

Tennant UK Cleaning Solutions Limited

Directors' report and financial statements

Registered number SC042491

31 December 2010



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2010.

Principal activities

On 1 January 2010 the business and net assets of Tennant UK Ltd, a fellow subsidiary undertaking, was acquired by the Company and subsequently on 29 January 2010 the name of the company was changed from Applied Sweepers Limited to Tennant UK Cleaning Solutions Ltd.

In connection with this transfer of assets and business undertaking, the Company entered into contractual arrangements with Tennant N.V. in respect of sales and distribution.

As a result of this, the company now sells indoor and outdoor cleaning machines as well as providing relevant support and also backing this up with both parts sales and repair services to customers.

At the period end the company had shareholders' funds of £5,155,947 (2009: £4,062,408) including distributable reserves of £5,022,553 (2009: £3,929,014), along with net current assets of £5,279,740 (2009: £3,422,504).

The supply and maintenance of cleaning machines will, in common with many other businesses, be subject to external economic factors and so the company will continue to be managed on a prudent basis, to ensure long term stability.

Based on these factors the directors believe that the general performance of the company will continue at satisfactory level for the foreseeable future.

Results and dividends

The profit for the period, after taxation, amounted to £1,149,019 (2009: £6,681,488).

Dividends in the period amount to £Nil (2009: £11,888,982)

Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

| | |
|-----------------------|-----------------------------|
| Yves A A Derycke | |
| Gordon R Fleming | (resigned 31 December 2010) |
| Nicholas W Hayes | (appointed 1 April 2011) |
| Carolus Huijser | (resigned 28 June 2011) |
| Nicholas C A Meredith | (resigned 31 March 2011) |
| Paul H I Niesing | (appointed 29 June 2011) |
| Patrick J O'Neill | |
| Heidi M Wilson | |
| Stuart W Winship | (appointed 1 April 2011) |

Directors' report *(continued)*

Donations

During the year the company made charitable contributions of £1,842 (2009: £1,260).

Post balance sheet events

There have been no significant post balance sheet events.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S Winship
Director

Castlelaurie Works
Bankside Industrial Estate
Falkirk
FK2 7XE

25 November 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Tennant UK Cleaning Solutions Limited

We have audited the financial statements of Tennant UK Cleaning Solutions Limited (formerly Applied Sweepers Limited) for the year ended 31 December 2010 set out on pages 5 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

M Ross (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

30 November 2011

Profit and Loss Account
for the year ended 31 December 2010

| | <i>Note</i> | 2010 £ | 2009 £ |
|--|-------------|-------------------|-------------------|
| Turnover | | 23,067,498 | 15,871,013 |
| Cost of sales | | (13,636,052) | (12,338,419) |
| Gross profit | | 9,431,446 | 3,532,594 |
| Administrative expenses | | (7,993,175) | (3,736,253) |
| Other operating income | | 24,000 | 24,000 |
| Operating profit/(loss) | 2 | 1,462,271 | (179,659) |
| Interest receivable and similar income | 5 | 870 | 144,295 |
| Interest payable and similar charges | 6 | (367,901) | (23,961) |
| Gain on sale of intangible assets | | - | 8,968,891 |
| Profit on ordinary activities before taxation | | 1,095,240 | 8,909,566 |
| Tax on profit on ordinary activities | 7 | 53,779 | (2,228,078) |
| Profit for the financial year | | 1,149,019 | 6,681,488 |

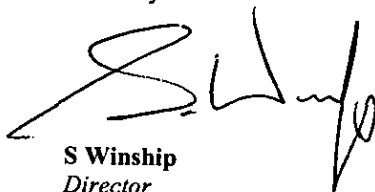
All of the activities of the company are classed as continuing.

As the business of Tennant UK Limited that was acquired by the company on 1 January 2010 was immediately integrated into the company's existing operations, it is not possible to separately identify and report separately as "acquired operations" the results of the business acquired.

