

Wheelabrator Group Limited

Annual report and financial statements

For the year ended 31 December 2018

Registered Number: 33672



Wheelabrator Group Limited
Annual Report and financial statements 2018
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Wheelabrator Group Limited

Strategic report

The directors present the strategic report, together with their report, audited financial statements and auditor's report for the year ended 31 December 2018.

Business review

The company's turnover increased to £24.1m from £23.1m in 2018, reflecting the improvement in the market for capital equipment and initial sales from the launch of new products. During the year, the company purchased Striko UK Limited, from Striko Westofen GmbH (a fellow subsidiary of the Norican Group). The results of that entity and of the company's other operating subsidiary, Castalloy Europe Limited, are not included in these financial statements, as the company has taken advantage of disclosure exemptions available to it, as detailed in note 1 of the financial statements. The company has shown strong financial performance year on year, earning a net profit of £1,415,000 (2017: £783,000). The results were driven by strong focus on revenue and strict cost controls.

The company is responsible for the sale of surface preparation technology it developed historically, along with that developed by other group companies, in designated regions. In so doing it is responsible for implementing in its regions the Norican Group strategy of focusing on supporting existing installations in mature markets, while promoting the sale of new equipment into developing and emerging markets.

Principal risks and uncertainties

The principal risks facing the company arise from the levels of economic activity in its markets. 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 challenge of the future.

The company does not expect "Brexit" to have any significant effect on its operations.

Key performance indicators

The company measures its performance by monitoring margins achieved against an annual plan and 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, constitutes the key performance indicators used within the business.

Future developments

Activity levels in 2019 are expected to improve, following the launch of the new products referred to in the Business review.

Approval

The strategic report was approved on behalf of the Board on 4 September 2019.



A J Matsuyama
Director

Date: 4 September 2019

Wheelabrator Group Limited
22 Edward Court
Altrincham
Cheshire
WA14 5GL

Wheelabrator Group Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the year ended 31 December 2018.

In preparing this Directors' report, the directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416 (4) within the strategic report on page 1. These include disclosures with respect to future developments.

Results and dividends

The profit for the year is shown in the profit and loss account on page 8; the review of the business is contained in the strategic report.

No dividend is recommended for the year (2017: £nil).

Existence of branches outside the UK

The company has a branch, as defined in section 1046(3) of the Companies Act 2006, in Hong Kong.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 in the financial statements.

An indication of likely future developments of the company is noted within the strategic report.

Financial risk management objectives and policies

The company is affected by the same principal risks and uncertainties as the rest of the Norican Global A/S Group.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The company's risks and uncertainties are therefore reviewed fully with those of the rest of the Group.

Credit risk

The company's principal financial assets are bank balances and trade receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The company's principal source of liquidity is cash generated from its operations, with additional funding, if required, made available by the Group.

Wheelabrator Group Limited

Directors' report (continued)

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The company predominantly transacts its operational activities with third parties in its local currency, although the global nature of the business can lead to transactional risks at the balance sheet date. This arises because the amount of local currency received or paid for transactions denominated in a foreign currency varies due to changes in foreign exchange rates. Where this risk is considered material, the company will enter into forward foreign exchange contracts.

Capital risk management

The company's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Directors

The directors, who served throughout the year, and thereafter, were as follows:

I B Bird
A J Matsuyama

Auditor

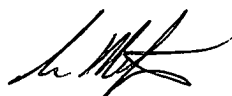
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office. Under the Companies Act 2006, section 487 (2), they will automatically be reappointed as auditor 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their reappointment.

Approved by the Board and signed on its behalf by:



A J Matsuyama
Director

Date 4 September 2019

Wheelabrator Group Limited
22 Edward Court
Altrincham
Cheshire
WA14 5GL

Wheelabrator Group Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Wheelabrator Group Limited

Independent auditor's report to the members of Wheelabrator Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Wheelabrator Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Wheelabrator Group Limited

Independent auditor's report to the members of Wheelabrator Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Wheelabrator Group Limited

Independent auditor's report to the members of Wheelabrator Group Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

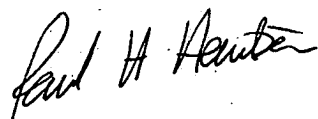
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Hewitson, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, England

13 September 2019

Wheelabrator Group Limited

Profit and loss account

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	3	24,088	23,097
Cost of sales		<u>(18,132)</u>	<u>(17,208)</u>
Gross profit		5,956	5,889
Distribution costs		(3,636)	(3,542)
Administrative expenses		<u>(2,055)</u>	<u>(2,439)</u>
Operating profit/(loss)		265	(92)
Finance income (net)	4	<u>1,129</u>	<u>928</u>
Profit on ordinary activities before taxation	5	1,394	836
Tax on profit on ordinary activities	8	<u>21</u>	<u>(53)</u>
Profit for the financial year attributable to the equity shareholders of the company		<u>1,415</u>	<u>783</u>

The above results derive from continuing operations.

