

Wheelabrator Group Limited  
(formerly ISPC Surface Preparation Limited)

Report and financial statements

Year ended 31 December 2005

Company number 33672

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# **Wheelabrator Group Limited**

## **Annual report and financial statements for the year ended 31 December 2005**

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### **Directors**

I.B. Bird  
M.M. Iwan

### **Secretary and registered office**

N C Moseley  
Wheelabrator Group Ltd  
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 2005**

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The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

#### **Change of name**

On 10 January 2005 the company's name was changed from ISPC Surface Preparation Limited to Wheelabrator Group Limited.

#### **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 was £24,968,000 for the year (2004 £28,268,000). The operating profit before exceptional items, was £824,000 (2004 restated profit £86,000).

The loss on ordinary activities after exceptional items, interest payable and taxation was £597,000 (2004 restated loss of £776,000).

#### **Dividends**

The directors do not recommend payment of a dividend (2004: £nil).

#### **Prior period adjustment – implementation of Financial Reporting Standard 17, Retirement Benefits**

For the financial year ended 31 December 2005, full adoption of the provisions of FRS 17 is required. The impact of this standard is to recognise the FRS 17 pension liability of £3,369,000 (2004 £3,453,000), based upon actuarial calculations (net of deferred taxation when applicable), in the balance sheet on page 6. The implementation of the Standard has been effected by way of a prior period adjustment, the full details of which are disclosed in note 22.

#### **Post balance sheet events**

In February 2006, additional shares were issued for a total consideration of £4,965,000 (including share premium). Details are given in note 23 to the financial statements.

On 16<sup>th</sup> February 2006, the group was acquired by WGH Holding Corp. Details are given in note 23 to the financial statements.

#### **Directors and their interests**

The directors who held office during the year and changes since the year end were as follows:

H.M. Andresen (resigned 24 July 2006)

M.W. Iwan (appointed 19 September 2005)

I.B. Bird (appointed 19 September 2005, resigned 16 December 2005)

## **Wheelabrator Group Limited**

### **Report of the directors for the year ended 31 December 2005**

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#### **Directors and their interests** *(continued)*

On 24 July 2006, I.B. Bird was re-appointed as a director.

At the balance sheet date, the directors who held office during the financial period held the following 'restricted class C common stock' in the group holding company, WG Global Inc (formerly International Surface Preparation Corporation):

M.M. Iwan	129,972
H.M. Andresen	64,986
I.B. Bird	32,493

#### **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 £1.2million. Since the year end, the company's property in Guernsey has been sold for £560,000, compared to net book value of £266,000 at 31 December 2005.

#### **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 2005 the average number of days trade creditors was 47 (2004: 41).

#### **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;

## Wheelabrator Group Limited

### Report of the directors for the year ended 31 December 2005 (*continued*)

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#### Statement of directors' responsibilities (*continued*)

- 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.

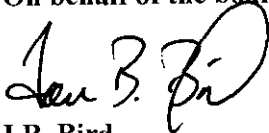
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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



I.B. Bird  
*Director*

Date 4/12/06

## Wheelabrator Group Limited

### Report of the independent auditors

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#### To the shareholders of Wheelabrator Group Limited

We have audited the financial statements of Wheelabrator Group Limited for the year ended 31 December 2005 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. We also report to you if, in our opinion, the directors' report is not consistent with those financial statements, if 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.

#### *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 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**  
Chartered Accountants  
and Registered Auditors  
Manchester

Date *5 December 2006*

# Wheelabrator Group Limited

## Profit and loss account for the year ended 31 December 2005

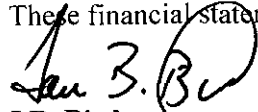
	Note	Continuing operations 2005 £'000	Discontinued operations 2005 £'000	Total 2005 £000	As restated 2004 £'000
Turnover	2	24,734	234	24,968	28,268
Cost of Sales		(18,084)	(230)	(18,314)	(21,209)
Gross Profit		6,650	4	6,654	7,059
Other operating expenses		(5,686)	(144)	(5,830)	(6,973)
Operating profit before exceptional items		964	(140)	824	86
Exceptional items	3	(562)	-	(562)	-
Operating profit/(loss) after exceptional items	3	402	(140)	262	86
Interest receivable				7	14
Interest payable	4			(738)	(892)
Loss on ordinary activities before taxation				(469)	(792)
Tax on loss on ordinary activities	7			(128)	16
Loss on ordinary activities after taxation for the year				(597)	(776)

