Company Registration Number: 00908021

S.M.P. (Playgrounds) Limited

Directors' Report and Financial Statements

For the year ended 31 December 2011

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S.M.P. (Playgrounds) Limited

Company information

Directors	S Lyon S Sylvester G Townsend A Yates
Company secretary	A Coleman
Company number	00908021
Registered office	Thorpe Industrial Estate Ten Acre Lane Thorpe Egham, Surrey TW20 8RJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX

S.M.P. (Playgrounds) Limited

Contents

	Pages
Directors' report	2 - 4
Independent auditors' report to the members of S.M.P. (Playgrounds) Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 19

Directors' Report
For the year ended 31 December 2011

The directors present their annual report and the audited financial statements of S M P (Playgrounds) Limited for the year ended 31 December 2011

Principal activities, review of business and future developments

The Company designs, manufactures, supplies, installs and maintains playground equipment to both the public and private sectors, the majority of business in the UK being derived either directly or indirectly from Local Government Authorities 2011 saw the UK market decline from the end of March as specific stimulus funding was removed from the play sector Despite this market decline, SMP improved market share and overall revenues This performance was a direct result of strategies put in place at the end of 2010 to differentiate the company's offerings more in the UK

The Company is widely recognised as one of the UK market leaders and will continue in 2012 to introduce new products in order to maintain that market standing and credibility At the same time there will be increased levels of consolidation with other Group companies to improve operational effectiveness and reduce costs

On 1 April 2012, the company acquired the trade of Record RSS Limited, a group undertaking with a view to consolidate the UK business within the company as part of a group restructuring

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Company

The key business risks affecting the Company are set out below

Competition
As per the comments above, the UK market has contracted during 2011 however SMP has managed to be largely unaffected due to the execution of strategies put in place in late 2010 The UK market is however expected to continue to contract in 2012 and so SMP will continue to invest in product development, sales training and operational consolidation, by doing so we increase the desirability of our offerings and maintain margins

Employees
The Company's performance depends largely on its management, area sales managers and support staff at the various offices The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the Company's results We maintain close relations with a number of recruitment firms in the sector such that we have an available candidate pool to choose from In addition we carry out regular employee reviews to understand our employee morale and expectations, and our managers escalate any key issues to the board for consideration

Political
With the majority of the UK revenue coming from the public sector, the availability of funds can be linked to political lobbying and significant events (local and general elections)

While some lobbying can have certain local effects we are generally aware of major political events on an annual basis and budget for changes in our revenue streams accordingly
The shift in emphasis in UK government from central funding and control to local provides challenges but these can largely be overcome by continued closeness to our local customers. In this respect the long term tenure and experience of our sales force is critical Their skills will continue to be assessed and further training is planned for 2012

Directors' Report (continued)
For the year ended 31 December 2011

Supply chain
Given the Company's focus on manufacturing excellence, the Company is exposed to potential supply chain disruptions due to delays/losses of inventory in transit In addition, the Company is exposed to its reliance on smaller enterprises particularly in Eastern Europe The Company mitigates this risk through effective supplier selection and procurement practices supplemented by appropriate insurance coverage

Results and dividends
The Company's profit after tax for the financial year is £784,831 (2010 £966,980) which has been transferred to reserves A dividend of nil pence (2010 £61 78) per £0 10 share amounting to £nil (2010 £6,178,000) has been proposed

Directors
The directors who served during the year and up to the date of signing these financial statements were
S Lyon
S Sylvester
G Townsend
A Yates

Qualifying Third Party Indemnity Provisions
The Company maintains liability insurance for its directors and officers The Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force

Donations
During the year the Company made charitable donations of £525 (2010 £125) and political donations of £Nil (2010 £Nil)

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and currency risk The Company has in place a risk management programme that seeks to minimise the effects of the above

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board are implemented by the Company's finance department

Price risk
The Company is exposed to commodity price risk as a result of its operations However, given the size of the Company's operations, the cost of managing exposure to product price risk is considered to exceed any potential benefits The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature The Company has no exposure to equity securities price risk as it holds no listed or other equity investments

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made

Liquidity risk
The Company is exposed to liquidity risk, as most of the customers are government funded and can take longer than normal to pay However, this is mitigated by favourable credit terms on supplies from its suppliers

Currency risk
The Company has some exposure to currency risk as most of its purchase transactions are made in Euros However, this is mitigated by favourable credit terms and competitive prices offered on supplies from the suppliers

Directors' Report (continued)
For the year ended 31 December 2011

Statement of directors' responsibilities

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 judgements 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

