to the Joint Venture, and gave Xtreme a 51% controlling interest, they allege that because Snorkel International, under Xtreme's control, failed to achieve a 12 month EBITDA of $25m prior to 30 September 2018, that Tanfield's $22.5m adjusted Priority Amount, plus accrued interest, simply disappeared; allowing Xtreme to acquire Tanfield's 49% interest for £nil consideration.

STRATEGIC REPORT (Continued)

In summary, it is alleged by Xtreme that the terms of the transaction were such that after (a) Tanfield contributed all of the assets and intellectual property of its Snorkel division to the Joint Venture, which Snorkel's own tax returns declare as having a net fair market value of $45.5m, (b) Tanfield conceded management control of the Snorkel division to Xtreme, (c) Xtreme ran the business as it saw fit for approximately 5 years and Snorkel International failed to achieve an annualized $25m EBITDA, (d) Tanfield's value disappears completely and Xtreme can take 100% ownership of Snorkel International without paying any consideration to Tanfield.

The Board vigorously deny that this was the intent of the parties, or the meaning of the contractual agreements. It would have made no commercial sense to contribute the considerable value, trade and assets of the Snorkel division, which both parties agreed from the outset was fundamentally a viable company, while also relinquishing control of the division, to then receive no consideration for the considerable value contributed to the Joint Venture, because the controlling party failed to achieve the target. The Board therefore continues to seek advice and vigorously defend its position.

Despite the allegations, which the Board believe are without merit, the Board is currently of the opinion that the investment in Snorkel International will result in a return to shareholders in the future but would like to draw your attention to the "Valuation of Snorkel International holding" below and the critical accounting estimates and key judgments on pages 20 and 21 which further explain the potential risks.

The US Proceedings have continued to progress during 2022 however, due to factors outside of the Company's control, the timetable was delayed on more than one occasion. Following information obtained through discovery, the Company filed an amendment to its counterclaims in early 2023 which has required the timetable to be rescheduled and the jury trial is currently expected to commence in early 2024.

Further updates in relation to progress and timing will be provided as and when appropriate.

Valuation of Snorkel International holding: £19.1 million (2021: £19.1 million)

On 30 September 2018 the fixed terms of the agreement came to an end. In summary, if the trailing 12 month EBITDA had reached $25m by 30 September 2018, this would have triggered payment of the Preferred Interest, valued at £19.1m, which once paid, would have allowed the Company to exercise its put option, compelling the purchase / sale of Tanfield's remaining holding in Snorkel International. As a $25m trailing 12 month EBITDA was not reached by the deadline, the put option expired. Tanfield retains a 49% interest in Snorkel International and, in the Board's opinion, the Preferred Interest, but it can no longer compel Xtreme to pay the Preferred Interest and acquire its 49% interest. The Board therefore remains of the opinion that the Preferred Interest is the minimum payment required under the terms of the contractual agreements for Xtreme to acquire Tanfield's interest and that this is therefore an appropriate basis for determining the value the investment is to be carried at.

As the US Proceedings have been brought against Tanfield, it is evident that Don Ahern, the owner of Xtreme, wishes to own 100% of Snorkel International. However, based on statements within the US Proceedings, it is evident that Don Ahern does not believe he should have to pay anything in order to acquire Tanfield's 49% of Snorkel International. One possible outcome is that Tanfield continues to hold its 49% interest for the foreseeable future however, the Board does not believe such a scenario would be in the best interest of shareholders given the action taken by Don Ahern against the Company and, should it become necessary, would consider options that may assist in moving from this position.

Due to the risks involved with the ongoing different opinions regarding the contractual agreements, it is possible the actual realisation of value could be less, or more, than the current valuation. A number of factors could influence the valuation of Snorkel International between now and a potential realisation date, including the outcome of all relevant legal proceedings, Xtreme's negotiating stance and the exchange rate at the time of any realisation.

Due to these inherent uncertainties, the Board is unable to determine whether the actual outcome will be less than the current valuation of £19.1m, which it believes is underpinned by the value of the Preferred Interest, so feel the valuation of £19.1m should be maintained. This valuation has been assessed against various criteria, including exchange rate fluctuations. The Board would like to draw the reader's attention to the critical accounting estimates and key judgments on pages 20 and 21 which further explain the uncertainty and to the Auditors' report on pages 11 to 13 in which it is also highlighted.

Smith

In October 2014 Smith completed a restructuring exercise that saw it convert debt to equity. As a result of this, they informed the Company that its equity shareholding had reduced from 24% to 5.76% (excluding warrants).

Since then, Smith has sought to raise funds which would allow it to implement its strategic plan. To date, no significant fundraise has been completed and the Board of Tanfield does not foresee this happening in the immediate future.

Valuation of Smith holding

In 2015, the Board of Directors carried out a review of the investment in Smith resulting in a decision to impair the investment value to £nil.

The Board understand that Smith has not been trading in recent years and as Smith are unable to provide any certainty on its future, the Board maintains its opinion that the investment value should be held at £nil.

Strategy of Tanfield Board of Directors in relation to its Investments

The Board believes its investment in Snorkel International will result in a return of value to shareholders but cannot predict the timeframe for such a return. With regard to Smith, due to the ongoing uncertainty, the Board is unable to say, at this time, whether it will result in a return of value to shareholders. The Directors will update shareholders should this view change.

STRATEGIC REPORT (Continued)

The strategy of the Company in relation to these investments is to return as much as possible of any realised value to shareholders as events occur and circumstances allow, subject to compliance with any legal requirements associated with such distributions. The Board will continue to fulfil its obligation to its shareholders in seeking to optimise the value of its investments.

The investments are defined as passive investments and in line with this definition Tanfield does not hold Board seats in either Snorkel International or Smith. There is no limit on the amount of time the existing investments may be held by the Company.

Finance expense and income
Interest and borrowing costs of £565k was incurred in the period (2021: £145k) and interest income of £16k (2021: £nil) was received on bank balances.

Profit/loss from operations
The profit from operations was £5,495k (2021: loss £369k). The main differences being the £6.9m no-fault settlement received in relation to the UK Proceedings, along with higher legal fees and an increase in the finance expense.

Profit/loss per share
Profit per share from continuing operations was 3.04 pence (2021: loss 0.32 pence). No dividend has been declared (2021: £nil).

