

Wheelabrator Group Limited

Report and Financial Statements

Year Ended

31 December 2006

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BDO Stoy Hayward
Chartered Accountants

Wheelabrator Group Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors

I B Bird
A J Matsuyama

Secretary and registered office

N C Moseley
Wheelabrator Group Limited
PO Box 60
Craven Road
Broadheath
Altrincham
Cheshire
WA14 5EP

Company Number

33672

Auditors

BDO Stoy Hayward LLP
11-15 Commercial Buildings
Cross Street
Manchester M2 1WE

Wheelabrator Group Limited

Report of the directors for the year ended 31 December 2006

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2006.

Principal activities

The principal activities of the company are the manufacture and supply of surface preparation machinery and associated spare parts and servicing.

Business review

Turnover increased to £29,271,000 from £24,968,000 in 2005, a rise of 17%. As shown in note 2 to the accounts, the majority of this increase was due to an increase in revenues earned outside the UK, which rose by almost 30%

Operating profit for the period was £774,000, after charging restructuring costs of £555,000. This compares to £262,000 in 2005.

The improvement in operating performance has been accompanied by a significant improvement in the net asset position of the company, which has increased to £5,888,000, an improvement of £6,673,000 over 2005 levels. This reflects the issue of £4,965,000 of new share capital (including associated premiums) and a reduction in the pension deficit of £1,381,000.

The company recognises the changing nature of the UK economy and is taking steps to reflect this in its structure. As a consequence, it has announced its intention to increasingly utilise facilities elsewhere in the Group for manufacturing larger equipment. Its UK activities will focus on providing value added support to customers, whilst developing an increased presence in export markets.

Whilst the UK market particularly has become more competitive, the company believes that the depth of the product range available to it and its ability to react to changes in the market will enable it to continue to meet the challenges of the future.

Dividends

The directors do not recommend payment of a dividend (2005 - £nil).

Wheelabrator Group Limited

Report of the directors for the year ended 31 December 2006

Directors and their interests

The directors who held office during the year were as follows:

I B Bird (appointed 24 July 2006)
A J Matsuyama (appointed 22 December 2006)
H M Andresen (resigned 24 July 2006)
M M Iwan (resigned 22 December 2006)

At the balance sheet date, the directors who held office during the financial period had the following interests in WGH Holding Corp, the ultimate parent company:

	Preference Shares	Common 'A' shares	Common 'B' shares
M M Iwan	6,099	953	5,000
H M Andresen	-	-	-
I B Bird	-	-	133
A J Matsuyama	-	-	267

Market value of land and buildings

In the opinion of the directors, the market value of the company's interest in land and buildings exceeds net book value by approximately £850,000.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The directors are responsible for communicating relevant information to all employees and for developing their involvement in company affairs as appropriate.

Company's policy on payment of creditors

The group agrees terms and conditions which include payment details with its suppliers. Payment is made in accordance with those terms and conditions, provided that the supplier has also complied with them. At 31 December 2006 the average number of days trade creditors was 46 (2005 - 47).

Wheelabrator Group Limited

Report of the directors for the year ended 31 December 2006 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 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 proper accounting records that 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 1985. 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.

Auditors

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board



A J Matsuyama
Director

28 March 2007

Wheelabrator Group Limited

Report of the independent auditors

To the shareholders of Wheelabrator Group Limited

We have audited the financial statements of Wheelabrator Group Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Wheelabrator Group Limited

Report of the independent auditors

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Manchester*

Date *29 March 2007*

Wheelabrator Group Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover	2	29,271	24,968
Cost of sales		(21,570)	(18,314)
Gross profit		<u>7,701</u>	<u>6,654</u>
Administrative expenses		(6,927)	(6,392)
Operating profit	4	<u>774</u>	<u>262</u>
Profit on disposal of fixed assets		263	-
Profit on ordinary activities before interest and taxation		<u>1,037</u>	<u>262</u>
Interest payable and similar charges	5	(768)	(738)
Interest receivable		26	7
Profit/(loss) on ordinary activities before taxation		<u>295</u>	<u>(469)</u>
Taxation on profit/(loss) on ordinary activities	7	3	(128)
Profit/(loss) on ordinary activities after taxation	17	<u><u>298</u></u>	<u><u>(597)</u></u>

The notes on pages 9 to 23 form part of these financial statements.