# Wheelabrator Group Limited

## Balance sheet at 31 December 2005

	Note	£000	2005 £000	As restated 2004 £000
<b>Fixed assets</b>				
Intangible assets	8		874	964
Tangible assets	9		3,297	2,918
Investments	10		4,571	4,571
			<u>8,742</u>	<u>8,453</u>
<b>Current assets</b>				
Stocks	11	2,699		3,258
Debtors	12	16,225		16,364
Cash at bank and in hand		1,718		1,472
		<u>20,642</u>		<u>21,094</u>
<b>Creditors: amounts falling due within one year</b>	13	(13,150)		(9,235)
			<u>7,492</u>	<u>11,859</u>
<b>Net current assets</b>				
			<u>16,234</u>	<u>20,312</u>
<b>Total assets less current liabilities</b>				
<b>Creditors: amounts falling due after more than one year</b>	14		(13,533)	(16,735)
<b>Provisions for liabilities and charges</b>	15		(117)	(155)
<b>Net assets before pension liability</b>			<u>2,584</u>	<u>3,422</u>
<b>Net pension liability</b>	20		(3,369)	(3,453)
<b>Net liabilities</b>			<u>(785)</u>	<u>(31)</u>
<b>Capital and reserves</b>				
Called up share capital	16		1,336	1,336
Share premium account	17		314	314
Other reserve	17		169	169
Profit and loss account	17		(2,604)	(1,850)
<b>Deficit in shareholders' funds</b>			<u>(785)</u>	<u>(31)</u>
<b>Shareholders' funds may be analysed as:</b>				
Equity interests			(2,105)	(1,351)
Non-equity interests			1,320	1,320
			<u>(785)</u>	<u>(31)</u>

These financial statements were approved by the board on 6/12/06 and were signed on its behalf by:

  
I.B. Bird  
Director



# Wheelabrator Group Limited

## Statement of total recognised gains and losses for the year ended 31 December 2005

	Note	2005 £'000	As restated 2004 £'000
Loss for the financial year		(597)	(776)
Actuarial (loss)/gain on defined benefit pension scheme taken directly to reserves	17, 20	(224)	2,485
Taxation on pension liability movement taken directly to reserves		67	(746)
Total recognised (losses)/gains relating to the year		(754)	963
Prior period adjustment	22	(3,453)	-
Total (losses)/gains recognised since the last annual report		(4,207)	963

## **Wheelabrator Group Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2005**

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#### **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. In preparing these financial statements the company has adopted in full for the first time FRS 17 "Retirement benefits." The impact of this change in policy is reflected by a prior period adjustment, as detailed in note 22.

##### ***Basis of preparation***

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

The balance sheet on page 6 shows net liabilities, after the FRS 17 pension provision, of £785,000. In February 2006, the financial position was restored by the issue ordinary shares for total consideration of £4,965,000 (note 16). Taking this into account, and forecasts over the next 12 months, the directors are satisfied that the company has adequate financial resources to finance its operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

##### ***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 Surface Preparation (Gibraltar) 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 24.