Cash
At 31 December 2022, the Company had cash of £3.8m (2021: £0.6m) and approximately £3.7m as at the date of this report.

Borrowings
At 31 December 2022, and as at the date of this report, the Company had no borrowings (2021: £1.695m) having fully repaid all borrowings, including accrued interest and early redemption charges, following the settlement of the UK Proceedings.

Risks and uncertainties
There is no guarantee if and when a realisation of value from one of the investments will happen, or of the costs associated in securing a realisation, and the Board will closely monitor progress. It recognises that its investments have a level of risk associated with them and is somewhat reliant on their continued performance within their markets. However, following the £6.9m no-fault settlement received in relation to the UK Proceedings, the Board believes that the Company now has sufficient cash reserves to fully defend its position in the US Proceedings.

Section 172: Companies Act Statement
The Board takes seriously its duties towards a wide range of stakeholders and acts in a way to ensure that its decision making promotes the success of the Company for the benefit of these stakeholders in accordance with Section 172. The Board's ability to do this is as a result of the Company status – as an investment Company it has no employees or customers and its activities have no impact on the wider community and environment. The statements below provide further information as to how the directors have had regard to the relevant matters.

The likely consequences of decisions in the long term. As discussed earlier in this report, the sole aim of the Board is to maximise the return to shareholders through its investment holdings. This is of necessity a short-term focus, and the financial outcome will determine the future position and strategy of the Company.

The need to foster the Company's business relationships with suppliers and the desirability of the Company to maintain a reputation for high standards of business conduct. Engagement with suppliers is a key part of the business as the Board looks to bring a resolution to its investment position. Therefore, we are selective in the suppliers we choose to work with, demonstrating the Board's commitment to maintaining high standards of business conduct and professionalism.

During the year, the Board was faced with a decision, in relation to the UK Proceedings, of whether to accept no-fault settlement values or instead to proceed to trial. The Board considered both the tangible benefits that a settlement would bring and the potential greater tangible benefits that a trial could bring. Deliberations included the fact that a settlement would provide certainty for the stakeholders whereas a trial would be uncertain, and the Company may lose. In such a scenario, the Company would receive no value and would likely be ordered to pay a high proportion of the other parties' significant costs. After careful consideration, including negotiating higher settlement values, the Board felt that accepting the £6.9m settlement values would be more beneficial to stakeholders, in that it would provide sufficient cash reserves, after repaying all debt, to ensure the Company could fully defend its position in the US Proceedings, as the risks associated with proceeding to trial in the UK Proceedings were too high. Accordingly, in October 2022, the Board accepted the £6.9m no-fault settlements.

The Annual General Meeting is the principal forum for shareholders, and we encourage all shareholders to attend and participate. The notice of the meeting is sent at least 21 days before the meeting. The Chairman of the Board and other directors, where possible, are present and are available to answer questions raised by shareholders. The Board ensure regular communications are made to all shareholders via periodic RNS announcements.

KPI's
The Board do not use any KPI's to monitor the performance of the business.

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

Daryn Robinson
Chairman
20 April 2023

DIRECTORS' REPORT

The directors submit their report and the financial statements of Tanfield Group Plc for the year ended 31 December 2022. 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.

INVESTING POLICY
The holdings in Snorkel International Holdings LLC and Smith Electric Vehicles Corp. are passive investments. It is the intention that where distributions or realisations of such holdings are made (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 presently no anticipated limit on the amount of time the holdings are to be held by the Company. The Company does not have and will not make any cross holdings and does not have a policy on gearing.

RESULTS AND DIVIDENDS
The financial result for the year to 31 December 2022 reflects the principal activity of the company being that of an investment company.

Turnover for the year was £nil (2021: £nil). The profit from operations in the year of £5,495k (2021: loss £369k) arose from the no-fault settlement of the UK Proceedings, less operating costs.

The statement of financial position shows total assets at the end of the year of £23.0m (2021: £19.7m). Net Current Assets were £3.8m (2021: £0.5m) with cash balances of £3.8m (2021: £0.6m). The directors believe that the Company has sufficient cash to allow it to continue for a period of more than 12 months from the date of this report.

No dividend has been paid or proposed for the year (2021: £nil). The profit of £4,946k (2021: loss £514k) has been transferred to reserves.

FINANCIAL INSTRUMENTS
The Company's financial instruments comprise cash, non-current investments, current receivables, current payables arising from its operations and borrowings. The principal financial instruments used by the Company during the year are cash balances raised from borrowings (subsequently repaid) and the no-fault cash settlement from the UK Proceedings. 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.

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

The directors' do not currently have a right to acquire shares in the company via the exercise of options as all past options have either been exercised or lapsed. Details of the directors' remuneration and incentives are set out in the Directors' Remuneration Report on page 9.

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 trade payables at 31 December 2022 were 3 days (2021: 25 days).

SUBSTANTIAL SHAREHOLDINGS
On 31 December 2022 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)	46,983,173	28.8%
CHASE NOMINEES LIMITED	34,791,672	21.4%
AURORA NOMINEES LIMITED	19,785,744	12.1%
THE BANK OF NEW YORK (NOMINEES)	12,085,481	7.4%
VIDACOS NOMINEES LIMITED	11,876,855	7.3%
SECURITIES SERVICES NOMINEES	7,534,680	4.6%
LYNCHWOOD NOMINEES LIMITED	4,989,166	3.1%

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR
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 has 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 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

Daryn Robinson
Chairman
20 April 2023

CORPORATE GOVERNANCE

All members of the board believe strongly in the value and importance of good corporate governance and in our accountability to all of Tanfield's stakeholders, including shareholders and suppliers.

The corporate governance framework which the company operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the company's values. Of the two widely recognised formal codes, we have adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the board judges these to be appropriate in the circumstances.

Principle 1

Business Model and Strategy

Tanfield Group is a passive investment Company with investments in Snorkel International and Smith, as described in the Investing Policy on page 6. As a passive investment Company, we do not have operational control or input into these investments. It is the intention that where distributions or realisations are made that these are distributed to shareholders, subject to compliance with any legal requirements associated with such distributions.

Principle 2

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication with its shareholders and the Company endeavours to keep shareholders informed via its public announcements. The Board believes that it has successfully engaged with shareholders to date, keeping them abreast of the Company's strategy and progress.

