

Wheelabrator Group Limited

Report and Financial Statements

Year Ended

31 December 2007

BDO

BDO Stoy Hayward
Chartered Accountants

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Wheelabrator Group Limited

Annual report and financial statements
for the year ended 31 December 2007

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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 2007

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2007

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 £35,546,000 from £29,271,000 in 2006, a rise of 21%. 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 32%

Operating profit for the year of £399,000 compares to £774,000 in 2006, but was adversely affected by the volatility in exchange rates. Such fluctuations reduced operating profit by £1,600,000 (2006 increased operating profit by £259,000) and arose principally on inter-company loans denominated in Euro. Underlying operating performance is therefore significantly ahead of that in 2006. The company has taken action to mitigate its exposure to such losses in the future, by the repayment of the majority of these loans, following the issue of new share capital as referred to in note 15.

The improvement in operating performance has been accompanied by a significant improvement in the net asset position of the company, which has increased to £23,211,000, an improvement of £17,323,000 over 2006 levels. This reflects the issue of £12,678,000 of new share capital (including associated premiums), a reduction in the pension deficit of £1,343,000 and a profit of £3,807,000 arising on the disposal of fixed asset investments, as detailed in note 9.

Having addressed the exchange risks mentioned above, the principal risks facing the company derive from the levels of economic activity in its markets. Whilst the UK market continues to be difficult, the company believes that the depth of its product range and the diversity of its export markets, supported by continuing development of its sales representation in those territories, will enable it to continue to meet the challenges of the future.

The company measures its performance by monitoring margins achieved against an annual plan, capital equipment projects are also monitored individually against the estimates prepared at the time the order is accepted. A comprehensive reporting package, comparing actual performance to both budget and last year, is produced each month. This, along with a monthly rolling forecast, constitute the key performance indicators used within the business.

Dividends

The directors do not recommend payment of a dividend (2006 - £nil)

Directors and their interests

The directors who held office during the year were as follows

I B Bird
A J Matsuyama

At 31 December 2007, Mr Bird held 500 Common 'B' shares in WGH Holding Corp, Mr Matsuyama held 800 such shares. Neither director had any interest in the shares of the company.

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 £1,200,000.

Wheelabrator Group Limited

Report of the directors for the year ended 31 December 2007

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 2007 the average number of days trade creditors was 38 (2006 - 46).

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.

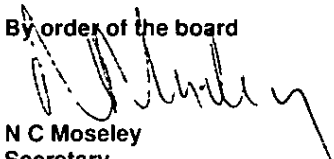
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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.

By order of the board


N C Moseley
Secretary
28 March 2008

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 2007 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 2007 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*

28 March 2008

Wheelabrator Group Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	2	35,546	29,271
Cost of sales		(27,120)	(21,570)
Gross profit		<u>8,426</u>	<u>7,701</u>
Administrative expenses		(8,027)	(6,927)
Operating profit	3	<u>399</u>	<u>774</u>
Profit on disposal of tangible fixed assets		5	263
Profit on disposal of fixed asset investments		3,807	-
Profit on ordinary activities before interest and taxation		<u>4,211</u>	<u>1,037</u>
Interest payable and similar charges	4	(628)	(768)
Interest receivable		51	26
Profit on ordinary activities before taxation		<u>3,634</u>	<u>295</u>
Taxation (charge)/credit on profit on ordinary activities	6	(83)	3
Profit on ordinary activities after taxation	16	<u>3,551</u>	<u>298</u>

All amounts relate to continuing activities

The notes on pages 8 to 23 form part of these financial statements

Wheelabrator Group Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Profit for the financial year		3,551	298
Actuarial gain on defined benefit pension scheme taken directly to reserves	19	1,598	2,014
Taxation on pension liability movement taken directly to reserves	19	(504)	(604)
Total recognised gains relating to the year		<u>4,645</u>	<u>1,708</u>

