Tennant UK Cleaning Solutions Limited

Directors' report and financial statements
Registered number SC042491
31 December 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011.

Principal activities

The company 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 £6,489,926 *(2010: £5,155,947)* including distributable reserves of £6,356,532 *(2010: £5,022,553)*, along with net current assets of £4,426,751 *(2010: £5,279,740)*.

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. Part of the company's business is to provide consignment manufacturing and support under intercompany agreement which guarantees the company a positive return on such activities.

Based on all these factors the directors believe that the general performance of the company will continue at satisfactory level for the foreseeable future and that it is appropriate for the directors to continue to prepare the financial statements on a going concern basis.

Results and dividends

The profit for the period, after taxation, amounted to £1,194,499 *(2010: £1,149,019)*.

Dividends in the period amount to £Nil *(2010: £Nil)*

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 H C Derycke
Nicholas W Hayes
Paul H I Niesing
Patrick J O'Neill
Heidi M Wilson
Stuart W Winship
Nicolas C A Meredith (resigned 1 April 2011)
Carolus H Huijser (resigned 28 June 2011)

Directors' report *(continued)*

Donations

During the year the company made charitable contributions of £1,046 *(2010: £1,842).*

Post balance sheet events

There have been no significant post balance sheet events.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

By order of the board

N W Hayes
Director

Castle Laurie Works
Bankside Industrial Estate
Falkirk
FK2 7XE

7 August 2012

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 for the year ended 31 December 2011 set out on pages 5 to 21. 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 2011 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

17 August 2012

Profit and Loss Account
for the year ended 31 December 2011

	Note	**2011**	2010
		£	£
Turnover		**23,759,935**	23,067,498
Cost of sales		**(15,832,129)**	(13,636,052)
Gross profit		**7,927,806**	9,431,446
Administrative expenses		**(6,287,269)**	(7,993,175)
Other operating income		**24,000**	24,000
Operating profit	*2*	**1,664,537**	1,462,271
Interest receivable and similar income	*5*	**14,862**	870
Interest payable and similar charges	*6*	**(308,939)**	(367,901)
Profit on ordinary activities before taxation		**1,370,460**	1,095,240
Tax on profit on ordinary activities	*7*	**(175,961)**	53,779
Profit for the financial year		**1,194,499**	1,149,019

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

Balance Sheet
at 31 December 2011

	Note	**2011**	**2011**	2010	2010
		£	**£**	£	£
Fixed assets					
Intangible assets	*8*		**4,146,822**		4,377,201
Tangible assets	*9*		**360,163**		548,670
Investments	*10*		**29,490**		29,490
			4,536,475		4,955,361
Current assets					
Stocks	*11*	**457,026**		477,065	
Debtors	*12*	**3,943,844**		6,720,992	
Cash at bank and in hand		**2,350,620**		497,420	
		6,751,490		7,695,477	
Creditors: amounts falling due within one year	*13*	**(2,324,739)**		(2,415,737)	
Net current assets			**4,426,751**		5,279,740
Total assets less current liabilities			**8,963,226**		10,235,101
Creditors: amounts falling due after more than one year	*14*		**(2,287,300)**		(4,703,934)
Net assets excluding pension liabilities			**6,675,926**		5,531,167
Pension liabilities	*23*		**(186,000)**		(375,220)
Net assets			**6,489,926**		5,155,947
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*		**6,356,532**		5,022,553
Shareholders' funds	*22*		**6,489,926**		5,155,947

These financial statements were approved by the board of directors on 7 August 2012 and were signed on its behalf by:

N W Hayes
Director

Company registered number: SC042491

Statement of total recognised gains and losses
for the year ended 31 December 2011

	2011	2010
	£	£
Profit for the financial year as reported	**1,194,499**	1,149,019
Actuarial gain/ (loss) recognised in the pension scheme	**188,000**	(76,000)
Deferred tax arising on gains/(losses) in the pension scheme	**(48,520)**	20,520
Total recognised gains and losses relating to the financial year	**1,333,979**	1,093,539

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.

