

TENNANT CO
Form 10-Q/A
March 25, 2003

FORM 10-Q/A

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

For Quarter Ended March 31, 2002

Commission File No. 04804

TENNANT COMPANY

Incorporated in Minnesota

IRS Emp Id No. 410572550

**701 North Lilac Drive
P.O. Box 1452
Minneapolis, Minnesota 55440
Telephone No. 763-540-1200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of Registrant's common stock, par value \$.375 on March 31, 2002, was 8,990,842.

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Tennant Company announced in February 2003 that due to a technical accounting interpretation brought to the Company's attention by its auditors, the Company is restating its financial statements to recognize revenues and earnings associated with the sales of its equipment to a U.S. third party lessor, that occurred between 1998 and 2002, over the lease period for operating lease transactions and, for short term rental transactions, at the time the customer converts the short term rental to an outright purchase or long term capital lease of the equipment. Previously, revenues and earnings associated with these sales were recognized at the time of shipment. The original contract between the Company and the U.S. third party lessor included retained ownership risk provisions that were determined to preclude operating lease and short-term rental transactions from meeting the criteria for sale treatment under Statement of Financial Accounting Standards No. 13. The effect of the correction to the timing of the revenue recognition on these transactions includes a revision in previously reported net earnings of \$(108,000) and \$289,000 and net earnings per share diluted of \$(0.01) and \$0.03 for the quarters ended March 31, 2002 and 2001, respectively. The consolidated financial statements as of December 31, 2001 and March 31, 2002 and for the quarters ended March 31, 2002 and 2001 and notes thereto included in this Form 10-Q/A have been restated to include the effects of the correction to the timing of the revenue recognition.

On February 4, 2003, the Company amended the agreement with the third party lessor to eliminate the retained ownership risk provisions for operating leases which will result in revenue recognition for future operating lease transactions at the time of shipment. The amendment to the agreement is retroactive to the beginning of the agreement, therefore, the Company expects to recognize the remaining unrecognized revenue and earnings for past operating lease transactions in the first quarter of 2003.

This amendment to the Company's Annual Report on Form 10-Q for the quarter ended March 31, 2002 amends and restates those items of the Form 10-Q originally filed on May 14, 2002 (the Original Filing) which have been affected by the restatement. In order to preserve the nature and character of the disclosures set forth in such items as originally filed, no attempt has been made in this amendment to update any disclosures not impacted by the restatement. Except as required to reflect the effects of the restatement, all information contained in this amendment is stated as of the date of the Original Filing. For additional information regarding the restatement, see Notes to Consolidated Financial Statements Restated included in the Form 10-Q/A.

CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31	
	2002 Restated	2001 Restated
Net sales	\$ 96,419	\$ 104,628
Less:		
Cost of sales	61,471	64,383
Selling and administrative expenses	32,447	34,820
Restructuring charges	4,004	5,160
Profit (loss) from operations	(1,503)	265

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Interest income, net	52	167
Other income (expense)	(21)	287
Earnings (loss) before income taxes	(1,472)	719
Income tax expense (benefit)	(29)	280
Net earnings (loss)	\$ (1,443)	\$ 439
Per share:		
Basic earnings (loss)	\$ (0.16)	\$ 0.05
Diluted earnings (loss)	\$ (0.16)	\$ 0.05
Dividends	\$ 0.20	\$ 0.20
Weighted average number of shares:		
Basic	9,022	9,101
Diluted	9,022	9,239

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

(In thousands)

	(Unaudited) March 31, 2002 Restated	(Unaudited) December 31, 2001 Restated
ASSETS		
Cash and cash equivalents	\$ 16,139	\$ 23,783
Receivables	80,734	76,952
Less allowance for doubtful accounts	(5,031)	(4,701)
Net receivables	75,703	72,251
Inventories	49,246	48,288
Prepaid expenses	2,405	2,394
Deferred income taxes, current portion	6,862	6,879
Total current assets	150,355	153,595
Property, plant and equipment	201,720	200,825
Less accumulated depreciation	(129,883)	(127,729)
Net property, plant and equipment	71,837	73,096
Deferred income taxes, long-term portion	5,496	5,496
Goodwill, net	16,295	16,373
Other assets	3,822	3,999
Total assets	\$ 247,805	\$ 252,559
LIABILITIES & SHAREHOLDERS EQUITY		
LIABILITIES		
Current debt	\$ 11,189	\$ 13,418
Accounts payable, accrued expenses and deferred revenue	50,381	48,031
Total current liabilities	61,570	61,449
Long-term debt	12,744	12,496
Long-term employee-related benefits	26,788	26,643
Total liabilities	101,102	100,588
SHAREHOLDERS EQUITY		

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Common stock	3,372	3,389
Additional paid-in capital		383
Unearned restricted shares	(280)	(278)
Retained earnings	157,426	161,945
Accumulated other comprehensive loss (equity adjustment from foreign currency translation)	(6,578)	(6,247)
Receivable from ESOP	(7,237)	(7,221)
Total shareholders' equity	146,703	151,971
Total liabilities and shareholders' equity	\$ 247,805	\$ 252,559

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

	Three Months Ended March 31	
	2002 Restated	2001 Restated
CASH FLOWS RELATED TO OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (1,443)	\$ 439