##### ***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.

## Wheelabrator Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

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#### 1 Accounting policies (*continued*)

##### ***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.

##### ***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.

## Wheelabrator Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

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#### 1 Accounting policies (continued)

##### *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.

##### *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 external 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:

	2005 £000	2004 £000
United Kingdom	14,290	14,160
Rest of World	10,678	14,108
	<hr/> 24,968 <hr/>	<hr/> 28,268 <hr/>

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 2005 (*continued*)

## 3 Operating profit/(loss)

	2005 £000	As restated 2004 £000
<i>Operating profit/(loss) is stated after charging/(crediting):</i>		
Depreciation and amounts written off tangible assets:		
Owned	241	328
Held under finance leases and hire purchase contracts	-	10
Amortisation of patents and trademarks	-	8
Amortisation of goodwill	90	90
Profit on sale of fixed assets	(3)	(7)
Operating lease rentals – plant and machinery	352	384
Operating lease rentals - land and buildings	709	762
Pension operating charges on FRS 17 basis - current service cost	311	421
- past service cost	(202)	-
Auditors' remuneration - audit services	76	91
- non-audit services	18	20
Exceptional items (see below)	562	-
	<hr/>	<hr/>

### *Exceptional items*

Exceptional costs comprise the following in respect of the re-structuring of UK operations:

	2005 £000
Loss on disposal of portable division (see below)	281
Redundancy costs	18
Provision for property costs and termination of leases	263
	<hr/>
	562
	<hr/>

## Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

### 3 Operating profit/(loss) (*continued*)

#### *Discontinued operations*

In March 2005, the Group disposed of its worldwide "portable" machines business and the impact upon Wheelabrator Group Limited is presented in the face of the profit and loss account (page 5).

The analysis between continuing and discontinued operations for the year ended 31 December 2004 is shown below:

	Continuing £'000	Discontinued £'000	As restated Total 2004 £'000
Turnover	25,526	2,742	28,268
Cost of Sales	(19,064)	(2,145)	(21,209)
Gross profit	6,462	597	7,059
Other operating expenses	(6,046)	(927)	(6,973)
<b>Operating profit/(loss)</b>	<b>416</b>	<b>(330)</b>	<b>86</b>

### 4 Interest payable and similar charges

	2005 £000	As restated 2004 £000
Finance charges on finance lease and hire purchase contracts	2	2
On bank loans and overdrafts	63	-
On all other loans	563	649
FRS 17 – Net finance charges	110	241
	<b>738</b>	<b>892</b>

## Wheelabrator Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

#### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year (analysed by category) was as follows:

	2005	2004
Production	109	104
Sales	63	70
Administration	28	32
	<u>200</u>	<u>206</u>

The aggregate payroll costs of these persons were as follows:

	2005 £000	2004 £000
Wages and salaries	5,566	5,724
Social security costs	529	542
Other pension costs (see note 20)	698	676
	<u>6,793</u>	<u>6,942</u>

#### 6 Directors' remuneration

	2005 £000	2004 £000
Directors' emoluments	-	-
Company contributions to money purchase pension schemes	-	-
	<u>-</u>	<u>-</u>

The emoluments, excluding pension contributions, of the highest paid director were £nil (2004:£nil), and pension contributions of £nil (2004:£nil) were made to a money purchase scheme on his behalf.

The emoluments of the directors are paid by the US parent company

# Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

## 7 Tax on loss on ordinary activities

Analysis of charge for year:

	2005		2004	
	£'000	£'000	£'000	£'000
UK corporation tax	-		-	
Overseas tax	25		14	
Tax on FRS 17 adjustments	103		(30)	
Total current tax		128		(16)
Tax on profit on ordinary activities				
- charge/(credit)		128		(16)

The company has an estimated deferred tax asset arising from losses amounting to £754,000 (2004: £779,000). These are available to relieve future profits. There is a total unprovided net deferred tax asset of £1,342,000 at the balance sheet date (2004: £1,380,000).

The asset has not been recognised in the company's financial statements on the basis that the directors do not regard it as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

*Factors affecting the tax charge for the current period:*

The current tax charge for the year is at a rate higher than the standard rate of corporation tax in the UK 30% (2004: 30%). The differences are explained below.