Wheelabrator Group Limited

Statement of total recognised gains and losses for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Profit/(loss) for the financial year		298	(597)
Actuarial gain/(loss) on defined benefit pension scheme taken directly to reserves	20	2,014	(224)
Taxation on pension liability movement taken directly to reserves		(604)	67
Total recognised gains/(losses) relating to the year		<u>1,708</u>	<u>(754)</u>

The notes on pages 9 to 23 form part of these financial statements

Wheelabrator Group Limited

Balance sheet at 31 December 2006

	Note	2006		2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	8		784		874
Tangible assets	9		2,840		3,297
Investments	10		4,571		4,571
			8,195		8,742
Current assets					
Stocks	11	2,532		2,699	
Debtors	12	21,694		16,225	
Cash at bank and in hand		1,634		1,718	
		25,860		20,642	
Creditors: amounts falling due within one year	13	(12,003)		(13,150)	
Net current assets			13,857		7,492
			22,052		16,234
Creditors: amounts falling due after one year	14	(13,643)		(13,533)	
Provisions for liabilities and charges	15	(533)		(117)	
			(14,176)		(13,650)
Net assets before pension liability			7,876		2,584
Pension liability	20		(1,988)		(3,369)
Net assets/(liabilities)			5,888		(785)
Capital and reserves					
Called up share capital	16		1,356		1,336
Share premium account	17		5,259		314
Other reserve	17		169		169
Profit and loss account	17		(896)		(2,604)
Shareholders' funds/(deficit)	18		5,888		(785)

These financial statements were approved by the board on 28 March 2007 and were signed on its behalf by:



A J Matsuyama

Director

The notes on pages 9 to 23 form part of these financial statements

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies

The following accounting policies have all been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Group accounts

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about the group.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by WGH UK Holdings Limited and the company's results are included in consolidated financial statements.

Related parties

The company has taken advantage of the exemption contained in FRS 8 not to disclose transactions or balances with entities which form part of the group. The consolidated financial statements within which this company is included, can be obtained from the address given in note 22.

Intangible fixed assets and amortisation

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which the directors consider to be twenty years. Provision is made for any impairment.

Patents and trade marks are included at cost and depreciated in equal, annual instalments over a period of eight years which is their estimated useful economic life. Provision is made for any impairment.

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2% to 2.5% per annum
Short leasehold land and buildings	Term of lease
Plant and equipment	10% to 25% per annum
Motor vehicles, computers, office equipment fixtures and fittings	25% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials (on a first in first out basis), direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs and other post retirement benefits

The company offers pensions to substantially all employees through a funded defined benefit scheme and a number of defined contribution schemes.

Contributions to defined contribution schemes are charged to profit and loss account in the year in which they become payable.

The assets of the defined benefit scheme are held separately from those of the company in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. Further details in respect of these pension arrangements are shown in note 20. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the group are charged to the statement of total recognised gains and losses in accordance with FRS 17 "Retirement benefits".

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

Turnover

Turnover represents sales to customers at invoiced amounts less value added tax or local taxes on sales where applicable.

2 Turnover

An analysis of turnover by geographical market is given below:

	2006 £'000	2005 £'000
United Kingdom	15,648	14,290
Rest of World	13,623	10,678
	<u>29,271</u>	<u>24,968</u>

All turnover is attributable to the principal activity of the company.

3 Corresponding figures

The analysis between continuing and discontinued operations for the year ended 31 December 2005 is shown below.

	Continuing £	Discontinued in 2005 £	Total £
Turnover	24,734	234	24,968
Cost of sales	(18,084)	(230)	(18,314)
Gross profit	<u>6,650</u>	<u>4</u>	<u>6,654</u>
Other operating expenses	(6,248)	(144)	(6,392)
Operating profit/(loss)	<u>402</u>	<u>(140)</u>	<u>262</u>

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

4 Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging/(crediting):		
Depreciation amounts written off tangible assets	272	241
Amortisation of goodwill	90	90
Operating lease rentals – plant and machinery	318	352
Operating lease rentals - land and buildings	497	709
Auditors' remuneration - audit services	69	76
Auditors' remuneration - non-audit services	79	18
Defined contribution pension cost	35	36
Defined benefit pension cost (see note 20)	501	109
Exceptional item (see below)	555	562
Directors' remuneration	-	-
	<u> </u>	<u> </u>

During the year ended 31 December 2006 there were exceptional administration expenses of £555,000. This related to redundancy costs of £455,000 and a £100,000 provision for property lease costs.