This report was approved by the board on 28 September 2012 and signed on its behalf

S Lyon
Director

S.M.P. (Playgrounds) Limited

Independent auditors' report to the members of S M.P. (Playgrounds) Limited

We have audited the financial statements of S M P (Playgrounds) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter 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

Greg Briggs

Gregory Briggs (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London
28th September 2012

S.M.P. (Playgrounds) Limited
Company Registration Number 00908021

Profit and loss account
For the year ended 31 December 2011

	Note	**Financial year ended 2011** £	Financial year ended 2010 £
Turnover	2	**12,943,024**	11,659,770
Cost of sales		**(9,436,359)**	(8,125,312)
Gross profit		**3,506,665**	3,534,458
Selling and distribution costs		**(2,200,468)**	(2,171,465)
Administrative expenses		**(263,092)**	(209,442)
Operating profit	3	**1,043,105**	1,153,551
Interest receivable and similar income	6	**34,103**	15,189
Profit on ordinary activities before taxation		**1,077,208**	1,168,740
Tax on profit on ordinary activities	7	**(292,377)**	(201,760)
Retained profit for the financial year	18	**784,831**	966,980

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

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

	Note	**Financial year ended 2011** £	Financial year ended 2010 £
Profit for the financial year		**784,831**	966,980
Actuarial losses recognised in the pension scheme	16	**(525,000)**	(90,833)
Movement on deferred tax on losses and other deductions	12	**126,000**	19,600
Total recognised gains and losses relating to the year		**385,831**	895,747

S.M.P. (Playgrounds) Limited

Balance sheet
As at 31 December 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible fixed assets	8		**109,477**		155,995
Current assets					
Debtors	9	**4,816,743**		4,111,774	
Cash at bank and in hand		**351,198**		294,483	
		5,167,941		4,406,257	
Creditors: amounts falling due within one year	10	**(1,812,061)**		(1,270,451)	
Net current assets			**3,355,880**		3,135,806
Total assets less current liabilities			**3,465,357**		3,291,801
Creditors: amounts falling due after more than one year	11		**-**		(551,675)
Net assets excluding pension deficit			**3,465,357**		2,740,126
Pension deficit	16		**(894,520)**		(555,120)
Net assets including pension deficit			**2,570,837**		2,185,006
Capital and reserves					
Called up share capital	17		**100,000**		100,000
Profit and loss account	18		**2,470,837**		2,085,006
Total equity shareholders' funds	19		**2,570,837**		2,185,006

The financial statements on pages 6 to 19 were approved by the board on 28 September 2012 and signed on its behalf

S Lyon
Director

Company registration number: 00908021

Notes to the financial statements
For the year ended 31 December 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

1 2 Cash flow statement

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 1 'Cash Flow statement' (revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent published a consolidated cash flow statement

1.3 Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax, rebates and discounts

The Company derives its revenue from the sale and installation of playground equipment The Company recognises revenue relating to the supply only of playground equipment at the time of shipment and when accepted by the customer The Company recognises revenue relating to the supply and installation of equipment when installation is complete and accepted by the customer

Income that has been invoiced but not recognised as revenue is reported on the balance sheet under deferred income

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line and reducing balance basis The expected useful economic lives of the assets to the business are reassessed periodically in the light of experience

Annual rates of depreciation most widely used are

Plant & Machinery	-	5-15 years	straight line
Fixtures & Fittings	-	3-5 years	straight line

1.5 Trade debtors

Trade debtors are recognised at amortised cost less provision for doubtful debts A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debt Increases or decreases to the doubtful debt provision are recognised through the profit and loss account When a debtor is uncollectible, the debtor is written off in the balance sheet, and the corresponding cost of bad debt is charged to the profit and loss account

1.6 Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognised at amortised cost Trade creditors are classified as current liabilities if payment is due within one year or less If not, they are presented as non-current liabilities

1. Accounting policies (continued)

1.7 Pensions

The Company operates a defined benefit pension scheme for its employees The assets of the scheme are held separately from those of the Company The scheme was closed to future entrants on 31 March 2005

Pension scheme assets are measured using market value Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

The amount charged to the profit and loss account in respect of employees' personal money purchase pension schemes is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet

1.8 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted Deferred tax is measured at the average 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 that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

1.9 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction Exchange differences are taken to the profit and loss account

1.10 Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

2 Turnover

The turnover and profit and loss before tax are attributable to the one principal activity of the Company An analysis of turnover by geographical destination is given below