Wheelabrator Group Limited

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit for the financial year		<u>1,415</u>	<u>783</u>
Remeasurement of net defined benefit liability	17	126	2,074
Tax relating to components of other comprehensive income		<u>(21)</u>	<u>(353)</u>
Total other comprehensive income		<u>105</u>	<u>1,721</u>
Total comprehensive income attributable to equity shareholders of the Company		<u><u>1,520</u></u>	<u><u>2,504</u></u>

Wheelabrator Group Limited

Balance sheet

As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed Assets			
Intangible assets	9	-	-
Tangible assets	10	382	406
Investments	11	<u>1,350</u>	<u>100</u>
		1,732	506
Current assets			
Stocks	12	780	565
Debtors	13	43,720	42,512
Cash at bank and in hand		<u>1,834</u>	<u>1,595</u>
		46,334	44,672
Creditors: amounts falling due within one year	14	<u>(12,619)</u>	<u>(11,252)</u>
		33,715	33,420
Total assets less current liabilities		35,447	33,926
Pension liability	17	<u>(9,554)</u>	<u>(9,553)</u>
Net assets		<u>25,893</u>	<u>24,373</u>
Capital and reserves			
Called up share capital	15	1,374	1,374
Share premium account		17,919	17,919
Profit and loss account		<u>6,600</u>	<u>5,080</u>
Total equity		<u>25,893</u>	<u>24,373</u>

The financial statements of Wheelabrator Group Limited (registered number 33672) were approved by the board of directors and authorised for issue on 4 September 2019. They were signed on its behalf by:



A J Matsuyama
Director

Wheelabrator Group Limited

Statement of changes in equity

As at 31 December 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss £'000	Total £'000
At 1 January 2017	1,374	17,919	2,576	21,869
Profit for the financial year	-	-	783	783
Remeasurement of net defined benefit liability	-	-	2,074	2,074
Tax relating to items of other comprehensive income	-	-	(353)	(353)
Total comprehensive income	-	-	2,504	2,504
At 31 December 2017	1,374	17,919	5,080	24,373
Profit for the financial year	-	-	1,415	1,415
Remeasurement of net defined benefit liability	-	-	126	126
Tax relating to items of other comprehensive income	-	-	(21)	(21)
Total comprehensive income	-	-	1,520	1,520
At 31 December 2018	1,374	17,919	6,600	25,893

Wheelabrator Group Limited

Notes to financial statements

For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Wheelabrator Group Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Wheelabrator Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Wheelabrator Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Wheelabrator Group Limited is consolidated in the financial statements of its parent, Norican Global A/S, a company incorporated in Denmark, which may be obtained from the address in note 19. Exemptions have been taken in these separate company financial statements in relation to presentation of a cash flow statement, remuneration of key management personnel and related party transactions.

b. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the position of the company; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses is capitalised and amortised in equal annual instalments over its estimated useful economic life. Provision is made for any impairment.

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over their estimated useful economic life. Provision is made for any impairment.

d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	term of lease
Plant and machinery	10-25% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

e. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

e. Financial instruments (continued)

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Convertible loan notes

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible instrument based on their relative fair values at the date of issue. The portion relating to the equity component is charged directly against equity. Where the financial liability component meets the criteria in (i) above, the finance costs of the financial liability are recognised over the term of the debt using the effective interest method. If those criteria are not met, the financial liability component is measured at fair value through profit or loss.

(iv) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

e. Financial instruments (continued)

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(vi) Hedge accounting

The company designates certain derivatives as hedging instruments in cash flow hedges and fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the company determines and documents causes for hedge ineffectiveness.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line related to the hedged item in profit or loss.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

f. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

h. Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded 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.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

h. Taxation (continued)

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

j. Employee benefits

The company offers pensions to 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 17. 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 comprehensive income in accordance with FRS 102.

k. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

l. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

m. Research & development expenditure

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

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Critical judgements – Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 *Revenue* and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Key source of estimation uncertainty – Valuation of stock

The company reviews its stock valuation continually to ensure that items are not valued at above net realisable values. Current selling prices and historic rates of sale are reviewed to ensure that a suitable provision is made to the carrying value of the stock where there is the likelihood that an item might be sold below its historic price.

3. Turnover

An analysis of the company's turnover by geographical market is set out below.

	2018	2017
	£000	£000
Turnover:		
United Kingdom	11,069	10,794
Rest of World	13,019	12,303
	<u>24,088</u>	<u>23,097</u>

All turnover is derived from the company's principal activity.