Balance Sheet
at 31 December 2010

| | Note | 2010 | | 2009 | |
|--|------|--------------------|--------------------|--------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 8 | | 4,377,201 | | - |
| Tangible assets | 9 | | 548,670 | | 656,366 |
| Investments | 10 | | 29,490 | | 29,490 |
| | | | <u>4,955,361</u> | | <u>685,856</u> |
| Current assets | | | | | |
| Stocks | 11 | 477,065 | | - | |
| Debtors | 12 | 6,720,992 | | 7,563,654 | |
| Cash at bank and in hand | | 497,420 | | 879,188 | |
| | | <u>7,695,477</u> | | <u>8,442,842</u> | |
| Creditors: amounts falling due within one year | 13 | <u>(2,415,737)</u> | | <u>(5,020,338)</u> | |
| Net current assets | | | <u>5,279,740</u> | | <u>3,422,504</u> |
| Total assets less current liabilities | | | <u>10,235,101</u> | | <u>4,108,360</u> |
| Creditors: amounts falling due after more than one year | 14 | | <u>(4,703,934)</u> | | <u>(45,952)</u> |
| Net assets excluding pension liabilities | | | <u>5,531,167</u> | | <u>4,062,408</u> |
| Pension liabilities | 23 | | <u>(375,220)</u> | | <u>-</u> |
| Net assets | | | <u>5,155,947</u> | | <u>4,062,408</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 32,221 | | 32,221 |
| Share premium account | 19 | | 100,381 | | 100,381 |
| Capital redemption reserve | 20 | | 792 | | 792 |
| Profit and loss account | 21 | | 5,022,553 | | 3,929,014 |
| Shareholders' funds | 22 | | <u>5,155,947</u> | | <u>4,062,408</u> |

These financial statements were approved by the board of directors on 25 November 2011 and were signed on its behalf by:



S Winship
Director

Company registered number: SC042491

Statement of total recognised gains and losses
for the year ended 31 December 2010

| | 2010 £ | 2009 £ |
|---|------------------|------------------|
| Profit for the financial year as reported | 1,149,019 | 6,681,488 |
| Actuarial loss recognised in the pension scheme | (76,000) | - |
| Deferred tax arising on losses in the pension scheme | 20,520 | - |
| Total recognised gains and losses relating to the financial year | 1,093,539 | 6,681,488 |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. As a result of contractual arrangements effected pursuant to structural changes effected in the previous year as well as the acquisition of the trade and assets of Tennant UK Limited on 1 January 2010, the company's future cash flows are expected to remain positive. The parent company has confirmed that it will continue to make available such funds as are needed by the company to enable it to fulfil its financial obligations, including, where necessary, funds required to finance expansion and/or capital expenditure. As a result of the intra-group trading and contractual arrangements, as well as the continuing support from the parent undertaking, the directors believe the company will continue to have sufficient resources available to it to enable it to continue to fulfil all of its trading obligations and, consequently, to continue to meet its financial obligations as they fall due. Accordingly, the directors continue to believe the going concern basis of preparation for the financial statements remains appropriate.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement as 90% or more of the voting rights are controlled within a group whose consolidated financial statements are publicly available.

Consolidation

The financial statements present information about the undertaking as an individual undertaking and not about its group. Under Section 400 of the Companies Act 2006 the company is exempt from the obligation to prepare group financial statements.

Turnover

Turnover represents the total invoice value, excluding value added tax, of sales of sweeping machines plus spares and repairs revenue in the period. Turnover also includes tolling fee income earned from Tennant BV in respect of consignment manufacturing and support under intercompany agreement.

Sales revenue relating to sweeping machines is recognised at the point of delivery.

Sales revenue relating to maintenance contracts is deferred and recognised on a straight line basis over the period of the contract.

Research and development

Research and development expenditure is written off in the period in which it is incurred.

Patents

Patents are recorded at cost, less a provision for amortisation in value.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Patents - 5% straight line

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

| | | |
|------------------------|---|----------------------|
| Plant and machinery | - | 20% straight line |
| Fittings and equipment | - | 15-33% straight line |
| Motor vehicles | - | 25% straight line |

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost comprises the purchase price of finished goods.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life.

On subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

The company also operates a defined benefit pension scheme in respect of employees who transferred to the company from Tennant UK Limited. Pension scheme assets in relation to the scheme are measured using market values whilst pension scheme liabilities are measured using the attained age method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the identifying timing differences can be deducted.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2 Operating profit/(loss)

| | 2010 £ | 2009 £ |
|--|-----------|-----------|
| <i>Operating profit/(loss) is stated after charging/(crediting):</i> | | |
| Amortisation of goodwill | 230,379 | - |
| Depreciation of owned fixed assets | 253,569 | 261,997 |
| Depreciation of assets held under hire purchase agreements | 54,492 | 120,399 |
| Profit on disposal of fixed assets | (20,194) | (74,138) |
| Operating lease costs – land and buildings | 58,613 | 140,719 |
| Net (gain)/loss on foreign currency transaction (non group) | (65,136) | 116,181 |
| Research and development expenditure | 1,051,631 | 1,149,418 |

Auditors' remuneration:

| | 2010 £ | 2009 £ |
|-------------------------------------|-----------|-----------|
| Audit of these financial statements | 25,000 | 20,000 |

3 Remuneration of directors

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Directors' emoluments | 240,097 | 161,242 |
| Company contributions to money purchase pension schemes | 10,400 | 12,150 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £133,390 (2009: £116,900) and Company pension contributions of £10,400 (2009: £10,417) were made to a money purchase scheme on his behalf.

| | Number of directors | |
|--|---------------------|------|
| | 2010 | 2009 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | 1 | 1 |

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|----------------------|---------------------|------------|
| | 2010 | 2009 |
| Production staff | 143 | 89 |
| Administrative staff | 100 | 54 |
| | <u>243</u> | <u>143</u> |

108 production staff and 27 administrative staff transferred to the Company on 1 January 2010 from Tennant UK Limited.

The aggregate payroll costs of these persons were as follows:

| | 2010 £ | 2009 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 7,474,597 | 4,470,003 |
| Social security costs | 737,381 | 466,120 |
| Other pension costs | 285,447 | 104,288 |
| | <u>8,497,425</u> | <u>5,040,411</u> |

Other pension costs in 2010 include a charge of £76,000 relating to the defined benefit scheme obligations assumed by the Company on 1 January 2010 (note 23).

5 Interest receivable and similar income

| | 2010 £ | 2009 £ |
|-----------------------|------------|----------------|
| Other interest income | 870 | 144,295 |
| | <u>870</u> | <u>144,295</u> |

6 Interest payable and similar charges

| | 2010 £ | 2009 £ |
|--|----------------|---------------|
| Intercompany loans | 313,234 | - |
| On bank borrowings | 14,759 | 11,156 |
| Finance charges | 5,908 | 12,805 |
| Net interest expense on pension scheme (note 23) | 34,000 | - |
| | <u>367,901</u> | <u>23,961</u> |

Notes (continued)

7 Taxation

Analysis of (credit)/charge in year

| | 2010 £ | 2009 £ |
|--|------------------------|-------------------------|
| <i>UK corporation tax</i> | | |
| Current corporation tax on income for the year | 109,691 | 2,264,281 |
| Adjustments in respect of prior year | (178,285) | - |
| | <u>(68,594)</u> | <u>2,264,281</u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences in the year | (29,535) | (42,909) |
| Adjustment in respect of prior periods | 7,168 | 6,706 |
| Deferred tax on pension scheme liability | 23,520 | - |
| Effect of change in rate | 13,662 | - |
| | <u>14,815</u> | <u>(36,203)</u> |
| Tax on profit on ordinary activities | <u>(53,779)</u> | <u>2,228,078</u> |

Factors affecting the tax (credit)/charge for the current year

The current tax (credit)/charge for the year is higher (2009: lower) than the standard rate of corporation tax in the UK (28%, 2009: 28%). The differences are explained below.

| | 2010 £ | 2009 £ |
|--|------------------------|-------------------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 1,095,240 | 8,909,566 |
| | <u>306,667</u> | <u>2,494,678</u> |
| Current tax at 28% (2009: 28%) | | |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 43,775 | 12,970 |
| Other timing differences | 38,610 | (22,844) |
| Depreciation in excess of capital allowances | (31,501) | 59,047 |
| Group relief received for nil consideration | (247,860) | (279,570) |
| Adjustments in respect of prior year | (178,285) | - |
| | <u>(68,594)</u> | <u>2,264,281</u> |
| Total current corporation tax (credit)/charge | <u>(68,594)</u> | <u>2,264,281</u> |

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax balances accordingly.