	Financial year ended 2011	Financial year ended 2010
	£	£
United Kingdom	**11,211,236**	9,529,634
Overseas	**1,731,788**	2,130,136
	12,943,024	11,659,770

3. Operating profit

The operating profit is stated after charging/(crediting)

	Financial year ended 2011	Financial year ended 2010
	£	£
Depreciation of tangible fixed assets	**71,490**	81,414
Profit on disposal of tangible fixed assets	**(134)**	(3,966)
Operating lease charges		
Land and buildings	**255,000**	255,000
Other assets	**77,096**	92,496
Services provided by the company's auditor		
Fees payable for the audit	**20,100**	20,100
Foreign exchange loss arising from operating activities	**21,499**	18,346

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services for the year were as follows,

	Financial year ended 2011	Financial year ended 2010
	£	£
Aggregate emoluments	**271,477**	248,300
Pension contributions	**18,300**	15,877
	289,777	264,177
Highest paid director:		
Aggregate emoluments	**124,885**	113,038
Pension benefits under money purchase pension schemes		
Pension contribution	**6,450**	5,546

The number of directors who accrued benefits under company pension schemes was as follows,

	Financial year ended 2011	Financial year ended 2010
Money purchase schemes	**3**	3

The aggregate Company contribution to money purchase pension schemes in respect of directors' qualifying services was £18,300 (2010 £15,877)

5. Staff costs

The average number of staff employed by the Company (including directors) during the financial year amounted to

	Financial year ended 2011	Financial year ended 2010
By activity	**Number**	Number
Administration	**4**	4
Selling and distribution	**33**	36
	37	40

The aggregate payroll costs of the above were as follows

	Financial year ended 2011	Financial year ended 2010
	£	£
Wages and salaries	**1,316,703**	1,351,317
Social security costs	**147,774**	145,807
Other pension costs	**66,768**	61,350
	1,531,245	1,558,474

6. Interest receivable and similar income

	Financial year ended 2011	Financial year ended 2010
	£	£
Bank interest receivable	**103**	189
Finance income on pension scheme	**34,000**	15,000
Total	**34,103**	15,189

7. Taxation on profit on ordinary activities

	Financial year ended 2011	Financial year ended 2010
a) Analysis of tax charge in year	£	£
UK corporation tax on profits for the period	-	2,864
Adjustments in respect of prior periods	-	6,931
Amounts in respect of group relief	307,135	228,532
Total current tax	307,135	238,327
Deferred tax		
Origination and reversal of timing differences	(35,971)	(8,083)
Effect of tax rate change on opening balance	21,213	2,311
Adjustment for prior years	-	(30,795)
Total deferred tax (note 12)	(14,758)	(36,567)
Tax charge on profit on ordinary activities	292,377	201,760

b) Factors affecting tax charge for year

The tax assessed for the year is higher (2010 lower) than the standard rate of corporation tax in the United Kingdom of 26 5% (2010 28%) The differences are explained below

	Financial year ended 2011	Financial year ended 2010
	£	£
Profit on ordinary activities before tax	1,077,208	1,168,740
Profit on ordinary activities multiplied by standard companies rate of corporation tax in the UK of 26 5% (2010 - 28%)	285,460	327,247
Effects of:		
Expenses not deductible for tax purposes	502	(1,385)
Accelerated capital allowances and other timing differences	18,904	18,639
Adjustment in respect of prior periods	-	6,931
Short term timing differences	2,269	(112,150)
Tax credits	-	(955)
Group Relief Surrendered before Payment	(307,135)	(228,532)
Payment for Group Relief	307,135	228,532
Current tax charge for year	307,135	238,327

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement The main rate of corporation tax reduced from 26% to 24% from 1 April 2012 and was substantively enacted on 26 March 2012 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 However, none of these reductions have been substantively enacted at 31 December 2011 and hence have not been considered in these financial statements

Notes to the financial statements
For the year ended 31 December 2011

8. Tangible fixed assets

	Plant and Machinery	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2011	3,800	553,815	557,615
Additions	-	25,713	25,713
Disposals	-	(5,500)	(5,500)
At 31 December 2011	**3,800**	**574,028**	**577,828**
Accumulated depreciation			
At 1 January 2011	189	401,431	401,620
Charge for the year	756	70,734	71,490
Disposals	-	(4,759)	(4,759)
At 31 December 2011	**945**	**467,406**	**468,351**
Net book value			
At 31 December 2011	**2,855**	**106,622**	**109,477**
At 31 December 2010	3,611	152,384	155,995