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 at the start of 2010. 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.

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.

Notes *(continued)*

2 Operating profit

	2011	2010
	£	£
Operating profit is stated after charging/(crediting):		
Amortisation of goodwill	**230,379**	230,379
Depreciation of owned fixed assets	**183,473**	253,569
Depreciation of assets held under hire purchase agreements	**30,354**	54,492
Profit on disposal of fixed assets	**(33,819)**	(20,194)
Operating lease costs – land and buildings	**190,904**	58,613
Net (gain) on foreign currency transaction (non group)	**(27,363)**	(65,136)
Research and development expenditure	**807,805**	1,051,631

Auditors' remuneration:

	2011	2010
	£	£
Audit of these financial statements	**30,500**	25,000
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	**9,500**	9,500
All other services	**10,350**	22,625

3 Remuneration of directors

	2011	2010
	£	£
Directors' emoluments	**160,108**	240,097
Company contributions to money purchase pension schemes	**-**	10,400

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £58,678 *(2010: £133,390)* and Company pension contributions of £nil *(2010: £10,400)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2011	2010
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**-**	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	
	2011	2010
Production staff	**146**	143
Administrative staff	**71**	100
	217	243

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£	£
Wages and salaries	**6,804,625**	7,474,597
Social security costs	**755,723**	737,381
Other pension costs	**271,683**	285,447
	7,832,031	8,497,425

5 Interest receivable and similar income

	2011	2010
	£	£
Other interest income	**14,862**	870

6 Interest payable and similar charges

	2011	2010
	£	£
Intercompany loans	**273,296**	313,234
On bank borrowings	**288**	14,759
Finance charges	**2,355**	5,908
Net interest expense on pension scheme (note 23)	**33,000**	34,000
	308,939	367,901

Notes *(continued)*

7 Taxation

Analysis of charge/(credit) in year

	2011	2010
	£	£
UK corporation tax		
Current corporation tax on income for the year	**59,509**	109,691
Adjustments in respect of prior year	**11,923**	(178,285)
	71,432	(68,594)
Deferred tax		
Origination and reversal of timing differences in the year	**38,992**	(29,535)
Adjustment in respect of prior periods	**20,336**	7,168
Deferred tax on pension scheme liability	**20,670**	23,520
Effect of change in rate	**24,531**	13,662
	104,529	14,815
Tax on profit on ordinary activities	**175,961**	(53,779)

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

The current tax charge/(credit) for the year is lower *(2010: higher)* than the standard rate of corporation tax in the UK (26.5%, *2010: 28%*). The differences are explained below.

	2011	2010
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**1,370,460**	1,095,240
Current tax at 26.5% *(2010: 28%)*	**363,172**	306,667
Effects of:		
Expenses not deductible for tax purposes	**69,475**	43,775
Other timing differences	**(54,907)**	38,610
Depreciation in excess of capital allowances	**(4,755)**	(31,501)
Group relief received for nil consideration	**(313,476)**	(247,860)
Adjustments in respect of prior year	**11,923**	(178,285)
Total current corporation tax charge/(credit)	**71,432**	(68,594)

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, a reduction to 26% was substantively enacted on 29 March 2011, effective from 1 April 2011 and a further reduction to 25% was substantively enacted on 5 July 2011 and will be effective from 1 April 2012. Substantive enactment of the corporation tax rate to 23% with effect from 1 April 2013 took place on 3 July 2012. 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 1% 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 and end of year	4,607,580	21,393	4,628,973
Amortisation			
At beginning of year	230,379	21,393	251,772
Charged in year	230,379	-	230,379
At end of year	460,758	21,393	482,151
Net book value			
At 31 December 2011	**4,146,822**	**-**	**4,146,822**
At 31 December 2010	4,377,201	-	4,377,201

Goodwill is amortised over 20 years.