Notes (continued)

8 Intangible assets

| | Goodwill £ | Patents £ | Total £ |
|-----------------------|---------------|--------------|------------|
| Cost | | | |
| At beginning of year | - | 21,393 | 21,393 |
| Acquired in year | 4,607,580 | - | 4,607,580 |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 4,607,580 | 21,393 | 4,628,973 |
| | <hr/> | <hr/> | <hr/> |
| Amortisation | | | |
| At beginning of year | - | 21,393 | 21,393 |
| Charged in year | 230,379 | - | 230,379 |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 230,379 | 21,393 | 251,772 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2010 | 4,377,201 | - | 4,377,201 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2009 | - | - | - |
| | <hr/> | <hr/> | <hr/> |

On 1 January 2010 the business of Tennant UK Limited was purchased by the Company. Provisional goodwill arising in relation to the acquisition was calculated as follows.

| | Assets at book value and fair value £000 |
|-----------------------------------|---|
| Assets acquired | |
| Tangible fixed assets | 87 |
| Debtors | 3,951 |
| Liabilities | (3,613) |
| Deferred taxation | 144 |
| Pension scheme liability | (376) |
| | <hr/> |
| Net assets | 193 |
| Consideration | |
| Settled through intercompany loan | 4,800 |
| | <hr/> |
| Goodwill (provisional) | 4,607 |
| | <hr/> |

Tennant UK Limited made a profit of £546,000 in 2009.

As the trading of Tennant UK Limited was amalgamated with the trade of Tennant UK Cleaning Solutions Limited the post acquisition results of the previous Tennant UK Limited business cannot be separately identified and disclosures under the requirements of FRS 3 are not available.

Goodwill is amortised over 20 years.

Notes (continued)

9 Tangible fixed assets

| | Plant and machinery £ | Fittings and equipment £ | Motor vehicles £ | Total £ |
|---------------------------------|-----------------------------|--------------------------------|------------------------|------------|
| <i>Cost</i> | | | | |
| At beginning of year | 994,022 | 270,369 | 1,091,788 | 2,356,179 |
| Additions | 74,562 | 66,521 | 4,960 | 146,042 |
| Disposals | (3,482) | (3,110) | (212,238) | (218,830) |
| Acquired from fellow subsidiary | 167,940 | 389,248 | 286,104 | 843,292 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 1,233,042 | 723,028 | 1,170,614 | 3,126,683 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At beginning of year | 697,635 | 169,744 | 832,434 | 1,699,813 |
| Charge for year | 78,832 | 80,893 | 148,336 | 308,061 |
| On disposals | (2,113) | (3,110) | (181,100) | (186,323) |
| Acquired from fellow subsidiary | 161,448 | 344,361 | 250,654 | 756,463 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 935,801 | 591,888 | 1,050,324 | 2,578,013 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 December 2010 | 297,240 | 131,140 | 120,290 | 548,670 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2009 | 296,387 | 100,625 | 259,354 | 656,366 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Included within the net book value of £548,670 is £101,249 (2009: £656,366) relating to assets held under hire purchase agreements. The depreciation charge in the period in respect of such assets amounted to £54,492 (2009: £120,399).