The notes on pages 8 to 23 form part of these financial statements

Wheelabrator Group Limited

Balance sheet at 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Intangible assets	7		694		784
Tangible assets	8		3,055		2,840
Investments	9		2,922		4,571
			<u>6,671</u>		<u>8,195</u>
Current assets					
Stocks	10	2,201		2,532	
Debtors	11	29,908		21,694	
Cash at bank and in hand		2,696		1,634	
		<u>34,805</u>		<u>25,860</u>	
Creditors amounts falling due within one year	12	(13,448)		(12,003)	
Net current assets			<u>21,357</u>		<u>13,857</u>
			<u>28,028</u>		<u>22,052</u>
Creditors amounts falling due after one year	13	(3,906)		(13,643)	
Provisions for liabilities and charges	14	(266)		(533)	
			<u>(4,172)</u>		<u>(14,176)</u>
Net assets before pension liability			<u>23,856</u>		<u>7,876</u>
Pension liability	19		(645)		(1,988)
Net assets			<u>23,211</u>		<u>5,888</u>
Capital and reserves					
Called up share capital	15		1,374		1,356
Share premium account	16		17,919		5,259
Other reserve	16		169		169
Profit and loss account	16		3,749		(896)
Shareholders' funds	17		<u>23,211</u>		<u>5,888</u>

These financial statements were approved by the board and authorised for issue on 28 MARCH 2008



A J Matsuyama
Director

The notes on pages 8 to 23 form part of these financial statements

Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2007

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 its consolidated financial statements.

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 2007 (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 19. 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 2007 (*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

	2007 £'000	2006 £'000
United Kingdom	17,577	15,648
Rest of World	17,969	13,623
	<u>35,546</u>	<u>29,271</u>

All turnover is attributable to the principal activity of the company

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (*continued*)

3 Operating profit

	2007	2006
	£'000	£'000
Operating profit is stated after charging/(crediting)		
Depreciation amounts written off tangible assets	240	272
Amortisation of goodwill	90	90
Operating lease rentals - plant and machinery	294	318
Operating lease rentals - land and buildings	388	497
Auditors' remuneration - audit services	70	69
Auditors' remuneration - taxation services	32	49
Auditors' remuneration - corporate finance services	-	30
Defined contribution pension cost	26	35
Defined benefit pension cost (see note 19)	309	501
Exceptional item (see below)	-	555
Directors' remuneration	-	-
Rent received	(79)	(78)
Foreign exchange loss/(gain)	1,600	(259)
	6,228	7,688

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.

Directors' remuneration is borne by the ultimate parent company.

4 Interest payable and similar charges

	2007	2006
	£'000	£'000
Finance lease and hire purchase contracts	-	1
On bank loans and overdrafts	84	134
On all other loans	544	525
Other finance costs (see note 19)	-	108
	628	768

5 Employees

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

	2007	2006
	number	number
Production	93	101
Sales	57	60
Administration	26	28
	176	189

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(continued)*

5 Employees *(continued)*

The aggregate payroll costs of employees were as follows

	2007 £'000	2006 £'000
Wages and salaries	5,286	5,836
Social security costs	515	547
Other pension costs	335	536
	6,136	6,919
	6,136	6,919

6 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
<i>Current tax</i>		
Overseas tax	(15)	9
<i>Deferred tax</i>		
Tax on FRS 17 adjustments	98	(12)
Taxation on profit on ordinary activities	83	(3)
	83	(3)

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	3,634	295
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	1,089	88
Effects of		
Expenses not deductible for tax purposes	65	51
Exempt profit on disposal of shares in related companies	(1,142)	-
Imputed interest	138	-
Capital allowances for the year in excess of depreciation	(93)	(64)
Other timing differences	144	98
Overseas tax paid	(15)	9
Utilisation of tax losses brought forward	(228)	(138)
Indexation allowances and other differences relation to capital gains	-	(43)
Non trading losses arising in the year	138	-
Reduction in pension scheme deficit	(104)	-
Movement in provisions	(7)	8
Current tax charge for year	(15)	9
	(15)	9

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(continued)*

6 Tax on profit on ordinary activities *(continued)*

There is an unprovided deferred tax asset of £972,000 (2006 £1,335,000) which is made up as follows

	2007 £'000	2006 £'000
Accelerated capital allowances	19	118
Trading losses	125	511
Other short term timing differences	828	706
	972	1,335
	972	1,335

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

7 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
	96	1,802	1,898
<i>Amortisation</i>			
At beginning of year	96	1,018	1,114
Charge for the year	-	90	90
	96	1,108	1,204
At end of year	96	1,108	1,204
	96	1,108	1,204
<i>Net book value</i>			
At 31 December 2007	-	694	694
	-	694	694
At 31 December 2006	-	784	784
	-	784	784
	-	784	784

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 2007 (*continued*)