	2005	2004
	£'000	£'000
Loss on ordinary activities before tax	(469)	(792)
Current tax at 30% (2004: 30%)	(141)	(238)
Effects of:		
Depreciation for the year in excess of capital allowances	(82)	(30)
Losses	76	87
Permanent differences	282	49
Other timing differences	(32)	102
Overseas tax paid	25	14
Total current tax charge/(credit)	128	(16)



# Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

## 8 Intangible fixed assets

	Patents and trade marks £000	Goodwill £000	Total £000
<b>Cost</b>			
At beginning and end of year	96	1,802	1,898
<b>Amortisation</b>			
At beginning of year	96	838	934
Charge for the year	-	90	90
At end of year	96	928	1,024
<b>Net book value</b>			
At 31 December 2005	-	874	874
At 31 December 2004	-	964	964

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.

## 9 Tangible fixed assets

	Freehold property £000	Leasehold £000	Plant and machinery £000	Total £000
<b>Cost</b>				
At beginning of year	2,895	160	5,999	9,054
Additions	-	288	379	667
Disposals	-	(123)	(1,569)	(1,692)
At end of year	2,895	325	4,809	8,029
<b>Depreciation</b>				
At beginning of year	620	143	5,373	6,136
Charge for year	49	20	172	241
Disposals	-	(118)	(1,527)	(1,645)
At end of year	669	45	4,018	4,732
<b>Net book value</b>				
At 31 December 2005	2,226	280	791	3,297
At 31 December 2004	2,275	17	626	2,918

Included within freehold property is £336,000 (2004: £336,000) of land which has not been depreciated.

# Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

## 10 Fixed asset investments

	Shares in group undertakings £000	Other investments £000	Total £000
<b>Cost</b>			
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.

## 11 Stocks

	2005 £000	2004 £000
Raw materials and consumables	21	29
Work in progress	724	545
Finished goods and goods for resale	1,954	2,684
	<u>2,699</u>	<u>3,258</u>

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

## 12 Debtors

	2005 £000	2004 £000
Trade debtors	5,231	5,113
Amounts owed by group undertakings	10,352	10,609
Other debtors	140	162
Prepayments	502	480
	<u>16,225</u>	<u>16,364</u>

All debtors fall due within one year.

# Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

## 13 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank loans and overdrafts	5,652	-
Trade creditors	2,604	2,808
Amounts owed to group undertakings	3,324	2,722
Taxation and social security	317	370
Other creditors	17	125
Accruals	1,232	664
Other loans	-	2,538
Obligations under finance leases and hire purchase contracts	4	8
	<u>13,150</u>	<u>9,235</u>

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

	2005 £000	2004 £000
Obligations under finance leases and hire purchase contracts	-	4
Other loans	-	1,713
Amounts owed to group undertakings	13,533	15,018
	<u>13,533</u>	<u>16,735</u>

## Wheelabrator Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

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

##### Analysis of loans

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
On demand or within one year	5,652	2,538
Between one and two years	-	1,468
Between two and five years	-	245
	<u>5,652</u>	<u>4,251</u>

At 31 December 2004, "other loans" totalling £4,251,000 consisted of 7 year term loans from GMAC Commercial Finance Plc. Interest was charged at 2.25% over bank base rate.

During 2005, the group re-financed its activities. All loans and short term financing with GMAC Commercial Finance Plc were repaid on 23 September 2005, and charges over the book debts and the assets of the company were released.

On 4 October 2005, the group entered into an arrangement with the Bank of Scotland for new loans and working capital finance. These facilities include the overdraft of £5,652,000 (above) and are secured by fixed and floating charges over the assets of the company and certain other group companies.