10 Investments

| | |
|----------------------------------|--------|
| <i>Shares in group companies</i> | £ |
| <i>Cost</i> | |
| At beginning and end of year | 29,490 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 December 2010 | 29,490 |
| | <hr/> |

The companies in which the Company's interest at the period end is more than 20% are as follows:

| Subsidiary undertakings | Country of incorporation | Principal activity | Class and percentage of shares held |
|------------------------------------|-----------------------------|------------------------------------|---|
| Applied Sweepers Group Leasing Ltd | Scotland | Sale and hire of sweeping machines | Ordinary 100% |
| Applied Kermaschinen GmbH | Germany | Sale and hire of sweeping machines | Ordinary 100% |
| Applied Sweepers International Ltd | Scotland | Dormant company | Ordinary 100% |

Notes (continued)

11 Stocks

| | 2010 £ | 2009 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 477,065 | - |

12 Debtors

| | 2010 £ | 2009 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 4,637,508 | 3,536,150 |
| Amounts owed by group undertakings | 1,149,087 | 3,495,000 |
| Prepayments and accrued income | 554,604 | 322,528 |
| Corporation Tax | 122,316 | - |
| VAT | - | 97,860 |
| Deferred tax asset (see note 16) | 257,477 | 112,116 |
| | <u>6,720,992</u> | <u>7,563,654</u> |

13 Creditors: amounts falling due within one year

| | 2010 £ | 2009 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 252,778 | 90,497 |
| Amounts owed to group undertakings | 244,978 | 438,312 |
| Corporation tax | - | 2,242,915 |
| PAYE and social security | 355,590 | 183,330 |
| VAT | 484,434 | - |
| Hire purchase creditor | 29,319 | 70,414 |
| Accruals and deferred income | 1,048,638 | 1,994,870 |
| | <u>2,415,737</u> | <u>5,020,338</u> |

14 Creditors: amounts falling due after more than one year

| | 2010 £ | 2009 £ |
|------------------------------------|------------------|---------------|
| Amounts owed to group undertakings | 4,687,300 | - |
| Hire purchase creditor | 16,634 | 45,952 |
| | <u>4,703,934</u> | <u>45,952</u> |

Balances due on hire purchase agreements are secured upon the assets to which they relate.

The amounts due to group undertakings represent two loans; £2,287,300 due for repayment in 2012 and £2,400,000 in 2024. These loans attract interest based on the LIBOR rate.

Notes (continued)

15 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

| | 2010 £ | 2009 £ |
|---|---------------|----------------|
| Amounts payable within one year | 29,319 | 70,414 |
| Amounts payable between two to five years | 16,634 | 45,952 |
| | <u>45,953</u> | <u>116,366</u> |

16 Deferred taxation

The amounts provided (2009: provided) at the end of the year are as follows:

| | 2010 £ | 2009 £ |
|------------------------------|----------------|----------------|
| Balance at beginning of year | 112,116 | 69,207 |
| Credited in year | 13,923 | 42,909 |
| Acquired in year | 131,438 | - |
| | <u>257,477</u> | <u>112,116</u> |

Analysed as:

| | 2010 £ | 2009 £ |
|---|----------------|----------------|
| Difference between taxation allowances and depreciation on fixed assets | 163,805 | 112,116 |
| Other timing differences | 93,672 | - |
| | <u>257,477</u> | <u>112,116</u> |

17 Commitments under operating leases

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below:

| | Land and buildings 2010 £ | 2009 £ |
|--------------------------------|---------------------------------|----------------|
| Operating leases which expire: | | |
| Within one year | 9,037 | - |
| Within two to five years | 157,864 | 140,719 |
| In five years or more | 16,000 | - |
| | <u>182,901</u> | <u>140,719</u> |

Notes (continued)

18 Called up share capital

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| <i>Authorised</i> | | |
| 50,000 ordinary shares of £1 each | 50,000 | 50,000 |
| | <hr/> | <hr/> |
| <i>Allotted, called up and fully paid</i> | | |
| 32,221 ordinary shares of £1 each | 32,221 | 32,221 |
| | <hr/> | <hr/> |

19 Share premium account

| | 2010 £ | 2009 £ |
|--------------------------------------|-----------|-----------|
| Balance at beginning and end of year | 100,381 | 100,381 |
| | <hr/> | <hr/> |

20 Capital redemption reserve

| | 2010 £ | 2009 £ |
|------------------------|-----------|-----------|
| Purchase of own shares | 792 | 792 |
| | <hr/> | <hr/> |