8 Tangible fixed assets

	Freehold Property £'000	Leasehold £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>				
At beginning of year	2,437	422	4,658	7,517
Reclassification	-	11	(11)	-
Additions	-	13	478	491
Disposals	-	(44)	(212)	(256)
At end of year	<u>2,437</u>	<u>402</u>	<u>4,913</u>	<u>7,752</u>
<i>Depreciation</i>				
At beginning of year	527	167	3,983	4,677
Charge for year	46	35	159	240
Disposals	-	(44)	(176)	(220)
At end of year	<u>573</u>	<u>158</u>	<u>3,966</u>	<u>4,697</u>
<i>Net book value</i>				
At 31 December 2007	<u>1,864</u>	<u>244</u>	<u>947</u>	<u>3,055</u>
At 31 December 2006	<u>1,910</u>	<u>255</u>	<u>675</u>	<u>2,840</u>

Included within freehold property is £186,000 (2006 - £186,000) of land which has not been depreciated

9 Fixed asset investments

	Shares in Group Undertakings £'000	Other investments £'000	Total £'000
<i>Cost</i>			
At beginning of year	4,448	123	4,571
Disposals	(1,587)	(62)	(1,649)
At end of year	<u>2,861</u>	<u>61</u>	<u>2,922</u>

The company sold its principal subsidiary, Matrasur Composites SAS, an engineering company incorporated in France, to Wheelabrator Group Holdings GmbH during the year. At the year end the consideration is held within amounts due from group undertakings.

The remaining investments in group undertakings are shares held in dormant companies incorporated in the United Kingdom that have not traded. Wheelabrator Group Limited holds 100% of the ordinary share capital of these companies.

At the beginning of the year, the company held other investments in two joint ventures in China. During the year, one of the joint ventures was dissolved. The company continues to hold the remaining investment.

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (continued)

10 Stocks

	2007 £'000	2006 £'000
Work in progress	353	675
Finished goods and goods for resale	1,848	1,857
	<u>2,201</u>	<u>2,532</u>

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

11 Debtors

	2007 £'000	2006 £'000
Trade debtors	6,977	5,909
Amounts owed by group undertakings	22,587	15,144
Other debtors	51	81
Prepayments	293	560
	<u>29,908</u>	<u>21,694</u>

The amounts owed by group companies in the current year include an amount of £5,362,000 arising from the transaction referred to in note 9. This amount is interest bearing and is repayable on demand, any balance outstanding at 31 December 2015 is payable in full on that date.

Debtors of £9,000 are receivable in more than one year after the balance sheet date (2006 £36,000)

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(continued)*

12 Creditors amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	2,972	3,009
Amounts owed to group undertakings	7,395	6,980
Corporation tax	-	5
Taxation and social security	413	345
Other creditors	22	13
Accruals	2,646	1,651
	13,448	12,003

13 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	3,906	13,643
	3,906	13,643

14 Provisions for liabilities and charges

	Restructuring Provision £'000	Product warranties £'000	Total £'000
At 1 January 2007	430	103	533
(Credited)/charged to profit and loss account	(21)	55	34
Utilised in year	(238)	(63)	(301)
At 31 December 2007	171	95	266

The provision for restructuring relates to redundancy costs. This expenditure will be incurred within the next financial year.

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 2007 *(continued)*

15 Called up share capital

	2007		2006	
	No	£'000	No	£'000
<i>Authorised</i>				
Ordinary shares of £1 each	1,386,201	1,386	1,386,201	1,386
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted called up and fully paid</i>				
Ordinary shares of £1 each	1,374,353	1,374	1,356,061	1,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 21 December 2007, 18,292 ordinary shares of £1 each were issued at a premium of £692.08 per share, to a parent undertaking, Wheelabrator Technologies (UK) Limited

16 Reserves

	Share Premium Account £'000	Other reserve £'000	Profit and loss account £'000
At 1 January 2007	5,259	169	(896)
Premium on new shares allotted in the year	12,660	-	-
Profit for the year	-	-	3,551
Actuarial gain on pension liability net of related taxation	-	-	1,094
At 31 December 2007	<u>17,919</u>	<u>169</u>	<u>3,749</u>

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(continued)*

17 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	3,551	298
Other net recognised gains and losses relating to the year	1,094	1,410
Issue of shares	12,678	4,965
Net addition to shareholders' funds	17,323	6,673
Opening shareholders' funds/(deficit)	5,888	(785)
Closing shareholders' funds	23,211	5,888

18 Financial commitments

At 31 December 2007 the company had capital commitments of £28,000 in respect of a motor vehicle on order and £25,000 for expenditure on information technology equipment. There were no capital commitments at 31 December 2006.

