

**Tennant UK Cleaning Solutions Limited**

Directors' report and financial statements .

Registered number SC042491

31 December 2012

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## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012.

### 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 £6,042,947 (2011: £6,489,926) including reserves of £5,909,553 (2011: £6,356,532), along with net current assets of £1,824,622 (2011: £4,426,751).

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 £1,277,931 (2011: £1,194,499).

Dividends in the period amount to £1,500,000 (2011: £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 (resigned 31 August 2012)  
Patrick J O'Neill  
Heidi M Wilson  
Stuart W Winship  
Thomas Paulson (appointed 1 September 2012)

### Donations

During the year the company made charitable contributions of £Nil (2011: £1,046).

### Post balance sheet events

There have been no significant post balance sheet events.

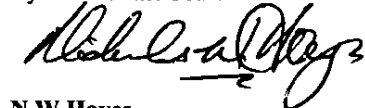
### Disclosure of information to auditor

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

12 September 2013

## **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 2012 set out on pages 5 to 20. 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 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

**Martin Ross (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
191 West George Street  
Glasgow  
G2 2LJ

16 September 2013

**Profit and Loss Account**  
*for the year ended 31 December 2012*

	<i>Note</i>	<b>2012</b> £	<b>2011</b> £
<b>Turnover</b>		<b>22,872,615</b>	23,759,935
Cost of sales		(15,898,109)	(15,832,129)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>6,974,506</b>	7,927,806
Administrative expenses		(5,518,786)	(6,287,269)
Other operating income		24,000	24,000
		<hr/>	<hr/>
<b>Operating profit</b>	2	<b>1,479,720</b>	1,664,537
Interest receivable and similar income	5	11,791	14,862
Interest payable and similar charges	6	(93,245)	(308,939)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,398,266</b>	1,370,460
Tax on profit on ordinary activities	7	(120,335)	(175,961)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>1,277,931</b>	1,194,499
		<hr/>	<hr/>

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

**Balance Sheet**  
*at 31 December 2012*

	<i>Note</i>	<b>2012</b> £	<b>2012</b> £	<b>2011</b> £	<b>2011</b> £
<b>Fixed assets</b>					
Intangible assets	8		3,916,443		4,146,822
Tangible assets	9		526,838		360,163
Investments	10		2,409,740		29,490
			<hr/>		<hr/>
			6,853,021		4,536,475
<b>Current assets</b>					
Stocks	11	314,007		457,026	
Debtors	12	3,971,668		3,943,844	
Cash at bank and in hand		427,553		2,350,620	
			<hr/>		<hr/>
		4,713,228		6,751,490	
<b>Creditors: amounts falling due within one year</b>	13	(2,888,606)		(2,324,739)	
			<hr/>		<hr/>
<b>Net current assets</b>			1,824,622		4,426,751
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			8,677,643		8,963,226
			<hr/>		<hr/>
<b>Creditors: amounts falling due after more than one year</b>	14		(2,287,300)		(2,287,300)
			<hr/>		<hr/>
<b>Net assets excluding pension liabilities</b>			6,390,343		6,675,926
<b>Pension liabilities</b>	23		(347,396)		(186,000)
			<hr/>		<hr/>
<b>Net assets</b>			6,042,947		6,489,926
			<hr/>		<hr/>
<b>Capital and reserves</b>					
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		5,909,553		6,356,532
			<hr/>		<hr/>
<b>Shareholders' funds</b>	22		6,042,947		6,489,926
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 12 September 2013 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 2012*

	2012 £	2011 £
<b>Profit for the financial year as reported</b>	<b>1,277,931</b>	<b>1,194,499</b>
Actuarial (loss)/gain recognised in the pension scheme	(295,000)	188,000
Deferred tax arising on (losses)/gains in the pension scheme	70,090	(48,520)
<b>Total recognised gains and losses relating to the financial year</b>	<b>1,053,021</b>	<b>1,333,979</b>



## 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.

#### ***Fixed asset investments***

Investments in subsidiary undertakings are stated 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### **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 at the start of 2011. 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.

#### **Warranty**

A provision for warranty is recognised when the underlying products are sold. The provision is based upon historical warranty data.