5 Interest payable and similar charges

	2006 £'000	2005 £'000
Finance lease and hire purchase contracts	1	2
On bank loans and overdrafts	134	63
On all other loans	525	563
Other finance costs (see note 20)	108	110
	<u> 768</u>	<u> 738</u>
	<u> </u>	<u> </u>

6 Employees

The average monthly number of employees (including directors) during the year was as follows:

	2006 number	2005 number
Production	101	109
Sales	60	63
Administration	28	28
	<u> 189</u>	<u> 200</u>
	<u> </u>	<u> </u>

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

6 Employees (continued)

The aggregate payroll costs of employees were as follows:

	2006	2005
	£'000	£'000
Wages and salaries	5,836	5,566
Social security costs	547	529
Other pension costs	536	145
	<u>6,919</u>	<u>6,240</u>

7 Tax on profit/(loss) on ordinary activities

	2006	2006	2005	2005
	£'000	£'000	£'000	£'000
<i>Current tax</i>				
Overseas tax	9		25	
Tax on FRS 17 adjustments	(12)		103	
Taxation on profit/(loss) on ordinary activities	<u> </u>	<u>(3)</u>	<u> </u>	<u>128</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2006	2005
	£'000	£'000
Profit/(loss) on ordinary activities before tax	<u>295</u>	<u>(469)</u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	88	(141)
Effects of:		
Expenses not deductible for tax purposes	39	-
Capital allowances for the year in excess of depreciation	(64)	(82)
Losses not utilised	-	76
Permanent differences	-	282
Other timing differences	98	(32)
Overseas tax paid	9	25
Utilisation of tax losses brought forward	(138)	-
Indexation allowances and other differences relation to capital gains	(43)	-
Movement in provisions	8	-
Current tax charge for year	<u>(3)</u>	<u>128</u>

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

7 Tax on profit/(loss) on ordinary activities (continued)

There is an unprovided deferred tax asset of £1,335,000 (2005 £1,342,000) which is made up as follows:

	2006 £'000	2005 £'000
Accelerated capital allowances	118	199
Trading losses	511	671
Other short term timing differences	706	472
	<u>1,335</u>	<u>1,342</u>

The deferred tax asset has not been recognised in the company's financial statements on the basis that the directors do not expect the reversal of the underlying timing differences to occur in the foreseeable future.

8 Intangible fixed assets

	Patents and trade marks £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning and end of year	96	1,802	1,898
<i>Amortisation</i>			
At beginning of year	96	928	1,024
Charge for the year	-	90	90
At end of year	96	1,018	1,114
<i>Net book value</i>			
At 31 December 2006	-	784	784
At 31 December 2005	-	874	874

The directors consider each acquisition separately for the purposes of determining the amortisation period of any goodwill that arises. The directors consider the useful economic life of these acquisitions is 20 years, and therefore goodwill is amortised over this period.

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*continued*)

9 Tangible fixed assets

	Freehold property £000	Leasehold £000	Plant and machinery £000	Total £000
<i>Cost</i>				
At beginning of year	2,895	325	4,809	8,029
Reclassification	(92)	92	-	-
Additions	-	5	115	120
Disposals	(366)	-	(266)	(632)
At end of year	<u>2,437</u>	<u>422</u>	<u>4,658</u>	<u>7,517</u>
<i>Depreciation</i>				
At beginning of year	669	45	4,018	4,732
Reclassification	(92)	92	-	-
Charge for year	50	30	192	272
Disposals	(100)	-	(227)	(327)
At end of year	<u>527</u>	<u>167</u>	<u>3,983</u>	<u>4,677</u>
<i>Net book value</i>				
At 31 December 2006	<u>1,910</u>	<u>255</u>	<u>675</u>	<u>2,840</u>
At 31 December 2005	<u>2,226</u>	<u>280</u>	<u>791</u>	<u>3,297</u>

Included within freehold property is £186,000 (2005 - £336,000) of land which has not been depreciated.

10 Fixed asset investments

	Shares in group undertakings £000	Other investments £000	Total £000
<i>Cost</i>			
At beginning and end of year	4,448	123	4,571

The principal subsidiary of the company is Matrasur Composites SAS, an engineering company incorporated in France in which it holds 100% of the share capital.

The remaining investment in group undertakings are shares held in dormant companies.

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

11 Stocks

	2006 £000	2005 £000
Raw materials and consumables	-	21
Work in progress	675	724
Finished goods and goods for resale	1,857	1,954
	<u>2,532</u>	<u>2,699</u>

The directors consider that there is no material difference between the replacement cost of stock and the values above.