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

	2007		2006	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	-	52	-	55
Between two and five years	144	148	210	174
After five years	244	-	275	-
	388	200	485	229

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (continued)

19 Pensions

The company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £26,000 (2006 - £35,000)

Contributions outstanding at the year end in respect of the schemes were £1,183 (2006 - £1,720)

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 2006 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 2007

The market value of the scheme assets at the last valuation date (31 December 2007) was £21,352,000 (previously £20,246,000). The actuarial value of these assets represented 96.0% (2006 - 87.7%) 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 £638,000 during the year (2006 - £567,000)

The major assumptions used in this valuation were

	2007 %	2006 %	2005 %
Rate of increase in salaries	2.75	2.50	2.50
Rate of increase in pensions in payment	2.90	2.75	2.75
Discount rate	5.95	5.25	4.90
Inflation assumption	2.75	2.50	2.50

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 2007 *(continued)*

19 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 2007	Value at 2007 £'000	Long term rate of return 2006	Value at 2006 £'000	Long term rate of return 2005	Value at 2005 £'000
Assets						
Equities	7.27%	10,319	7.36%	10,322	7.10%	9,726
Government stock	4.55%	7,858	4.62%	6,964	4.10%	9,003
Corporate bonds	5.95%	3,133	5.60%	2,936	-	-
Other – cash	5.40%	41	4.50%	24	4.50%	16
		<u>21,351</u>		<u>20,246</u>		<u>18,745</u>
Present value of scheme liabilities		(22,246)		(23,086)		(23,558)
Deficit in the scheme		(895)		(2,840)		(4,813)
Related deferred tax asset		250		852		1,444
Net pension liability		<u>(645)</u>		<u>(1,988)</u>		<u>(3,369)</u>

The movement in the deficit during the year was as follows

	2007 £'000	2006 £'000
Deficit in scheme, net of tax, at beginning of year	(1,988)	(3,369)
Current and past service cost (see below)	(309)	(501)
Contributions paid	638	567
Other finance income/(costs)	18	(108)
Actuarial gain	1,598	2,014
Movement in deferred tax	(602)	(592)
Deficit net of tax in the scheme at end of year	<u>(645)</u>	<u>(1,988)</u>

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 (continued)

19 Pensions (continued)

Analysis of other pension costs charged in arriving at operating profit (see note 3)

	2007 £'000	2006 £'000
Current service cost	309	501
Analysis of amounts included in other finance (income)/costs		
	2007 £'000	2006 £'000
Expected return on pension scheme assets	(1,233)	(1,057)
Interest on pension scheme liabilities	1,231	1,165
Interest on insured annuities	(16)	-
	(18)	108

Other finance income for the year ended 31 December 2007 is included within 'interest receivable' in the profit and loss account

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(continued)*

19 Pensions *(continued)*

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

	2007	2006	2005	2004	2003
Actual return less expected return on scheme assets (£'000)	(126)	865	1,649	558	933
Percentage of year end scheme assets	0.6%	4.3%	8.8%	3.5%	6.4%
Experience gains and losses arising on scheme liabilities (£'000)	(144)	(144)	(458)	1,974	(1,048)
Percentage of present value of year end scheme liabilities	0.6%	0.6%	1.9%	9.4%	4.8%
Actuarial gain/(loss) recognised in statement of total recognised gains and losses (£'000)	1,598	2,014	(224)	2,485	(2,474)
Percentage of present value of year end scheme liabilities	7.2%	8.7%	1.0%	11.8%	11.3%

20 Contingent liabilities

The company has given bank guarantees to customers in respect of advance payments and the performance of goods sold, amounting to £1,535,000 (2006 - £1,497,000)

At the balance sheet date the sterling value of outstanding forward exchange contracts was £477,000 (2006 - £nil). A guarantee is in place for £10,000 in favour of HM Revenue & Customs

The company, in common with other group companies, has given fixed and floating charges on its assets to secure loans and working capital finance provided to the group by its lenders

21 Ultimate controlling party and immediate controlling party

The directors regard WGH Holding Corp registered in the British Virgin Islands, 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 171 Main Street, Po Box 92, Road Town, Tortola, British Virgin Islands, VG 1110

Wheelabrator Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2007 *(continued)*

22 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions or balances with entities which form part of the group 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 is included in the consolidated financial statements. These can be obtained from the address given in note 21.