Principle 3

Stakeholder and Social Responsibilities

As a passive investment Company, the Board recognises that its stakeholders are limited to external stakeholders (which includes its investments), with the exception of the Directors, and are therefore not as extensive as many operational businesses. The Company maintains a dialogue with its external stakeholders as appropriate and as the need arises. Whilst we are a passive investment Company, we still consider it important that our behaviour is socially responsible and we will endeavour to be accountable for our actions, be transparent about our activities, operate in an ethical, professional and responsible manner, be mindful of our stakeholder interests, respect the rule of law and respect human rights in whatever we do.

Principle 4

Risk Management

The Board is mindful of and monitors its corporate risks. The main risks the business faces are that the investments may not achieve their operational goals, resulting in no realisation event and the potential for disputes with the controlling shareholders as to the terms of a realisation event should one occur. As a passive investment company, the Board is not able to influence the decision making or strategy of the investment companies and so its ability to mitigate some risks Is limited.

Principle 5

Board Structure

The Company operates as a passive investment company and has put in place a board structure that can best provide the strategic advice, leadership and continuity required. The board structure consists of two non-executive directors, Daryn Robinson and Martin Groak, both sitting on the PLC Board. During the year there were five board meetings, all fully attended, that took place.

Principle 6

Board Composition, Experience and Dynamics

The Board considers the Board composition in terms of skills, experience and balance. Its committees seek external expertise and advice where required. With only two Board members, due to the limited activities of the Company, Board cohesion is paramount and this is regularly reviewed. The Board members have held roles and directorships in other publicly listed companies where they have gained a wealth of financial and public market experience which collectively has provided them with the balance of skills and expertise to deliver the business strategy.

Principle 7

Board Evaluation

The Board considers evaluation of its committees and individual directors to be an integral part of corporate governance to ensure it has the necessary skills, experience and abilities to fulfil its responsibilities. To ensure the skills and knowledge of the Board are kept up to date, it works with its Nominated Advisor & Broker, Auditor and Solicitor to ensure that any relevant new or amended accounting standards and interpretations, AIM rules or Companies Act legislation are fully understood and implemented.

Principle 8

Corporate Culture

The Board recognises that a corporate culture based on sound ethical values and behaviours is an asset. In accordance with the Company's stated social responsibilities it endeavours to conduct its business in an ethical, professional and responsible manner. As the Company has no control over operational matters relating to its investments, it is unable to influence the values and behaviours directly but it supports a culture of dealings with both shareholders and investee companies with integrity and respect.

CORPORATE GOVERNANCE (continued)

Principle 9

Governance Structure

The PLC Board, which as a passive investment Company consists of two non-executive directors, have the responsibility of monitoring the Company investments to ensure that, where distributions or realisations are made, these can be distributed to shareholders, subject to compliance and any legal requirements associated with such distributions. Due to the nature of the business, executive directors and an operational Board are not deemed necessary and therefore the non-executive directors are deemed not to be independent.

Principle 10

Stakeholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with all of its stakeholders, including shareholders, providing them with access to information to enable them to come to informed decisions about the Company. The Company's website provides all required regulatory information as well as additional information shareholders may find helpful.

An explanation of the approach taken in relation to each of the QCA Code principles can also be found on the Company's website www.tanfieldgroup.com/about#governance.

The board considers that it does not depart from any of the principles of the QCA Code.

Going Concern

The directors are satisfied that the Company has sufficient cash to continue for a period of 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Daryn Robinson
Chairman
20 April 2023

DIRECTORS' REMUNERATION REPORT

Remuneration committee
The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the QCA Code. The members of the committee during the year were D Robinson and M Groak and the committee was chaired by D Robinson.

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 had options granted to them under the terms of the Share Option Scheme which, as at the date of this report, have expired. No new share options have been granted as at the date of this report.

Pension arrangements
One director was a member of a money purchase pension scheme to which the company contributed.

Directors interests
The interests of directors holding office at the year end in the company's ordinary 5p shares at 31 December 2022 and 31 December 2021 are shown below:

	Number of shares	
	2022	**2021**
D Robinson	942,785	942,785
M Groak	40,000	40,000
Total	**982,785**	**982,785**

The directors, as a group, beneficially own 0.6% of the company's shares.

As at the date of this report, no director has any remaining 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.

Remuneration review
Directors emoluments for the financial year were as follows:

	Salary £000's	Bonus £000's	**Total 2022 £000's**	Total 2021 £000's	**Pension 2022 £000's**	Pension 2021 £000's
M Groak	30	5	**35**	20	**-**	-
D Robinson	95	100	**195**	70	**3**	3
Total	125	105	**230**	90	**3**	3

The directors held no share options at 31 December 2022 (2021: nil).

Approval
This report was approved by the board of directors and authorised for issue on 20 April 2023 and signed on its behalf by:

Daryn Robinson
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 and the AIM Rules of the London Stock Exchange the directors have elected to prepare the financial statements of the company in accordance with applicable law and UK-adopted International Accounting Standards.

The financial statements are required by law and UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards;

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

Opinion
We have audited the financial statements of Tanfield Group plc (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity attributable to equity shareholders, cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach
- **Key audit matters** - Carrying value of non-current investments
- **Materiality** - Overall materiality: £466,000 (2021: £408,000), Performance materiality: £349,000 (2021: £306,000)
- **Scope** - Our audit procedures covered 100% of total assets and 100% of profit before tax.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of non-current investment
Key audit matter description
Included in the Statement of Financial Position are non current asset investments with a carrying value of £19.1m (2021: £19.1m). This represents the Company's 49% holding in Snorkel International Holdings LLC ('Snorkel'). Note 6 and the Accounting Policies of the financial statements describe the judgements made by the Board with regards to the significant uncertainty concerning the £19.1m carrying value of the investment in Snorkel.

The investment in Snorkel represents the sole significant asset held within the Statement of Financial Position of the company. As described on pages 20 and 21 there are significant uncertainties over the timing of any realisation, and the amount that might ultimately be realised on this investment, that could have a material effect on the recoverable amount. The realisation of this investment for either more or less than its carrying value could have a material impact on the financial statements.