9. Debtors

	Financial year ended 2011	Financial year ended 2010
	£	£
Trade debtors	**2,724,385**	1,470,136
Amounts owed by group undertakings	**1,810,001**	2,375,163
Other debtors	**-**	2,104
Prepayments and accrued income	**196,890**	193,880
Deferred tax asset (note 12)	**85,467**	70,491
	4,816,743	4,111,774

The deferred tax asset above excludes the deferred tax asset of £282,480 (2010 £215,880) related to the pension deficit (note 16)
The amounts owed by group undertakings are unsecured, have no fixed repayment terms and interest free

10. Creditors: amounts falling due within one year

	Financial year ended 2011	Financial year ended 2010
	£	£
Trade creditors	**649,202**	206,621
Group relief	**307,313**	462,788
Corporation tax	**-**	5,728
Other taxes and social security costs	**37,220**	54,317
Accruals	**818,327**	540,997
	1,812,062	1,270,451

11. Creditors: amounts falling due after one year

	Financial year ended 2011	Financial year ended 2010
	£	£
Onerous lease provision	**-**	551,675
	-	551,675

Following reorganisation of the Company's operations in 2009, the Company set up an onerous lease provision for its site in Thorpe, Egham The amount included in accruals above as at 31 December 2011 is £665,000 The provision was utilised throughout 2011 and has been utilised by August 2012

12. Deferred taxation

The movement in the deferred taxation asset during the year was

	Financial year ended 2011	Financial year ended 2010
	£	£
At the beginning of the year	**286,371**	230,204
Deferred tax in the profit and loss account (Note 7)	**14,758**	36,567
Deferred tax charged in the statement of total recognised gains and losses	**126,000**	19,600
At the end of the year	**427,129**	286,371

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

The key components of the deferred tax asset are £144,649 (2010 £70,491) timing differences and £282,480 (2010 £215,880) for pension timing differences (note 16)

13. Commitments under operating leases

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

	31 December 2011		31 December 2010	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
On operating leases which expire				
Within one year	**170,000**	**52,596**	-	48,072
Within two to five years		**20,976**	255,000	41,832
As at 31 December	**170,000**	**73,572**	255,000	89,904

14. Contingencies

The Company together with all other group companies has given an unlimited multilateral guarantee in respect of the net bank borrowing of the group companies Total net borrowings at 31 December 2011 amounted to £nil (2010 £nil) In the opinion of the directors, no liability is expected to arise as a result of this guarantee

15. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

16. Pension Commitment

The Company operates the S M P Playgrounds Pension Scheme This is an administered scheme which provides benefit based on the final pensionable pay of certain employees of the Company The assets of the scheme are held separately from those of the Company Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pension over the employees' working lives with the Company The contributions are determined by a qualified actuary on the basis of terminal valuations using the attained age method The most recent valuation was undertaken at 5 April 2009 and has been adjusted to 31 December 2011 to allow for FRS 17 financial assumptions The scheme closed to new entrants on 31 March 2005

The value of the scheme liabilities has been determined by qualified actuaries based on the results of an actuarial valuation as at 31 December using the following assumptions

	2011	2010
	%	%
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pension payment	**3.0**	3 5
Rate of increase in deferred pensions	**2.9**	3 5
Discount rate	**4.7**	5 4
Inflation assumption	**3 0**	3.5

The mortality assumptions used were as follows

	2011	2010
	Years	Years
Longevity at age 65 for current pensioners		
- Men	**21.4**	21 4
- Women	**24.0**	23 3

The assets and liabilities of the scheme and the expected rate of return at 31 December were

	2011		2010	
	Long term rate of return expected	**Value**	Long term rate of return expected	Value
	%	**£**	%	£
Equities	**7.0**	**3,188,520**	7 2	3,511,000
Bonds	**4.0**	**562,680**	4 2	476,000
Cash	**2.0**	**187,560**	-	-
Property	**7.5**	**140,670**	7 5	318,000
Hedge funds	**7.0**	**468,900**	7 0	656,000
Other	**2.0**	**140,670**	2 0	43,000
Total fair value of scheme's assets		**4,689,000**		5,004,000
Present value of scheme liabilities		**(5,866,000)**		(5,775,000)
Deficit in the scheme		**(1,177,000)**		(771,000)
Related deferred tax asset		**282,480**		215,880
Net pension liabilities		**(894,520)**		(555,120)

16. Pension Commitment (continued)

Analysis of the amount (charged)/credited to other finance income

	2011	2010
	£	£
Expected return on pension assets	**342,000**	312,000
Interest on pension scheme liabilities	**(308,000)**	(297,000)
Net return	**34,000**	15,000