21 Profit and loss account

| | 2010 £ | 2009 £ |
|-------------------------------------|-----------|--------------|
| Balance brought forward | 3,929,014 | 9,136,508 |
| Profit for the financial year | 1,149,019 | 6,681,488 |
| Dividends | - | (11,888,982) |
| Actuarial loss on pension scheme | (76,000) | - |
| Deferred taxation on actuarial loss | 20,520 | - |
| | <hr/> | <hr/> |
| Balance carried forward | 5,022,553 | 3,929,014 |
| | <hr/> | <hr/> |

22 Reconciliation of movements in shareholders' funds

| | 2010 £ | 2009 £ |
|--|-----------|--------------|
| Profit for the financial year | 1,149,019 | 6,681,488 |
| Dividends | - | (11,888,982) |
| Actuarial loss on pension scheme | (76,000) | - |
| Deferred taxation on actuarial loss | 20,520 | - |
| | <hr/> | <hr/> |
| Net addition/(decrease) to shareholders' funds | 1,093,539 | (5,207,494) |
| Opening shareholders' funds | 4,062,408 | 9,269,902 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 5,155,947 | 4,062,408 |
| | <hr/> | <hr/> |

Notes (continued)

23 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £209,447 (2009: £104,288). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Company also operates a defined benefit pension scheme covering eligible employees. The scheme is fully funded; its funds are administered by trustees who are independent of the company.

FRS 17 disclosures

The actuarial valuation of the Scheme as at 6 April 2008 was updated to 31 December 2010 by a qualified actuary, using a set of assumptions consistent with those required under FRS 17.

Since the pension scheme obligations only transferred to the Company on 1 January 2010 the comparative figures set out in the remainder of this note, which are presented on a proforma basis only, and which have been extracted from the audited financial statements of Tennant UK Limited for the year ended 31 December 2009 are presented for illustrative purposes only.

The assets in the scheme and the expected return of the main asset classes were as follows:

| | 31 December 2010 | | 31 December 2009 | |
|-------------------------------------|------------------|---------------|------------------|---------------|
| | Rate of Return | Value £000 | Rate of Return | Value £000 |
| With profits policy | 5.2% | 4,434 | 5.5% | 3,991 |
| Annuities | 5.4% | 1,225 | 5.7% | 855 |
| | | <hr/> | | <hr/> |
| Total value of scheme assets | | 5,659 | | 4,846 |
| Present value of scheme liabilities | | (6,173) | | (5,368) |
| | | <hr/> | | <hr/> |
| Deficit in scheme | | (514) | | (522) |
| Related deferred tax asset | | 139 | | 146 |
| | | <hr/> | | <hr/> |
| Net pension liability | | (375) | | (376) |
| | | <hr/> | | <hr/> |

Notes (continued)

23 Pension scheme (continued)

Movements in present value of defined benefit obligation

| | 2010 £000 | 2009 £000 |
|-------------------------------|--------------|--------------|
| At 1 January | 5,368 | 4,679 |
| Current service cost | 76 | 62 |
| Interest cost | 304 | 289 |
| Actuarial losses / (gains) | 229 | 439 |
| Additional insured pensioners | 322 | - |
| Contributions by members | 16 | 16 |
| Benefits paid | (142) | (117) |
| At 31 December | 6,173 | 5,368 |

Movements in fair value of plan assets

| | 2010 £000 | 2009 £000 |
|--------------------------------|--------------|--------------|
| At 1 January | 4,846 | 4,456 |
| Expected return on plan assets | 270 | 230 |
| Actuarial gains/(losses) | 153 | 133 |
| Additional insured pensioners | 322 | - |
| Contributions by employer | 194 | 128 |
| Contributions by members | 16 | 16 |
| Benefits paid | (142) | (117) |
| At 31 December | 5,659 | 4,846 |

Expenses recognised in the profit and loss account

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Current service cost | 76 | 62 |
| Interest on defined benefit pension plan obligations | 304 | 289 |
| Expected return on defined benefit pension plan assets | (270) | (230) |
| | 110 | 121 |

Notes (continued)