9 Tangible fixed assets

	Plant and machinery £	Fittings and equipment £	Motor vehicles £	Total £
Cost				
At beginning of year	1,233,042	723,028	1,170,614	3,126,684
Additions	12,712	70,254	-	82,966
Disposals	(28,856)	(129,057)	(265,396)	(423,309)
At end of year	1,216,898	664,225	905,218	2,786,341
Depreciation				
At beginning of year	935,801	591,888	1,050,324	2,578,013
Charge for year	74,204	58,881	80,742	213,827
On disposals	(5,001)	(100,225)	(260,436)	(365,662)
At end of year	1,005,004	550,544	870,630	2,426,178
Net book value				
At 31 December 2011	**211,894**	**113,681**	**34,588**	**360,163**
At 31 December 2010	297,240	131,140	120,290	548,670

Included within the net book value of £360,163 is £28,092 *(2010: £101,249)* relating to assets held under hire purchase agreements. The depreciation charge in the period in respect of such assets amounted to £30,354 *(2010: £54,492)*.

Notes *(continued)*

10 Investments

Shares in group companies	£
Cost	
At beginning and end of year	**29,490**
Net book value	
At 31 December 2011	**29,490**

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%

11 Stocks

	2011 £	2010 £
Finished goods and goods for resale	**457,026**	477,065

12 Debtors

	2011 £	2010 £
Trade debtors	**3,294,466**	4,637,508
Amounts owed by group undertakings	**236,621**	1,149,087
Prepayments and accrued income	**176,164**	554,604
Corporation Tax	**52,695**	122,316
Deferred tax asset (see note 16)	**183,898**	257,477
	3,943,844	6,720,992

13 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	**323,285**	252,778
Amounts owed to group undertakings	**217,147**	244,978
PAYE and social security	**182,905**	355,590
VAT	**750,940**	484,434
Hire purchase creditor	**16,332**	29,319
Accruals and deferred income	**834,130**	1,048,638
	2,324,739	2,415,737

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Amounts owed to group undertakings	**2,287,300**	4,687,300
Hire purchase creditor	-	16,634
	2,287,300	4,703,934

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

The amounts due to group undertakings represent one loan; £2,287,300 due for repayment in 2020. This loan attracts interest based on the LIBOR rate.

15 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2011	2010
	£	£
Amounts payable within one year	**16,332**	29,319
Amounts payable between two to five years	-	16,634
	16,332	45,953

16 Deferred taxation

The amounts provided *(2010: provided)* at the end of the year are as follows:

	2011	2010
	£	£
Balance at beginning of year	**257,477**	112,116
(Charged)/Credited in year	**(73,579)**	13,923
Acquired in year	-	131,438
Balance at end of year	**183,898**	257,477

Analysed as:

	2011	2010
	£	£
Difference between taxation allowances and depreciation on fixed assets	**153,567**	163,805
Other timing differences	**30,331**	93,672
	183,898	257,477

Notes *(continued)*

17 Commitments under operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2011	2010
	£	£
Operating leases which expire:		
Within one year	**6,206**	9,037
Within two to five years	**170,072**	157,864
In five years or more	**16,000**	16,000
	192,278	182,901

18 Called up share capital

	2011	2010
	£	£
Authorised		
50,000 ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
32,221 ordinary shares of £1 each	**32,221**	32,221

19 Share premium account

	2011	2010
	£	£
Balance at beginning and end of year	**100,381**	100,381

20 Capital redemption reserve

	2011	2010
	£	£
Purchase of own shares	**792**	792

21 Profit and loss account

	2011	2010
	£	£
Balance brought forward	**5,022,553**	3,929,014
Profit for the financial year	**1,194,499**	1,149,019
Actuarial gain/(loss) on pension scheme	**188,000**	(76,000)
Deferred taxation on actuarial loss	**(48,520)**	20,520
Balance carried forward	**6,356,532**	5,022,553

Notes *(continued)*

22 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the financial year	**1,194,499**	1,149,019
Actuarial gain/(loss) on pension scheme	**188,000**	(76,000)
Deferred taxation on actuarial loss	**(48,520)**	20,520
Net addition to shareholders' funds	**1,333,979**	1,093,539
Opening shareholders' funds	**5,155,947**	4,062,408
Closing shareholders' funds	**6,489,926**	5,155,947