## Notes (continued)

### 2 Operating profit

	2012 £	2011 £
<i>Operating profit is stated after charging/(crediting):</i>		
Amortisation of goodwill	230,379	230,379
Depreciation of owned fixed assets	121,360	183,473
Depreciation of assets held under hire purchase agreements	23,734	30,354
Profit on disposal of fixed assets	(14,238)	(33,819)
Operating lease costs – land and buildings	192,278	190,904
Net (gain) on foreign currency transaction (non group)	(113,870)	(27,363)
Research and development expenditure	445,243	807,805
	<u>          </u>	<u>          </u>

#### Auditors' remuneration:

	2012 £	2011 £
Audit of these financial statements	30,500	30,500
Amounts receivable by auditors and their associates in respect of:		
Other services relating to taxation	10,000	9,500
All other services	33,000	10,350
	<u>          </u>	<u>          </u>

### 3 Remuneration of directors

	2012 £	2011 £
Directors' emoluments	184,774	160,108
Company contributions to money purchase pension schemes	4,811	-
	<u>          </u>	<u>          </u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £109,479 (2011: £58,678) and Company pension contributions of £1,919 (2011: £nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2012	2011
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	-
	<u>          </u>	<u>          </u>

**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:

	<b>Number of employees</b>	
	<b>2012</b>	<b>2011</b>
Production staff	151	146
Administrative staff	59	71
	<u>210</u>	<u>217</u>

The aggregate payroll costs of these persons were as follows:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Wages and salaries	6,716,963	6,804,625
Social security costs	713,966	755,723
Other pension costs	381,598	271,683
	<u>7,812,527</u>	<u>7,832,031</u>

**5 Interest receivable and similar income**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Other interest income	11,791	14,862
	<u>11,791</u>	<u>14,862</u>

**6 Interest payable and similar charges**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Intercompany loans	76,706	273,296
On bank borrowings	1,539	288
Finance charges	-	2,355
Net interest expense on pension scheme (note 23)	15,000	33,000
	<u>93,245</u>	<u>308,939</u>

**Notes (continued)**

**7 Taxation**

*Analysis of charge in year*

	2012 £	2011 £
<i>UK corporation tax</i>		
Current corporation tax on income for the year	54,639	59,509
Adjustments in respect of prior year	(29,137)	11,923
	<u>25,502</u>	<u>71,432</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences in the year	32,132	38,992
Adjustment in respect of prior periods	21,741	20,336
Deferred tax on pension scheme liability	22,500	20,670
Effect of change in rate	18,460	24,531
	<u>94,833</u>	<u>104,529</u>
<b>Tax on profit on ordinary activities</b>	<u>120,335</u>	<u>175,961</u>

*Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2011: lower) than the standard rate of corporation tax in the UK (24.5%, 2011: 26.5%). The differences are explained below.

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,398,266	1,370,460
Current tax at 24.5% (2011: 26.5%)	342,575	363,172
<i>Effects of:</i>		
Expenses not deductible for tax purposes	71,020	69,475
Other timing differences	(35,033)	(54,907)
Depreciation in excess of capital allowances	(19,599)	(4,755)
Group relief received for nil consideration	(304,324)	(313,476)
Adjustments in respect of prior year	(29,137)	11,923
Total current corporation tax charge	<u>25,502</u>	<u>71,432</u>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. 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 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 £
<b>Cost</b>			
At beginning and end of year	4,607,580	21,393	4,628,973
<b>Amortisation</b>			
At beginning of year	460,758	21,393	482,151
Charged in year	230,379	-	230,379
At end of year	691,137	21,393	712,530
<b>Net book value</b>			
At 31 December 2012	3,916,443	-	3,916,443
At 31 December 2011	4,146,822	-	4,146,822

Goodwill is amortised over 20 years.