23 Pension scheme (continued)

The expense is recognised in the following line items in the profit and loss account:

| | 2010 £000 | 2009 £000 |
|--------------------------------------|--------------|--------------|
| Cost of sales | 76 | 62 |
| Interest payable and similar charges | 34 | 59 |
| | <u>110</u> | <u>121</u> |

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Analysis of amount recognised in STRGL | | |
| Actual less expected return on scheme assets | 153 | 133 |
| Experience gains | 113 | 127 |
| Change in assumptions | (342) | (566) |
| | <u>(76)</u> | <u>(306)</u> |
| Actuarial (loss)/gain | | |

Cumulative actuarial losses reported in the statement of total recognised gains and losses are losses of £76,000 (2009: Nil.).

The fair value of the plan assets and the return on those assets were as follows:

| | Expected return | 2010 Fair value £000 | Expected return | 2009 Fair value £000 |
|------------------------------|--------------------|----------------------------|--------------------|----------------------------|
| Equities | 6.2% | 2,128 | 6.5% | 1,997 |
| Bonds | 4.2% | 1,918 | 4.5% | 1,812 |
| Property | 6.2% | 317 | 6.5% | 431 |
| Cash | 3.3% | 1,296 | 3.6% | 606 |
| | 5.2% | <u>5,659</u> | 5.5% | <u>4,846</u> |
| Actual return on plan assets | | <u>423</u> | | <u>363</u> |

The assets are invested in a with-profits contract. To develop the expected long-term rate of return on assets assumptions, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the fund is invested and the expectations for future returns of each asset class. This resulted in an investment return assumption of 1.0% above government bonds.

Notes (continued)

23 Pension scheme (continued)

The major assumptions used by the actuary were:

| | 2010 | 2009 |
|--|------|------|
| Rate of increase in pensionable salaries | 5.1% | 5.1% |
| Rate of increase of pensions in payment | 3.0% | 3.0% |
| Expected return on assets | 5.2% | 5.5% |
| Discount rate | 5.4% | 5.7% |
| Inflation assumption | 3.6% | 3.6% |

In valuing the liabilities of the pension fund at 31 December 2010, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2010 would have increased by £100,000 before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.4 years (male), 25.1 years (female).
- Future retiree upon reaching 65: 25.0 years (male), 27.6 years (female).

History of plan

The history of plan for current and prior periods is as follows:

| Balance sheet | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Present value of scheme liabilities | (6,173) | (5,368) | (4,679) | (5,082) | (5,710) |
| Fair value of scheme assets | 5,659 | 4,846 | 4,456 | 4,634 | 4,076 |
| (Deficit)/surplus | (514) | (522) | (223) | (448) | (1,634) |
| History of experience gains and losses | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
| Difference between the actual and expected return on scheme assets | 153 | 133 | (303) | 356 | 1 |
| % of scheme assets | 3% | 3% | 7% | 10% | 0% |
| Experience gains and losses on scheme liabilities | 112 | 127 | 95 | 404 | (22) |
| % of scheme liabilities | 2% | 2% | 2% | 10% | 0% |
| Total amount recognised in STRGL | (341) | (306) | 197 | 1,273 | 150 |
| % of scheme liabilities | 6% | 6% | 4% | 31% | 3% |

Notes (continued)

24 Related party disclosures

Exemption has been taken from disclosing transactions with other group undertakings under paragraph 17 of Financial Reporting Standard 8.

The property at Castlaurie Works, Falkirk is owned by Castlaurie Property Limited of which Gordon R Fleming who was a director of Tennant UK Cleaning Solutions Limited until 31 December 2010 is also a director. The annual rental is £120,000 (2009: £120,000) with no balance outstanding at 31 December 2010 (2009: £Nil).

25 Contingent liability

At 31 December 2010 a bond and floating charge existed over the whole assets of the company in favour of the Governor and Company of the Bank of Scotland.

26 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of Applied Sweepers Holdings Limited which, in turn, is a subsidiary undertaking of Tennant Scotland Limited. The ultimate parent company is Tennant Company which is incorporated in the United States.