The Board has limited financial and non-financial information upon which to calculate/base its estimate of the realisation value and timing thereof. The Critical Accounting Estimates and Key Judgements disclosures on pages 20 and 21 set out the basis of the Directors consideration of the fair value of the investment, based on its expected recoverable amount, and the assumptions made therein. The assessments and conclusion of the directors are based on the Investment Circular setting out the Proposed Transaction issued to Shareholders in September 2013, the legal advice obtained at the time and subsequent to that date along with the information received in respect of the financial performance and position of Snorkel. The assessment made by the Directors as to the sums falling due under the Investment Circular differs to the assessment made by Xtreme, which has led to legal proceedings by Xtreme against the company to obtain control of the remaining 49% of Snorkel. The directors have concluded that the most appropriate basis for determining the carrying amount continues to be the amount represented by the Preferred Interest element, which was established at the time of the Transaction, and was the value the investment in Snorkel was impaired to following the expiry of the put option in 2018.

As explained in the Critical Accounting Estimates and Key Judgements section on pages 20 and 21, the timing of realisation and the sum to be realised are dependent on definitive clarification as to the legal position of the call option still held by Xtreme. The eventual amount realised is also dependent on the applicable rate of exchange at the time that any US$ proceeds are converted into GBP. As a result, there remains significant doubt over the timing and value at which this asset will be realised.

How the matter was addressed in the audit
Our audit work has considered the nature of the financial and other information held by management described above, the assumptions used by management to assess the estimated timing and realisable value of the investment, and such other audit evidence as was available, to form a view on the reasonableness of these assumptions, estimates and calculations.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

In carrying out our audit work we have considered and challenged the range of outcomes considered by the directors, the conclusion the directors have reached about the reliability of any alternative valuation and the disclosures made, specifically in the Critical Accounting Estimates and Key Judgements disclosures and in Note 6. We also circularised the Company's legal advisors in both the UK and United States.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

- **Overall materiality -** £466,000 (2021: £408,000).
- **Basis for determining overall materiality –** 2.0% of total assets.
- **Rationale for benchmark applied -** Consistent with the prior year, the company's principal activity continues to be that of an investment company. As such, we deemed total assets to be the key benchmark for users of the financial statements.
- **Performance materiality -** £349,000 (2021: £306,000).
- **Basis for determining performance materiality -** 75% of overall materiality.
- **Materiality levels for those classes of transaction where materiality levels are lower than overall materiality** - The statement of comprehensive income was tested to the lower Performance Materiality figure of £185,000 (2021: £19,275) to ensure adequate coverage of these values. This has been calculated as 3.7% (2021: 3.8%) of profit before tax.
- **Reporting of misstatements to the Audit Committee -** Misstatements in excess of £5,000 (2021: £4,080) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The company has been subject to a full scope audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- checking the integrity and accuracy of the cashflow forecasts prepared by management;
- assessing the reasonableness of assumptions and explanations provided by management to supporting information, where available;
- reviewing the forecast funding requirements and assessing the directors' opinion of the entity's ability to obtain future funding; and
- auditing the accuracy and consistency of disclosures made in the financial statements in respect of principal risks and going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:
- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as: UK-adopted IAS; Companies Act 2006 and AIM listing rules. Additional audit procedures performed by the audit engagement team included:
- Review of the financial statement disclosures and testing these to supporting documentation; and
- Completion of disclosure checklists to identify areas of non-compliance.

The area that we identified as being susceptible to material misstatement due to fraud were: the risk of management override of controls. The audit procedures performed by the audit engagement team included:
- Testing the appropriateness of journal entries and other adjustments;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

ALAN AITCHISON (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor, 69 Wellington Street, Glasgow, G2 6HG
20 April 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000's	2021 £000's
Revenue		**-**	**-**
Staff costs	1	(242)	(93)
Other operating income		6,900	19
Other operating expenses	3	(1,163)	(295)
Profit/(loss) from operations		**5,495**	**(369)**
Finance expense	2	(565)	(145)
Finance income	2	16	-
Profit/(loss) before tax		**4,946**	**(514)**
Taxation	4	-	-
Profit/(loss) & total comprehensive income for the year attributable to equity shareholders		**4,946**	**(514)**

Profit/(loss) per share

Profit/(loss) per share Basic and diluted (p)	5	3.04	(0.32)

STATEMENT OF FINANCIAL POSITION (Company registration number 04061965)

AS AT 31 DECEMBER 2022

	Notes	2022 £000's	2021 £000's
Non current assets			
Non current Investments	6	19,100	19,100
		19,100	19,100
Current assets			
Trade and other receivables	8	30	23
Cash and cash equivalents	7	3,824	588
		3,854	611
Total assets		**22,954**	**19,711**
Non current liabilities			
Borrowings	10	-	1,695
		-	1,695
Current liabilities			
Trade and other payables	9	64	72
		64	72
Total liabilities		**64**	**1,767**
Equity			
Share capital	11	8,145	8,145
Share premium	11	17,336	17,336
Share option reserve	12	-	-
Special reserve		66,837	66,837
Merger reserve		1,534	1,534
Retained earnings		(70,962)	(75,908)
Total equity attributable to equity shareholders		22,890	17,944
Total equity and liabilities		**22,954**	**19,711**

The financial statements on pages 14 to 28 were approved by the board of directors and authorised for issue on 20 April 2023 and are signed on its behalf by:

Daryn Robinson
Chairman

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium[a]	Share option reserve[b]	Merger reserve[c]	Special reserve[d]	Retained earnings[e]	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2021	**8,145**	**17,336**	**331**	**1,534**	**66,837**	**(75,725)**	**18,458**
Comprehensive income							
Loss for the year	-	-	-	-	-	(514)	**(514)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(514)**	**(514)**
Transactions with owners in their capacity as owners:-							
Share based payments (note 12)			**(331)**			**331**	**-**
At 31 December 2021	**8,145**	**17,336**	**-**	**1,534**	**66,837**	**(75,908)**	**17,944**
Comprehensive income							
Profit for the year	-	-	-	-	-	4,946	**4,946**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**4,946**	**4,946**
At 31 December 2022	**8,145**	**17,336**	**-**	**1,534**	**66,837**	**(70,962)**	**22,890**

[a] The share premium account represents amounts subscribed for share capital in excess of nominal value, net of directly attributable share issue costs.

[b] The share option reserve represents the cumulative share-based payment expense.

[c] The merger reserve has arisen on the legal acquisition of subsidiary companies.