### 9 Tangible fixed assets

	Plant and machinery £	Fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At beginning of year	1,216,898	664,225	905,218	2,786,341
Additions	287,865	31,000	21,675	340,540
Disposals	-	(30,553)	(121,572)	(152,125)
At end of year	1,504,763	664,672	805,321	2,974,756
<b>Depreciation</b>				
At beginning of year	1,005,004	550,544	870,630	2,426,178
Charge for year	73,087	37,378	34,629	145,094
On disposals	-	(1,782)	(121,572)	(123,354)
At end of year	1,078,091	586,140	783,687	2,447,918
<b>Net book value</b>				
At 31 December 2012	426,672	78,532	21,634	526,838
At 31 December 2011	211,894	113,681	34,588	360,163

Included within the net book value of £526,838 is £Nil (2011: £28,092) relating to assets held under hire purchase agreements. The depreciation charge in the period in respect of such assets amounted to £Nil (2011: £30,354).

## Notes (continued)

### 10 Investments

#### Shares in group companies

##### Cost

At beginning of year	29,490
Additions in year	2,380,250

At end of year	2,409,740
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##### Net book value

At 31 December 2012	2,409,740
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During the year the Company acquired the shares in Tennant UK Limited from a fellow subsidiary undertaking.

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%
Tennant UK Limited	England	Holding company	Ordinary 100%

### 11 Stocks

	2012 £	2011 £
Finished goods and goods for resale	314,007	457,026

### 12 Debtors

	2012 £	2011 £
Trade debtors	3,107,273	3,294,466
Amounts owed by group undertakings	392,734	236,621
Prepayments and accrued income	177,080	176,164
Corporation Tax	193,248	52,695
Deferred tax asset (see note 16)	101,333	183,898
	3,971,668	3,943,844

### 13 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	109,826	323,285
Amounts owed to group undertakings	1,125,128	217,147
PAYE and social security	386,433	182,905
VAT	340,873	750,940
Hire purchase creditor	-	16,332
Accruals and deferred income	926,346	834,130
	2,888,606	2,324,739

**Notes (continued)**

**14 Creditors: amounts falling due after more than one year**

	2012 £	2011 £
Amounts owed to group undertaking	2,287,300	2,287,300

The amounts due to group undertaking represents one loan; £2,287,300 due for repayment in 2020. This loan attracts interest based on the LIBOR rate. The shares in Tennant UK Limited were acquired by the company during the year (note 10).

**15 Commitments under hire purchase agreements**

Future commitments under hire purchase agreements are as follows:

	2012 £	2011 £
Amounts payable within one year	-	16,332

**16 Deferred taxation**

The amounts provided (2011: provided) at the end of the year are as follows:

	2012 £	2011 £
Balance at beginning of year	183,898	257,477
Charged in year	(82,565)	(73,579)
Balance at end of year	101,333	183,898

Analysed as:

	2012 £	2011 £
Difference between taxation allowances and depreciation on fixed assets	86,383	153,567
Other timing differences	14,950	30,331
	101,333	183,898



**Notes (continued)**

**17 Commitments under operating leases**

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within one year	1,340	6,206
Within two to five years	161,320	170,072
In five years or more	16,000	16,000
	<u>178,660</u>	<u>192,278</u>

**18 Called up share capital**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<i>Authorised</i>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and fully paid</i>		
32,221 ordinary shares of £1 each	<u>32,221</u>	<u>32,221</u>

**19 Share premium account**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Balance at beginning and end of year	<u>100,381</u>	<u>100,381</u>

**20 Capital redemption reserve**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Purchase of own shares	<u>792</u>	<u>792</u>

**21 Profit and loss account**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Balance brought forward	6,356,532	5,022,553
Profit for the financial year	1,277,931	1,194,499
Dividends	(1,500,000)	-
Actuarial (loss)/gain on pension scheme	(295,000)	188,000
Deferred taxation on actuarial (loss)/gain	70,090	(48,520)
	<u>5,909,553</u>	<u>6,356,532</u>

**Notes (continued)**

**22 Reconciliation of movements in shareholders' funds**

	2012 £	2011 £
Profit for the financial year	1,277,931	1,194,499
Dividends	(1,500,000)	-
Actuarial (loss)/gain on pension scheme	(295,000)	188,000
Deferred taxation on actuarial loss	70,090	(48,520)
Net (reduction in)/addition to shareholders' funds	(446,979)	1,333,979
Opening shareholders' funds	6,489,926	5,155,947
Closing shareholders' funds	6,042,947	6,489,926