Analysis of the amount recognised in the statement of total recognised gains and losses

	2011	2010
	£	£
Actual (loss)/return less expected return on pension scheme assets	**(609,000)**	197,000
Actuarial gains and losses arising on the scheme liabilities	**84,000**	(348,000)
Other gains and losses	**-**	60,167
Actuarial loss recognised in the statements of total recognised gains and losses	**(525,000)**	(90,833)

Movement during the year	£	£
Deficit in the scheme in the beginning of the period	**(771,000)**	(701,000)
Current service cost	**(6,000)**	(6,000)
Cash contribution	**91,000**	11,833
Other finance income	**34,000**	15,000
Actuarial loss	**(525,000)**	(90,833)
At the end of the period	**(1,177,000)**	(771,000)
Deferred tax effect	**282,480**	215,880
	(894,520)	(555,120)

Reconciliation of present value of scheme assets	2011	2010
	£	£
Fair value of assets at the beginning of the year	**5,004,000**	4,594,000
Expected return on assets	**342,000**	312,000
Miscellaneous income	**19,000**	-
Employer contributions	**72,000**	72,000
Benefits paid	**(139,000)**	(171,000)
Actuarial gain/(loss) on assets	**(609,000)**	197,000
Fair value of assets at the end of the year	**4,689,000**	5,004,000

Reconciliation of present value of scheme liabilities	2011	2010
	£	£
Defined benefit obligation at the beginning of the year	**5,775,000**	5,295,000
Interest cost	**308,000**	297,000
Current service cost	**6,000**	6,000
Benefits paid	**(139,000)**	(171,000)
Actuarial (gain)/loss on defined benefit obligation	**(84,000)**	348,000
Defined benefit obligation at the end of the year	**5,866,000**	5,775,000

Notes to the financial statements
For the year ended 31 December 2011

16. Pension Commitment (continued)

History of experience gains and losses	2011 £	2010 £	2009 £	2008 £	2007 £
Difference between the expected and actual return/(loss) on scheme assets (£)	**(609,000)**	197,000	701,000	(1,467,000)	(17,000)
Percentage of the scheme assets (%)	**(13)**	3 94	15 3	(36 7)	(0 0)
Experience gain / (losses) on scheme liabilities (£)	**84,000**	(348,000)	(1,292,000)	683,000	(36,000)
Percentage of present value of the scheme liabilities (%)	**1.4**	(6,03)%	(24 4)	17 7	(1 0)
Total amount recognised in statement of total recognised gains and losses (£)	**(525,000)**	(151,000)	(591,000)	(784,000)	417,000
Percentage of present value of the scheme liabilities (%)	**8.9**	(2 61)%	(11 2)	(20 3)	10 0

The estimated contributions which the Company expects to be paid into the scheme in 2012 are £72,000 (2011 £72,000)

17 Called up share capital

	2011 £	2010 £
Authorised share capital		
10,000,000 ordinary shares of £0 10 each	**1,000,000**	1,000,000
Allotted and fully paid		
1,000,000 ordinary shares of £0 10 each	**100,000**	100,000

18. Profit and Loss Account

	£
At 1 January 2011	2,085,006
Profit for the financial year	784,831
Actuarial loss in the pension scheme	(525,000)
Movement on deferred tax on losses and other deductions	126,000
At 31 December 2011	**2,470,837**

19. Reconciliation of movement in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	**2,185,006**	7,467,259
Total recognised gains in the year	**385,831**	895,747
Dividend paid	**-**	(6,178,000)
Closing shareholders' funds	**2,570,837**	2,185,006

20. Ultimate Parent Companies

PlayPower Holdings Inc is the largest group of undertakings to consolidate these financial statements at December 31, 2011 The immediate holding company is Hags Play AB, incorporated in the Sweden, which is also the smallest group of undertakings to consolidate these financial statements at 31 December 2011 The ultimate parent undertaking and controlling party is Apollo Investment Corporation,9 West 57th Street, New York NY 10019 The address of PlayPower Holdings Inc is 13620 East Reese Blvd, Suite 300 Huntersville, NC 28078 The address of Hags Play AB is Box 133, Grannavagen, 7SE-578 23, Aneby, Sweden

An agreement was signed on 30 June 2011, whereby Apollo Investment Corporation ("Apollo") acquired 100% of the common shareholding of PlayPower Holdings Inc to become the ultimate controlling party of the Group

21. Post Balance Sheet Events

On 1 April 2012, the company acquired the trade of Record RSS Limited, a group undertaking with a view to consolidate the UK business within the company as part of a group restructuring No consideration was paid for the same