[d] The special reserve relates to a previous reclassification of the share premium account.

[e] The retained earnings represents the accumulated retained profits and losses less dividend payments.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000's	2021 £000's
Profit/(loss) before tax	4,946	(514)
Adjustment for:		
Finance expense	565	145
Finance income	(16)	-
Changes in operating assets and liabilities / working capital:		
(Increase)/decrease in receivables	(7)	1
Decrease in payables	(8)	(18)
Cash generated by/(used in) operations	**5,480**	**(386)**
Interest paid	(810)	-
Net cash generated by/(used in) operating activities	**4,670**	**(386)**
Cash flow from Investing Activities		
Interest received	16	-
Net used in investing activities	**16**	**-**
Cash flow from financing activities		
Proceeds from borrowings	1,375	450
Repayment of borrowings	(2,825)	-
Net cash (used in)/generated by financing activities	**(1,450)**	**450**
Net increase in cash and cash equivalents	**3,236**	**64**
Cash and cash equivalents at the start of year	588	524
Cash and cash equivalents at the end of the year	**3,824**	**588**

ACCOUNTING POLICIES

(i) Basis of preparation of the financial statements

Tanfield Group Plc is a public company incorporated in England and quoted on AIM. These financial statements have been prepared on the going concern basis in accordance with applicable law and UK-adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities measured at fair value.

The financial statements present the company accounts only and have not been consolidated as the company is deemed to be an investment entity under IFRS 10. The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The preparation of the financial statements 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 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 2022 the Company had cash balances of £3.8m (2021: £0.6m) and approximately £3.7m as at the date of this report.

The Board believes that it has sufficient cash funds to continue for more than 12 months from the date of this report. While there is no guarantee if and when a realisation of value from one of the investments will happen, the Board believes it has sufficient cash funds to see the US Proceedings reach a conclusion at some point in the future. Having taken the uncertainties into account the Board believes it is appropriate to prepare the financial statements on the going concern basis.

(iii) Foreign currencies

Transactions in currencies other than sterling, the functional currency of the company, are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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 retained earnings.

(iv) Retirement benefit cost

The company operates a defined contribution pension scheme and pays contributions to an externally administered pension plan. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period in which they fall due.

(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) Financial instruments

Recognition of financial assets and financial liabilities

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

Financial assets

Investments

Investments in equity instruments are included at fair value with fair value gains and losses recognised in profit or loss.

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 amortised cost less provisions made for impairment.

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

An impairment loss is recognised for the expected credit losses on receivables when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

ACCOUNTING POLICIES (continued)

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

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 amortised cost.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(vii) Segmental reporting
In accordance with IFRS 8 operating segments are determined on the basis of information reported to the chief operating decision-maker for decision-making purposes. The Company considers that it only has one segment and that the role of chief operating decision-maker is performed by the Tanfield Group Plc's board of directors.

(viii) 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.

Accounting standards, interpretations and amendments to published accounts

During the year ended 31 December 2022, 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 2023 not yet adopted by the Company.

Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction. The amendments provide recognition exemption and no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates. The amendments include the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. The amendments intent to help preparers in deciding which accounting policies to disclose in their financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current and non-current liabilities with covenants. The amendments may change the classification of certain liabilities as current or non-current for example convertible debt. Entities may need to provide new disclosures for liabilities subject to covenants.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

The preparation of financial statements in conformity with UK-adopted IAS 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

Smith

The status of the Company's holding in Smith Electric Vehicles US Corp was reviewed during the year. The Board previously advised that the company had ceased operations and did not feel that Smith had made sufficient progress towards achieving its plan of obtaining a public listing to maintain the previous valuation and had therefore decided to impair the investment in Smith to £nil. Subsequently, no progress has since been made that gives rise to an expectation of a realisation in value. As such, the Board is maintaining its view that the investment currently has £nil value.

Nevertheless, the Board acknowledges that there is a chance the investment could result in a return to Shareholders and will continue to monitor the investment. Should progress be made in the future the valuation of the investment will be revisited.

Snorkel International

The status of the Company's holding in Snorkel International Holdings LLC was reviewed during the year. The Board has concluded that, while Tanfield continues to retain an investment in Snorkel International (currently carried at £19.1m), consisting of a 49% interest and the Preferred Interest, under the terms of the Joint Venture, they are unable to exercise significant influence over the activities and strategic direction of Snorkel International and therefore holding the investment as a trade investment, as opposed to applying equity accounting, continues to be the correct treatment.

Since the injection of working capital following the Joint Venture, Snorkel achieved increased year on year sales levels however, during 2020 the impact of the Covid-19 pandemic saw the first reduction of sales. A summary of sales (unaudited) and the operating profit/(loss) (unaudited), excluding depreciation is shown below:

Year	Sales	Increase/ (decrease)	Operating profit/ (loss) excluding depreciation
2021	$155.0m	40%	($9.1m)
2020	$110.8m	(50%)	($12.3m)
2019	$220.8m	10%	$0.3m
2018	$200.5m	21%	$2.9m
2017	$165.8m	27%	$1.6m
2016	$130.5m	19%	($2.8m)
2015	$109.9m	29%	($10.6m)
2014	$85.3m	-	($14.9m)

In the first 9 months of 2022, sales increased 15% to $131m (9 months 2021: $114m) compared to the same period in 2021, with an operating loss, excluding depreciation of $8.8m (9 months 2021: $5.0m).

The Board is not aware of any market factors and have not been made aware of any specific reason why sales growth for the full 2022 year should not be achieved. The Board is also not aware of any reason why the sales growth should not continue in 2023.

Under the terms of the Joint Venture, the level of financial information available to the Board to assess the fair value of the investment in Snorkel International is limited to quarterly historical financial information, incorporating a consolidated operating statement, balance sheet and cashflow.

In 2018, the Board impaired Tanfield's investment value in Snorkel International down to £19.1m, from the previous valuation of £36.3m. The valuation of £19.1m is based on the value of the Preferred Interest which is made up of the priority amount, set in 2013 based upon the assets of the Snorkel division contributed to the Joint Venture, plus the preferred return, being interest accruing on the priority amount. This is the basis of valuation that was set out in the Circular issued to Shareholders at the time of the Joint Venture. The Board have not included the effect of discounting for the timing of a future realisation as they do not believe this materially impacts on the valuation.