12 Debtors

	2006 £000	2005 £000
Trade debtors	5,909	5,231
Amounts owed by group undertakings	15,144	10,352
Other debtors	81	140
Prepayments	560	502
	<u>21,694</u>	<u>16,225</u>

Debtors of £36,000 are receivable in more than one year after the balance sheet date (2005 £63,000).

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

13 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank overdraft (secured)	-	5,652
Trade creditors	3,009	2,604
Amounts owed to group undertakings	6,980	3,324
Corporation tax	5	16
Taxation and social security	345	301
Other creditors	13	17
Accruals	1,651	1,232
Obligations under finance leases and hire purchase contracts	-	4
	<u>12,003</u>	<u>13,150</u>

The bank overdraft in 2005 was secured by a fixed and floating charge over the assets of the company and certain other group companies.

14 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	13,643	13,533
	<u>13,643</u>	<u>13,533</u>

15 Provisions for liabilities and charges

	Restructuring provision £000	Product warranties £000	Total £000
At 1 January 2006	-	117	117
Charged to profit and loss account	430	40	470
Utilised in year	-	(54)	(54)
At 31 December 2006	<u>430</u>	<u>103</u>	<u>533</u>

The provision for restructuring relates to redundancy costs and property lease costs.

The provision for product warranties relates to expected warranty claims on products sold generally in the last twelve months. It is expected that most of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

16 Called up share capital

	2006		2005	
	No	£000	No	£000
<i>Authorised</i>				
Ordinary shares of £1 each	1,386,201	1,386	16,201	16
Deferred shares of £1 each (non-equity)	-	-	1,320,000	1,320
	<u>1,386,201</u>	<u>1,386</u>	<u>1,336,201</u>	<u>1,336</u>
Ordinary shares of £1 each	1,356,061	1,356	16,201	16
Deferred shares of £1 each (non equity)	-	-	1,320,000	1,320
	<u>1,356,061</u>	<u>1,356</u>	<u>1,336,201</u>	<u>1,336</u>

On 2 February 2006, the authorised share capital of the company was increased by £50,000, by the creation of 50,000 ordinary shares of £1 each.

On the same date 19,860 ordinary shares of £1 each were issued at a premium of £249 per share, to a parent undertaking, Wheelabrator Technologies (UK) Limited. The existing deferred shares were re-classified as ordinary shares of £1 each.

17 Reserves

	Share premium account £000	Other reserve £000	Profit and loss account £000	Total £000
At 1 January 2006	314	169	(2,604)	(2,121)
Premium on new shares allotted in the year	4,945	-	-	4,945
Profit for the year	-	-	298	298
Actuarial gain on pension liability net of related taxation	-	-	1,410	1,410
At 31 December 2006	<u>5,259</u>	<u>169</u>	<u>(896)</u>	<u>4,532</u>

Wheelabrator Group LimitedNotes forming part of the financial statements for the year ended 31 December 2006 *(continued)***18 Reconciliation of movements in shareholders' funds**

	2006	2005
	£'000	£'000
Profit for the financial year	298	(597)
Other net recognised gains and losses relating to the year	1,410	(157)
Issue of shares	4,965	-
Net addition/(reduction) to shareholders' funds	<u>6,673</u>	<u>(754)</u>
Opening shareholders' deficit	(785)	(31)
Closing shareholders' funds/(deficit)	<u><u>5,888</u></u>	<u><u>(785)</u></u>

19 Financial commitments

There were no capital commitments at either 31 December 2006 or 31 December 2005.

Annual commitments under non-cancellable operating leases are as follows:

	2006		2005	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	55	21	39
Between two and five years	210	174	25	228
After five years	275	-	350	-
	<u>485</u>	<u>229</u>	<u>396</u>	<u>267</u>

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

20 Pensions

The company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £35,000 (2005 - £36,000).

Contributions outstanding at the year end in respect of the schemes were £1,720 (2005 - £949).

The company also operates a funded defined benefit scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The most recent actuarial valuation of the scheme was at 6 April 2005 and the assumptions that have the most significant effect on the results of the valuation are the rate of return on investments and the rates of increase in salaries and pensions. This valuation has been updated on an FRS 17 basis by the scheme actuary at 31 December 2006.

The market value of the scheme assets at the last valuation date (31 December 2006) was £20,246,000 (previously £18,745,000). The actuarial value of these assets represented 87.7% (2005 - 79.6%) of the benefits that had accrued to members after allowing for expected increases in earnings. The company is paying increased contributions to the scheme, calculated so that the deficit is expected to be removed over the future working lifetime of the active membership as at the valuation date.