**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 £294,598 (2011: £189,925). 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 2011 was updated to 31 December 2012 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 2011 the comparative figures set out in the remainder of this note prior to 2011, 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 2012		31 December 2011	
	Rate of Return	Value £000	Rate of Return	Value £000
With profits policy	4.7%	5,445	4.8%	4,978
Annuities	4.5%	1,256	4.9%	1,293
Total value of scheme assets		6,701		6,271
Present value of scheme liabilities		(7,152)		(6,519)
Deficit in scheme		(451)		(248)
Related deferred tax asset		104		62
Net pension liability		(347)		(186)

**Notes (continued)**

**23 Pension scheme (continued)**

**Movements in present value of defined benefit obligation**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
At 1 January	6,519	6,173
Current service cost	87	83
Interest cost	315	331
Actuarial losses	510	110
Contributions by members	15	15
Benefits paid	(294)	(193)
	<hr/>	<hr/>
At 31 December	7,152	6,519
	<hr/>	<hr/>

**Movements in fair value of plan assets**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
At 1 January	6,271	5,659
Expected return on plan assets	300	298
Actuarial gains	215	298
Contributions by employer	194	194
Contributions by members	15	15
Benefits paid	(294)	(193)
	<hr/>	<hr/>
At 31 December	6,701	6,271
	<hr/>	<hr/>

**Expenses recognised in the profit and loss account**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Current service cost	87	83
Interest on defined benefit pension plan obligations	315	331
Expected return on defined benefit pension plan assets	(300)	(298)
	<hr/>	<hr/>
	102	116
	<hr/>	<hr/>

## Notes (continued)

### 23 Pension scheme (continued)

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

	2012 £000	2011 £000
Cost of sales	87	83
Interest payable and similar charges	15	33
	<u>102</u>	<u>116</u>

Analysis of amount recognised in STRGL	2012 £000	2011 £000
Actual less expected return on scheme assets	215	298
Experience gains	5	(96)
Change in assumptions	(235)	(14)
	<u>(15)</u>	<u>188</u>

Cumulative actuarial losses reported in the statement of total recognised gains and losses are losses of £559,000 (2011: £264,000). This includes an adjustment of £280,000 in the current year in respect of resolution of the date of pension equalisation and the liabilities adjusted accordingly. The fair value of the plan assets and the return on those assets were as follows:

	2012 Fair value £000	2011 Fair value £000
Equities	2,238	2,164
Bonds	2,426	2,277
Property	496	357
Cash	1,541	1,473
	<u>6,701</u>	<u>6,271</u>
Actual return on plan assets	<u>515</u>	<u>596</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:

	2012	2011
Rate of increase in pensionable salaries	4.5%	4.6%
Rate of increase of pensions in payment	3.0%	3.0%
Expected return on assets	4.7%	4.8%
Discount rate	4.5%	4.9%
Inflation assumption	3.0%	3.1%

In valuing the liabilities of the pension fund at 31 December 2012, 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 2012 would have increased by £150,000 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: 22.3 years (male), 24.1 years (female).
- Future retiree upon reaching 65: 24.6 years (male), 26.1 years (female).

### History of plan

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

Balance sheet	2012 £000	2011 £000	2009 £000	2008 £000	2007 £000
Present value of scheme liabilities	(7,152)	(6,519)	(6,173)	(5,368)	(4,679)
Fair value of scheme assets	6,701	6,271	5,659	4,846	4,456
Deficit	(451)	(248)	(514)	(522)	(223)
History of experience gains and losses	2012 £000	2011 £000	2009 £000	2008 £000	2007 £000
Difference between the actual and expected return on scheme assets	215	298	153	133	(303)
% of scheme assets	3%	5%	3%	3%	7%
Experience gains and losses on scheme liabilities	(5)	(96)	112	127	95
% of scheme liabilities	0%	(1%)	2%	2%	2%
Total amount recognised in STRGL	(15)	188	(341)	(306)	197
% of scheme liabilities	0%	3%	6%	6%	4%

**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.