The previous valuation of £36.3m was originally calculated in 2013 and assumed the $25m EBITDA trigger, compelling the payment of the Preferred Interest and the purchase of Tanfield's interest in Snorkel International by Xtreme, would be reached within the predefined period ending 30 September 2018. As Snorkel International, under Xtreme's control, failed to achieve the EBITDA trigger, Tanfield retains a 49% interest in Snorkel International and the Preferred Interest, but it can no longer compel Xtreme to pay the Preferred Interest and acquire its 49% interest.

In November 2018, the Board received a call option notice in which Xtreme, via its subsidiary SKL, requested to exercise a call option to acquire Tanfield's interest in Snorkel International. In the request, SKL stated that the option price to acquire Tanfield's holding was $0 (nil) and that payment of the Preferred Interest was not required.

The Board did not agree with this statement and does not believe that the contractual agreements, or the Circular distributed to shareholders to fully explain the terms of the transaction - and thereby seek their authority to enter in to the transaction - allow for a call option whereby Xtreme can acquire Tanfield's interest in Snorkel International for a nil value. The Board therefore rejected the call option notice and sought to amicably resolve the dispute with Tanfield's 51% joint venture partner, Xtreme. As announced on 22 October 2019, Xtreme (via its subsidiary SKL and Snorkel International) filed the US Proceeding against Tanfield and its subsidiary HBWP.

CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (continued)

As the US Proceedings have been brought against Tanfield, it is evident that Don Ahern, the owner of Xtreme, wishes to own 100% of Snorkel International. However, based on statements within the US Proceedings, it is evident that Don Ahern does not believe he should have to pay anything in order to acquire Tanfield's 49% interest in Snorkel International. One possible outcome is that Tanfield continues to hold its 49% interest for the foreseeable future however, the Board do not believe such a scenario would be in the best interest of shareholders and, should it become necessary, would consider options that may assist in moving from this position.

The Board has reviewed the historic financial information, along with the global industrial and aerial work platform market conditions and has concluded it is appropriate to value Tanfield's investment in Snorkel International based on what the Board understands are the contractual arrangements and so at an amount based on the Preferred Interest amount of £19.1m.

This valuation has been assessed against various criteria, including past performance (including but not limited to a growth in sales, bill of material costs and improved operating profitability), production capacity, market conditions, the capability of the business to increase output and exchange rate fluctuations. In coming to this opinion, the Board has considered the trends within the business and their consistency; in particular:

- the rate of sales growth being more or less than that recently achieved by Snorkel International.
- the level of operating profitability improvement being more or less than that recently achieved by Snorkel International.
- The impact of exchange rate movements given that any proceeds will be received in USD, considering current, historic and average exchange rates.

Between 1 January 2022 to 31 December 2022, the range of the GBP to USD exchange rate has a low of 1.0676 and a high of 1.3733, the average being 1.2372. If £19.1m is assumed to represent the average exchange rate, then based on the low of 1.0676 the valuation increases by approximately 16% to £22.1m and based on the high of 1.3733 the valuation reduces by approximately 10% to £17.2m giving a potential movement of 26% in the valuation. Whilst the Board is not in a position to mitigate any potential exchange rate variation, until such time as the realisation of the Snorkel International investment is known, it will continue to consider such means as may be possible to maximise the GBP return to shareholders.

If the assumption is made that both the progress within Snorkel International and the wider global market conditions will continue to improve, then the Board note that the valuation could potentially increase beyond the £19.1m which is underpinned by the Preferred Interest element. However, the Board has considered various Snorkel International trading scenarios, based around historic sales growth trends and does not believe the valuation is likely to materially increase from £19.1m in the near future.

The Board, however, caveat that a number of factors could influence the valuation and performance of Snorkel International between now and a potential realisation date, including Xtreme's opinion of the contractual agreements which has resulted in the US Proceedings (see Strategic Report on pages 3 to 5 for further information). Due to the risks involved with the ongoing different opinions regarding the contractual agreements, it is possible the actual realisation of value could be less than the current valuation, potentially as low as £nil as alleged by Xtreme and depending on the outcome of ongoing US Proceedings.

Given the risks, the Board has considered whether a further impairment loss should be recognised but have concluded that based on their understanding of the contractual agreements in place, no further impairment is required at this time.

Whilst the timing and quantum of realisation of the investment remains unclear, the Board is currently of the opinion that the investment in Snorkel International will result in a return to shareholders in the future, that the current value of the investment of £19.1m remains appropriate and there is not an alternative, more reliable valuation of the investment than the current estimate.

NOTES TO THE ACCOUNTS

1. Staff costs

Aggregate remuneration comprised	2022 £000's	2021 £000's
Wages and salaries	230	90
Social security costs	9	-
Other pension costs	3	3
Total staff costs	**242**	**93**

Average monthly number of employees	2022 No.	2021 No.
Directors	2	2
Total	**2**	**2**

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 page 9.

2. Finance expense and finance income

Finance expense	2022 £000's	2021 £000's
Interest and borrowing cost	565	145
Total finance expense	**565**	**145**

Finance income	2022 £000's	2021 £000's
Interest on cash, cash equivalents & financial instruments	16	-
Total finance income	**16**	**-**

3. Other operating expenses

	2022 £000's	2021 £000's
Property related expenses	26	24
Auditor's remuneration (see below)	24	22
Legal and professional fees	1,088	226
Other operating expenses	25	23
Total operating expenses	**1,163**	**295**

Auditor's remuneration
Amounts payable to RSM UK Audit LLP and their associates in respect of both audit and non-audit services are as follows:

	2022 £000's	2021 £000's
Audit Services		
• statutory audit of accounts	25	23

4. Taxation

Analysis of and factors affecting taxation charge

The taxation charge on the profit/(loss) for the year differs from the amount computed by applying the corporation tax rate to the profit/(loss) before taxation as a result of the following factors:

	2022 £000's	2021 £000's
Profit/(loss) before taxation	**4,946**	**(514)**
Notional taxation charge at UK rate of 19% (2021: 19%)	940	(98)
Effects of:		
Non-taxable income	(1,307)	
Non-deductible expenses	197	34
Deferred tax asset not recognised in the period	170	64
Total taxation charge in the income statement	-	-

The Company has tax losses of approximately £5.5m (2021: £4.6m) 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.

5. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of shares in issue during the period. The average share price during the year was 2.30p (2021: 2.38p).

Number of shares	2022 No. 000's	2021 No. 000's
Weighted average number of ordinary shares for the purposes of earnings per share	162,907	162,907

Profit/(loss)

From operations	2022 £000's	2021 £000's
Profit/(loss) for the purposes of earnings per share being net profit attributable to owners of the parent	4,946	(514)
Profit/(loss) per share		
Basic and diluted earnings per share (p)	3.04	(0.32)

6. Non current investments

A summary of the Non current investments is shown below:

	2022 £000's	2021 £000's
Investment in Smith Electric Vehicles US Corp	-	-
Investment in Snorkel International Holdings LLC	19,100	19,100
Total non current investments	**19,100**	**19,100**

Smith Electric Vehicles US Corp

At 31 December 2022, the Company held a 5.76% (2021: 5.76%) share of the issued share capital of Smith Electric Vehicles US Corp, a company registered in the US. In 2015 the Board decided to impair the investment in Smith to £nil and they continue to maintain this position. However, the Board will continue to monitor the investment.

Snorkel International Holdings LLC

At 31 December 2022, the Company held a 49% (2021: 49%) share of the issued share capital of Snorkel International Holdings LLC, a company registered in the US. This shareholding is being held as a non current investment at fair value (2022: £19.1m, 2021: £19.1m). The cumulative impairment provision against this investment is £17.2m (2021: £17.2m). See Strategic Report on pages 3 to 4 and critical accounting estimates and judgements on pages 20 to 21 for further considerations.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by the Company. The carrying amount of these assets approximates their fair value. The Company primarily holds cash and cash equivalents in Sterling bank accounts.

	2022 £000's	2021 £000's
Cash and cash equivalents	**3,824**	**588**

8. Trade and other receivables

	2022 £000's	2021 £000's
Receivable within one year		
Other debtors and prepayments	30	23
	30	**23**

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

9. Trade and other payables

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

	2022 £000's	2021 £000's
Payable within one year		
Trade payables	11	20
Social security and other taxes	2	1
Accrued expenses	51	51
	64	**72**
Average credit period taken on trade purchases (days)[a]	**3**	**25**

[a] Creditor days have been calculated as trade payables over other operating expenses multiplied by 365 days.

10. Borrowings

	2022		2021	
	Non-current £000's	**Total £000's**	Non-current £000's	**Total £000's**
Unsecured				
Loan notes	-	-	1,695	1,695
Total borrowings	-	-	**1,695**	**1,695**

Unsecured 10% loan notes 2025

The Company issued 212,500 loan notes for £212,500 on 30 March 2020, 143,750 loan notes for £143,750 on 30 June 2020, 143,750 loan notes for £143,750 on 14 September 2020 and 125,000 loan notes for £125,000 on 1 March 2022. Interest is charged on the initial loan note value at 10% per annum which is rolled up and included above. A loan note holder may at any time after 28 February 2025 serve notice upon the Company requesting the redemption of all the Loan Notes, plus accrued interest, held by them. In the event of a realisation from the US Proceedings and/or the UK Proceedings exceeding £2.5m, any amount in excess of £2.5m will be used to realise a proportion of Loan Notes and accrued interest. Should a repayment take place prior to 28 February 2025, a 20% early redemption premium shall apply. Following the settlement of the UK Proceedings in October 2022, the Unsecured 10% loan notes 2025 were repaid in full, including all accrued interest and early redemption charges (which the loan note holders agreed to reduce to a 10% premium rather than the contractual 20% premium) totalling £850,000.

Unsecured 10% second loan notes 2025

The Company issued 500,000 second loan notes for £500,000 on 29 July 2020, 200,000 loan notes for £200,000 on 25 January 2021 and 250,000 loan notes for £250,000 on 1 June 2021. Interest is charged on the initial loan note value at 10% per annum which is rolled up and included above. A loan note holder may at any time after 28 February 2025 serve notice upon the Company requesting the redemption of all the Loan Notes, plus accrued interest, held by them. In the event of a realisation from the US Proceedings and/or the UK Proceedings exceeding £1.5m, any amount in excess of £1.5m will be used to realise a proportion of Loan Notes and accrued interest. Should a repayment take place prior to 28 February 2025, a 20% early redemption premium shall apply. Following the settlement of the UK Proceedings in October 2022, the Unsecured 10% second loan notes 2025 were

10. Borrowings (continued)

repaid in full, including all accrued interest and early redemption charges (which the loan note holders agreed to reduce to a 10% premium rather than the contractual 20% premium) totalling £1,285,000.

Unsecured 10% third loan notes 2025
The Company issued 750,000 second loan notes for £750,000 on 17 May 2022, 200,000 loan notes for £200,000 on 23 May 2022 and 300,000 loan notes for £300,000 on 23 August 2022. Interest is charged on the initial loan note value at 10% per annum which is rolled up and included above. A loan note holder may at any time after 28 February 2025 serve notice upon the Company requesting the redemption of all the Loan Notes, plus accrued interest, held by them. In the event of a realisation from the US Proceedings and/or the UK Proceedings, any amount in excess of the value of any incurred but unpaid costs will be used to realise a proportion of Loan Notes and accrued interest. Should a repayment take place prior to 28 February 2025, a 20% early redemption premium shall apply. Following the settlement of the UK Proceedings in October 2022, the Unsecured 10% second loan notes 2025 were repaid in full, including all accrued interest and early redemption charges (which the loan note holders agreed to reduce to a 10% premium rather than the contractual 20% premium) totalling £1,500,000.

11. 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 1 January 2021	**5p**	**162,906,850**	**8,145**	**17,336**
				-
At 31 December 2021	**5p**	**162,906,850**	**8,145**	**17,336**
At 31 December 2022	**5p**	**162,906,850**	**8,145**	**17,336**

12. Share based payments

IFRS2 requires share based payments to be recognised at fair value. The company measures the fair value of its share based payments to employees, "share options", using the Black-Scholes valuation method at the date of grant. The share based payment expense is recognised in profit or loss over the vesting period.

All share based payments are equity settled and details of the share option activity during 2022 and 2021 are shown below.