#### 15 Provisions for liabilities and charges

	<b>Product warranties £000</b>
At 1 January 2005	155
Charged to profit and loss account	46
Utilised in year	(84)
<b>At 31 December 2005</b>	<u>117</u>

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 2005 (continued)

### 16 Called up share capital

	2005 £000	2004 £000
<i>Authorised, allotted, called up and fully paid</i>		
16,201 ordinary shares of £1 each	16	16
1,320,000 deferred shares of £1 each (non equity)	1,320	1,320
	<u>1,336</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 reclassified 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 2005 as previously stated	314	169	1,603	2,086
<i>Prior period adjustment</i>				
Pension liability	-	-	(3,453)	(3,453)
At 1 January 2005 as restated	<u>314</u>	<u>169</u>	<u>(1,850)</u>	<u>(1,367)</u>
Loss for the year	-	-	(597)	(597)
<i>FRS 17 adjustments</i>				
Defined benefit pension scheme actuarial loss taken directly to reserves	-	-	(224)	(224)
Deferred taxation on actuarial loss taken directly to reserves	-	-	67	67
<b>At 31 December 2005</b>	<u>314</u>	<u>169</u>	<u>(2,604)</u>	<u>(2,121)</u>

The share premium account increased by £4,945,140 in February 2006, following the issue of shares referred to in note 16 above.

# Wheelabrator Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

### 18 Reconciliation of movements in shareholders funds

	2005 £000s
At 1 January 2005 as previously stated	3,422
<i>Prior period adjustment (note 22)</i>	
Pension liability under FRS 17	(3,453)
At 1 January 2005 as restated	(31)
<i>FRS 17 adjustments</i>	
Defined benefit pension scheme actuarial losses taken directly to reserves	(224)
Deferred taxation on actuarial loss taken directly to reserves	67
Loss for the year	(597)
At 31 December 2005	(785)

### 19 Financial commitments

There were no capital commitments at either 31 December 2005 or 31 December 2004.

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

	2005		2004	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	21	39	137	77
Between two and five years	25	228	33	194
After five years	350	-	180	-
	396	267	350	271

## 20 Pension arrangements

The company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £36,000 (2004: £34,000).

Contributions outstanding at the year end in respect of the schemes were £949 (2004: £2,940).

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 2005.

The market value of the scheme assets at the last valuation date (31 December 2005) was £18,745,000 (previously £16,053,000). The actuarial value of these assets represented 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 £564,000 during the year (2004: £551,000).

The major assumptions used in this valuation were:

	2005 %	2004 %	2003 %
Rate of increase in salaries	2.50	2.75	3.00
Rate of increase in pensions in payment	2.75	2.75	3.00
Discount rate	4.90	5.25	5.25
Inflation assumption	2.50	2.75	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 2005 (continued)

### 20 Pension arrangements (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 2005	Value at 2005 £000	Long term rate of return	Value at 2004 £000	Long term rate of return 2003	Value at 2003 £000
Assets						
Equities	7.10%	9,726	7.80%	8,059	8.25%	7,232
Government stock	4.10%	9,003	4.50%	7,982	4.84%	7,261
Other – cash	4.50%	16	4.50%	12	4.00%	2
		<hr/>		<hr/>		<hr/>
		18,745		16,053		14,495
Present value of scheme liabilities		(23,558)		(20,987)		(21,803)
		<hr/>		<hr/>		<hr/>
Deficit in the scheme		(4,813)		(4,934)		(7,308)
– Pension liability						
Related deferred tax asset		1,444		1,481		2,192
		<hr/>		<hr/>		<hr/>
Net pension liability		(3,369)		(3,453)		(5,116)
		<hr/>		<hr/>		<hr/>

### Movement in deficit during the year

	2005 £000	2004 £000
Deficit in scheme, net of tax, at beginning of year	(3,453)	(5,116)
Current and past service cost (see below)	(109)	(421)
Contributions paid	564	551
Other finance (costs)/income	(110)	(241)
Actuarial gain/(loss)	(224)	2,485
Movement in deferred tax	(37)	(711)
	<hr/>	<hr/>
Deficit before tax in the scheme at end of year	(3,369)	(3,453)
	<hr/>	<hr/>



## Wheelabrator Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

#### 20 Pension arrangements (*continued*)

Analysis of other pension costs charged in arriving at operating profit

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Current service cost	(311)	(421)
Past service cost	202	-
	<u>(109)</u>	<u>(421)</u>