4. Finance income (net)

	2018	2017
	£000	£000
Interest payable	(45)	(14)
Interest receivable	1,451	1,292
Other finance costs	(277)	(350)
	<u>1,129</u>	<u>928</u>

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

4. Finance income (net) (continued)

Interest receivable

	2018	2017
	£000	£000
Inter company loan interest receivable	<u>1,451</u>	<u>1,292</u>

Interest payable

	2018	2017
	£000	£000
Bank loans and overdrafts	<u>45</u>	<u>14</u>

Other finance costs

	2018	2017
	£000	£000
Net interest on defined benefit liability (see note 17)	<u>277</u>	<u>350</u>

5. Profit before taxation

Profit on ordinary activities before taxation is stated after charging:

	2018	2017
	£000	£000
Depreciation of tangible fixed assets (note 10)	61	67
Research and development	36	56
Operating lease rentals	675	631
Foreign exchange loss	34	190
Cost of stock recognised as an expense	<u>13,513</u>	<u>12,811</u>

6. Auditor's remuneration

Fees payable to Deloitte and their associates for the audit of the company's annual accounts were £39,000 (2017: £39,000).

Fees payable to Deloitte and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

7. Staff numbers and costs

The average monthly number of employees was:

	2018	2017
	Number	Number
Production	38	41
Selling and distribution	38	35
Administration	19	24
	<u>95</u>	<u>100</u>

Their aggregate remuneration comprised:

	2018	2017
	£000	£000
Wages and salaries	5,893	4,962
Social security costs	718	578
Other pension costs	251	168
	<u>6,862</u>	<u>5,708</u>

'Other pension costs' includes only those items included within operating costs.

The emoluments of the directors were paid by Wheelabrator Group Inc, which makes no recharge to the Company. They are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. The total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company.

8. Tax on profit

The tax (credit)/charge comprises:

	2018	2017
	£000	£000
Current tax on profit		
UK corporation tax	-	-
Foreign tax	<u>55</u>	<u>7</u>
	55	7
Deferred tax		
Origination and reversal of timing differences	(28)	79
Adjustment in respect of prior periods	<u>(48)</u>	<u>(33)</u>
	<u>(21)</u>	<u>53</u>

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

8. Tax on profit (continued)

The difference between the total tax (credit)/charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £000	2017 £000
Profit before tax	1,394	836
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	265	161
Effects of:		
- Expenses not deductible for tax purposes	2	29
- Fixed asset differences	5	3
- Other timing differences	(45)	(43)
- Group relief	(208)	(82)
- Foreign branch tax adjustment	(40)	(15)
Total tax (credit)/charge for the year	(21)	53

Finance Act 2016 included provisions to reduce the new rate of corporation tax to 17% with effect from 1 April 2020. Deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

9. Intangible fixed assets

	Goodwill £000
Cost	
At 1 January and 31 December 2018	1,108
Amortisation	
At 1 January and 31 December 2018	1,108
Net book value	
At 31 December 2018	-
At 31 December 2017	-

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

10. Tangible fixed assets

	Leasehold Improvements £'000	Plant & Machinery £'000	Total £'000
Cost			
At 1 January 2018	506	2,937	3,443
Additions	-	37	37
Disposals	-	(162)	(162)
Foreign Exchange	-	(3)	(3)
At 31 December 2018	<u>506</u>	<u>2,809</u>	<u>3,315</u>
Depreciation			
At 1 January 2018	349	2,688	3,037
Charge for the year	20	41	61
Disposals	-	(162)	(162)
Foreign Exchange	-	(3)	(3)
At 31 December 2018	<u>369</u>	<u>2,564</u>	<u>2,933</u>
Net book value			
At 31 December 2018	<u>137</u>	<u>245</u>	<u>382</u>
At 31 December 2017	<u>157</u>	<u>249</u>	<u>406</u>

11. Fixed asset investments

	Shares in subsidiary undertakings £000
Cost	
At 1 January 2018	100
Investment during year	<u>1,250</u>
At 31 December 2018	<u>1,350</u>

During the year, the company acquired the entire issued share capital of Striko UK Limited, incorporated in England and Wales. Striko UK Limited's principal activity is the supply of industrial furnaces and associated services and consumables. Its registered address is Unit 24, Jupiter Business Park, Hixson, Staffordshire, ST18 0PF.

During 2017, the company invested £100,000 in Castalloy Europe Limited, incorporated in England & Wales. This represents 100% of the issued share capital of that company; Castalloy Europe Limited's principal activity is the operation of a foundry. It has the same registered address as the company.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

12. Stocks

	2018	2017
	£000	£000
Work in progress	174	80
Finished goods and goods for resale	<u>606</u>	<u>485</u>
	<u><u>780</u></u>	<u><u>565</u></u>

There is no material difference between carrying amounts and replacements costs for inventory.