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 £189,925 *(2010: £209,447)*. 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 2011 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 prior to 2010, 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 2010 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 2011		31 December 2010	
	Rate of Return	**Value £000**	Rate of Return	Value £000
With profits policy	**4.8%**	**4,979**	5.2%	4,434
Annuities	**4.9%**	**1,293**	5.4%	1,225
Total value of scheme assets		**6,272**		5,659
Present value of scheme liabilities		**(6,520)**		(6,173)
Deficit in scheme		**(248)**		(514)
Related deferred tax asset		**62**		139
Net pension liability		**(186)**		(375)

Notes *(continued)*

23 Pension scheme *(continued)*

Movements in present value of defined benefit obligation

	2011	2010
	£000	£000
At 1 January	6,173	5,368
Current service cost	83	76
Interest cost	331	304
Actuarial losses/(gains)	110	229
Additional insured pensioners	-	322
Contributions by members	15	16
Benefits paid	(193)	(142)
At 31 December	6,519	6,173

Movements in fair value of plan assets

	2011	2010
	£000	£000
At 1 January	5,659	4,846
Expected return on plan assets	298	270
Actuarial gains/(losses)	298	153
Additional insured pensioners	-	322
Contributions by employer	194	194
Contributions by members	15	16
Benefits paid	(193)	(142)
At 31 December	6,271	5,659

Expenses recognised in the profit and loss account	2011	2010
	£000	£000
Current service cost	83	76
Interest on defined benefit pension plan obligations	331	304
Expected return on defined benefit pension plan assets	(298)	(270)
	116	110

Notes *(continued)*

23 Pension scheme *(continued)*

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

	2011 £000	2010 £000
Cost of sales	83	76
Interest payable and similar charges	33	34
	116	110

Analysis of amount recognised in STRGL	2011 £000	2010 £000
Actual less expected return on scheme assets	298	153
Experience gains	(96)	113
Change in assumptions	(14)	(342)
Actuarial gain/(loss)	188	(76)

Cumulative actuarial losses reported in the statement of total recognised gains and losses are losses of £264,000 *(2010: £76,000)*. The fair value of the plan assets and the return on those assets were as follows:

	Expected return	2011 Fair value £000	Expected return	2010 Fair value £000
Equities		2,164	6.2%	2,128
Bonds		2,277	4.2%	1,918
Property		357	6.2%	317
Cash		1,474	3.3%	1,296
		6,272	5.2%	5,659
Actual return on plan assets		596		423

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:

	2011	2010
Rate of increase in pensionable salaries	**4.6%**	5.1%
Rate of increase of pensions in payment	**3.0%**	3.0%
Expected return on assets	**4.8%**	5.2%
Discount rate	**4.9%**	5.4%
Inflation assumption	**3.1%**	3.6%

In valuing the liabilities of the pension fund at 31 December 2011, 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 2011 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: 22.5 years (male), 25.3 years (female).
- Future retiree upon reaching 65: 25.1 years (male), 27.7 years (female).

History of plan

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

Balance sheet	**2011** **£000**	2010 £000	2009 £000	2008 £000	2007 £000
Present value of scheme liabilities	**(6,519)**	(6,173)	(5,368)	(4,679)	(5,082)
Fair value of scheme assets	**6,271**	5,659	4,846	4,456	4,634
Deficit	**(248)**	(514)	(522)	(223)	(448)

History of experience gains and losses	**2011** **£000**	2010 £000	2009 £000	2008 £000	2007 £000
Difference between the actual and expected return on scheme assets	**298**	153	133	(303)	356
% of scheme assets	***5%***	*3%*	*3%*	*7%*	*10%*
Experience gains and losses on scheme liabilities	**(96)**	112	127	95	404
% of scheme liabilities	***(1%)***	*2%*	*2%*	*2%*	*10%*
Total amount recognised in STRGL	**(14)**	(341)	(306)	197	1,273
% of scheme liabilities	***0%***	*6%*	*6%*	*4%*	*31%*

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.

25 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.