Analysis of amounts included in other finance (costs)/income

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	989	950
Interest on pension scheme liabilities	(1,110)	(1,191)
Interest on past service costs	11	-
	<u>(110)</u>	<u>(241)</u>

# Wheelabrator Group Limited

## Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

### 20 Pension arrangements (continued)

Analysis of amount recognised in statement of total recognised gains and losses				
	2005	2005	2004	2004
	%	£000	%	£000
Actual return less expected return on scheme assets		1,649		558
Percentage of year end scheme assets	8.8		3.5	
Experience gains and losses arising on scheme liabilities		(458)		1,974
Percentage of present value of year end scheme liabilities	1.9		9.4	
Changes in assumptions underlying the present value of scheme liabilities		(1,415)		(47)
Percentage of present value of year end scheme liabilities	6.0		0.2	
Actuarial gain/(loss) recognised in statement of total recognised gains and losses		<u>(224)</u>		<u>2,485</u>
Percentage of present value of year end scheme liabilities	1.0		11.8	

### 21 Contingent liabilities

The company has given bank guarantees to customers in respect of advance payments and the performance of goods sold, amounting to £830,000 (2004: £575,000).

At the balance sheet date the sterling value of outstanding forward exchange contracts was £nil (2004 - £73,000).

A guarantee is in place for £10,000 in favour of Customs & Excise.

## Wheelabrator Group Limited

### Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

#### 22 Prior period adjustment

For the financial year ended 31 December 2005, the company has adopted Financial Reporting Standard 17, Retirement Benefits.

As described in note 1 Accounting Policies and note 20, Pension Arrangements, in accordance with the requirements of the standard, a prior period adjustment has been made to account for the opening pension scheme deficit. This resulted in a restatement of opening reserves at 1 January 2005 (note 17) to reflect the net pension liability of £3,453,000 included in the re-stated consolidated balance sheet (page 6).

The comparative figures in the profit and loss account and statement of total recognised gains and losses have also been re-stated to incorporate the FRS 17 adjustments.

The impact upon these statements is as follows:

Profit and loss account (page 5)	2004	
	£000	£000
<u>Other operating expenses</u>		
As previously stated	(7,115)	
As re-stated	(6,973)	
Service cost adjustment		142
<u>Interest payable</u>		
As previously stated	(651)	
As re-stated	(892)	
Pension scheme interest charge		(241)
<u>Tax on profit on ordinary activities</u>		
As previously stated	(14)	
As re-stated	16	
Deferred tax on pension liability movement		30
Net impact on profit and loss account		(69)
Loss on ordinary activities after taxation (as previously reported)		(707)
Loss after taxation as re-stated		(776)

## Wheelabrator Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005 (*continued*)

### 22 Prior period adjustment (*continued*)

#### Statement of total recognised gains and losses (page 7)

	£000	2004 £000
<u>Loss for the financial year</u>		
As previously stated	(707)	
As re-stated	(776)	
Profit impact of FRS 17 adjustments		(69)
<u>Actuarial gain (net of taxation)</u>		
As previously stated	-	
As re-stated	1,739	
Actuarial gains (FRS 17)		1,739
Net impact		1,670
Total recognised losses as previously reported		(707)
Total recognised gains as re-stated		963

### 23 Post balance sheet events

On 2 February 2006, ordinary shares were issued for total consideration of £4,965,000. Further details are included in note 16.

On 16<sup>th</sup> February 2006, the entire equity share capital of WG Global Inc. was acquired by WGH Holding Corp, the acquisition vehicle of the Emerging Europe Infrastructure Fund II L.P.

On the same date, 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 Mid Europa Partners LLP, the facilities are secured by fixed and floating charges on the assets of this company and certain other group companies.

### 24 Ultimate controlling party and immediate controlling party

The smallest group in which the results of the company are consolidated is that headed by Surface Preparation (Gibraltar) Limited, a company incorporated in Gibraltar. At the year end, the directors regarded WG Global Inc. as the ultimate parent undertaking and controlling party.

Following the acquisition of the group, referred to in note 23, 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 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