Contributions paid into the scheme were £567,000 during the year (2005 - £564,000).

The major assumptions used in this valuation were:

	2006	2005	2004
	%	%	%
Rate of increase in salaries	2.50	2.50	2.75
Rate of increase in pensions in payment	2.75	2.75	2.75
Discount rate	5.25	4.90	5.25
Inflation assumption	2.50	2.50	2.75

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

20 Pensions (continued)

Market value of the scheme's assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2006	Value at 2006 £000	Long term rate of return	Value at 2005 £000	Long term rate of return 2004	Value at 2004 £000
Assets						
Equities	7.36%	10,322	7.10%	9,726	7.80%	8,059
Government stock	4.62%	6,964	4.10%	9,003	4.50%	7,982
Corporate bonds	5.60%	2,936	-	-	-	-
Other – cash	4.50%	24	4.50%	16	4.50%	12
		20,246		18,745		16,053
Present value of scheme liabilities		(23,086)		(23,558)		(20,987)
		(2,840)		(4,813)		(4,934)
Deficit in the scheme		852		1,444		1,481
Related deferred tax asset		(1,988)		(3,369)		(3,453)
Net pension liability						

The movement in the deficit during the year was as follows:

	2006 £000	2005 £000
Deficit in scheme, net of tax, at beginning of year	(3,369)	(3,453)
Current and past service cost (see below)	(501)	(109)
Contributions paid	567	564
Other finance (costs)/income	(108)	(110)
Actuarial gain/(loss)	2,014	(224)
Movement in deferred tax	(592)	(37)
Deficit net of tax in the scheme at end of year	(1,988)	(3,369)

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

20 Pensions (continued)

Analysis of other pension costs charged in arriving at operating profit

	2006	2005
	£000	£000
Current service cost	501	311
Past service cost	-	(202)
	<u>501</u>	<u>109</u>
	<u><u>501</u></u>	<u><u>109</u></u>

Analysis of amounts included in other finance costs

	2006	2005
	£000	£000
Expected return on pension scheme assets	(1,057)	(989)
Interest on pension scheme liabilities	1,164	1,110
Interest on past service costs		(11)
	<u>107</u>	<u>110</u>
	<u><u>107</u></u>	<u><u>110</u></u>

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (continued)

20 Pensions (continued)

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

	2006	2005	2004	2003	2002
Actual return less expected return on scheme assets (£'000)	865	1,649	558	933	(2,118)
Percentage of year end scheme Assets	4.3%	8.8%	3.5%	6.4%	16.5%
Experience gains and losses arising on scheme liabilities (£'000)	(144)	(458)	1,974	(1,048)	20
Percentage of present value of year end scheme liabilities	0.6%	1.9%	9.4%	4.8%	0.1%
Actuarial gain/(loss) recognised in statement of total recognised gains and losses (£'000)	2,014	(224)	2,485	(2,474)	(3,284)
Percentage of present value of year end scheme liabilities	8.7%	1.0%	11.8%	11.3%	18.6%

21 Contingent liabilities

The company has given bank guarantees to customers in respect of advance payments and the performance of goods sold, amounting to £1,497,000 (2005 - £830,000).

At the balance sheet date the sterling value of outstanding forward exchange contracts was £nil (2005 - £nil). A guarantee is in place for £10,000 in favour of HM Revenue & Customs.

On 16 February 2006, the group entered into an agreement with Bank of Scotland to provide loans and working capital finance as part of the reorganisation and refinancing following the acquisition by Emerging Europe Convergence Fund II LP, the facilities are secured by fixed and floating charges on the assets of this company and certain other group companies.

22 Ultimate controlling party and immediate controlling party

On 16 February 2006, the entire equity share capital of WG Global, Inc. (the then ultimate parent undertaking and ultimate controlling party) was acquired by WGH Holding Corp., the acquisition vehicle of the Emerging Europe Convergence Fund II L.P.

Following the acquisition of the group, referred to above, the directors regard WGH Holding Corp. registered in USA, as the ultimate parent company and the Emerging Europe Infrastructure Fund II L.P., registered in Guernsey, as the ultimate controlling party.

The smallest group in which the results of the Company are consolidated is that headed by WGH UK Holdings Limited., a company incorporated in England & Wales.

The largest group in which the results of the company are consolidated is that headed by WGH Holding Corp., of 601 Corporate Circle, Suite 150, Golden, CO 80401, USA