	2022		2021	
	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	**-**	**-**	**3,800,000**	**27**
Lapsed	-	-	(3,800,000)	27
Outstanding at the end of the year	**-**		**-**	

There were no outstanding options at 31 December 2022 or 31 December 2021.

A charge to the income statement of £nil (2021: £nil) and a credit directly to equity of £nil (2021: £nil) have been made during the year in accordance with IFRS2 'Share-based payments'.

13. 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:

	2022 £000's	**2021 £000's**
Trade and other receivables	2	2
Cash and cash equivalents	3,824	588
	3,826	**590**

13. Financial risk management (continued)

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 statement of financial position 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 statement of financial position date up to the contractual maturity date.

	Within 1 year £000's	1 to 5 years £000's	Over 5 years £000's	Total £000's
2022				
Trade and other payables	64	-	-	64
Borrowings	-	-	-	-
	64	**-**	**-**	**64**
2021				
Trade and other payables	72	-	-	72
Borrowings	-	1,695	-	1,695
	72	**1,695**	**-**	**1,767**

Foreign exchange risk management
The Company is exposed to movements in foreign exchange rates due to any realisation of its investment in Snorkel International being denominated in foreign currencies. The carrying amount of the company's investment in Snorkel International at 31 December 2022, which is denominated in USD, is £19.1m (2021: £19.1m). During 2022, the GBP to USD exchange rate averaged 1.2372 with a low of 1.0676 and a high of 1.3733. See critical accounting estimates and key judgements on page 21 for further details of the impact of changes in the exchange rates. The company has no other material assets or liabilities 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 net debt to capital gearing ratio on a regular basis. The Company considers its capital to include share capital, share premium, special reserve, share option reserve, merger reserve and retained earnings.

Net debt of the company (including changes in liabilities arising from financing activities)

	2022 £000's	2021 £000's
Borrowings:		
Loan notes		
Opening balance of loan notes in issue	1,695	1,100
Loan notes issued in the year – cash flows	1,375	450
Other changes including accrued interest (non-cash)	565	145
Loan notes repaid in the year – cash flows	(3,635)	-
Total Liability in respect of loan notes in issue	**-**	**1,695**
Less: cash and cash equivalents	(3,824)	(588)
Net (cash)/debt at year end	**(3,824)**	**1,107**
Total Capital	**22,890**	**17,944**
Net debt to capital ratio (%)	**-**	**6.2%**

During 2022 the Company repaid its loan notes and at 31 December 2022 had a net cash position of £3,824k (2021: net debt £1,107k).

14. Contingencies

Authorised Guarantee Agreement

At the time of the Joint Venture between Tanfield Group Plc and Xtreme Manufacturing LLC relating to Snorkel International in October 2013, Tanfield Group Plc was the tenant of the Vigo Centre manufacturing facility from which the Snorkel division carried out its UK manufacturing operations. In order to gain permission to assign the lease to Snorkel Europe Limited, Tanfield Group Plc entered into an authorised guarantee agreement on the 25-year lease which commenced 27 June 2006.

15. Related party 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 page 9.

	2022 **£000's**	**2021** **£000's**
Salaries and short term benefits including NI	239	90
Post employment benefits	3	3
	242	**93**

16. Retirement benefits

The Company operates a defined contribution retirement benefit plan for all qualifying employees. The total cost charged to income of £3k (2021: £3k) represents contributions payable to that scheme by the Company at rates specified in the rules of the scheme. As at 31 December 2022, contributions of £nil (2021: £nil) due in respect of the current reporting period had not been paid over to the scheme.

17. Financial instruments recognised in the statement of financial position

Assets	2022 Amortised cost £000's	2022 Fair value through profit and loss £000's	**Total** **£000's**	2021 Loans and receivables £000's	2021 Fair value through profit and loss £000's	**Total** **£000's**
Current financial assets						
Trade and other receivables	2	-	**2**	2	-	**2**
Investments	-	19,100	**19,100**	-	19,100	**19,100**
Cash and cash equivalents	3,824	-	**3,824**	588	-	**588**
Total	**3,826**	**19,100**	**22,926**	**590**	**19,100**	**19,690**

Liabilities	2022 Other financial liabilities £000's	2022 Held for trading £000's	**Total** **£000's**	2021 Other financial liabilities £000's	2021 Held for trading £000's	**Total** **£000's**
Current liabilities						
Trade and other payables	62	-	**62**	71	-	**71**
Borrowings	-		**-**	1,695		**1,695**
Total	**62**	**-**	**62**	**1,766**	**-**	**1,766**

Financial assets and liabilities measured at fair value are measured using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:-

- Level 1 – Unadjusted quoted prices in active markets for identical asset or liabilities ('quoted prices');
- Level 2 – Inputs (other than quoted prices in active markets for identical assets or liabilities) that are directly or indirectly observable for the asset or liability ('observable inputs'); or
- Level 3 – Inputs that are not based on observable market data ('unobservable inputs').

All of the company's financial assets and liabilities measured at fair value are measured using level 3 valuations in both the year ended 31 December 2022 and the year ended 31 December 2021.

17. Financial instruments recognised in the statement of financial position (continued)

The fair value investment is measured against the contractual terms of the Joint Venture with Xtreme, as detailed in the circular distributed to shareholders to fully explain the terms of the transaction – and thereby seek their authority to enter into the transaction. Further details are provided in the strategic report on pages 3 to 5 and in the critical accounting estimates and key judgements on pages 20 and 21.

18. Investments

The tables below give brief details of the Company's investments at 31 December 2022. The Company had no operating subsidiaries as of 31 December 2022.

Investments	Principal activity	Group Interest in allotted capital & voting rights	Country of incorporation
Smith Electric Vehicles US Corp	Electric vehicle manufacture	5.76%	US
HBWP Inc	Holding Company	100.00%	US
Snorkel International Holdings LLC	Holding Company	49.00%	US
Tanfield Engineering Systems US (Inc) [a]	Powered Access	49.00%	US
Snorkel Europe Ltd [a]	Powered Access	49.00%	UK
Snorkel International Inc [a]	Powered Access	49.00%	US
Snorkel Australia Limited [a]	Powered Access	49.00%	AUS
Snorkel New Zealand Limited [a]	Powered Access	49.00%	NZ

[a] The Company's interest is held indirectly through HBWP Inc, a wholly owned subsidiary, and its investment in Snorkel International Holdings LLC