13. Debtors

	2018	2017
	£000	£000
Trade debtors	5,218	6,328
Amounts owed by associates	37,426	35,193
Other debtors	223	360
Prepayments and accrued income	519	352
Deferred tax asset	<u>334</u>	<u>279</u>
	<u><u>43,720</u></u>	<u><u>42,512</u></u>

Amounts owed by associates includes £1,429,000 (2017: £1,690,000) payable by Castalloy Europe Limited. This amount is unsecured and is due for repayment by 31 December 2020. All other debtors fall due within one year.

Other debtors include £201,000 (2017: £340,000) in respect of cash deposits lodged with the group's bankers to secure bonds issued to customers. These deposits are released to the company on expiry of the bond liabilities.

The deferred tax asset of £334,000 (2017: £279,000) is made up of £207,000 (2017: £150,000) of accelerated capital allowances and £127,000 (2017: £129,000) of other short term timing differences. The deferred tax asset has been recognised in the current year on the basis that the directors expect the reversal of the underlying timing differences to occur in the foreseeable future.

14. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	687	887
Amounts owed to associates	7,896	7,369
Corporation tax	76	30
Other taxation and social security	479	574
Accruals and deferred income	<u>3,481</u>	<u>2,392</u>
	<u><u>12,619</u></u>	<u><u>11,252</u></u>

Amounts owed to associates are payable on demand and relate to transactions entered in normal course of business and at arm's length.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

15. Called-up share capital and reserves

	2018	2017
	£000	£000
Allotted, called-up and fully-paid 1,374,353 ordinary shares of £1 each	1,374	1,374

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Financial commitments

The company had no capital commitments at 31 December 2018 or 2017.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
- within one year	425	216	448	196
- between one and five years	356	168	719	214
	781	384	1,167	410

17. Pensions

Pensions

The company operates a number of defined contribution schemes for which the pension cost charge for the year amounts to £163,000 (2017: £140,000).

Contributions of £28,000 were outstanding at the year end in respect of the schemes (2017: £23,000).

The company also operates a funded defined benefit scheme for certain 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 2015 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 102 basis by the scheme actuary at 31 December 2018.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

17. Pensions (continued)

The market value of the scheme assets at the last valuation date (31 December 2018) was £33,200,000 (previously £35,897,000). The actuarial value of these assets represented 74.3% (2017: 75.7%) of the benefits that had accrued to members after allowing for expected increases in earnings. The company is paying increased contributions to the scheme, which are expected to remove the deficit as at 6 April 2015 over a period agreed between the company and the trustees.

Contributions paid into the scheme were £520,000 during the year (2017: £520,000).

Reconciliation of present value of plan liabilities

	2018	2017
	£000	£000
At 1 January 2018	47,406	47,785
Current service cost	88	28
Interest cost	1,141	1,221
Actuarial (gains) and losses	(2,401)	70
Benefits paid	(1,806)	(1,698)
Past service cost	282	-
	<hr/>	<hr/>
At 31 December 2018	<u>44,710</u>	<u>47,406</u>

Composition of plan liabilities

	2018	2017
	£000	£000
Schemes wholly or partly funded	<u>44,710</u>	<u>47,406</u>

Reconciliation of fair value of plan assets

	2018	2017
	£000	£000
At 1 January 2018	35,897	34,060
Expected rate of return on plan assets	864	871
Actuarial (losses) and gains	(2,275)	2,144
Contributions by employer	520	520
Benefits paid	(1,806)	(1,698)
	<hr/>	<hr/>
At 31 December 2018	<u>33,200</u>	<u>35,897</u>

During the year, the actual return on planned assets was a reduction in value of £1,411,000 (2017: increase of £3,015,000).

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

17. 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:

	Value at 31 December 2018 £000	Value at 31 December 2017 £000
Equities	14,476	16,305
Government stock	4,806	5,379
Corporate bonds	13,015	13,284
Other - cash	150	133
Value of insured pensions	753	796
	<u>33,200</u>	<u>35,897</u>

Reconciliation to balance sheet and five year history

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Present value of scheme liabilities	(44,710)	(47,406)	(47,785)	(40,880)	(40,618)
Fair value of scheme assets	33,200	35,897	34,060	29,630	30,440
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Deficit in the scheme	(11,510)	(11,509)	(13,725)	(11,250)	(10,178)
Related deferred tax asset	1,956	1,956	2,333	2,250	2,035
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Net pension Liability	(9,554)	(9,553)	(11,392)	(9,000)	(8,143)

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

17. Pensions (continued)

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

	2018	2017
	£000	£000
Deficit in scheme, net of tax, at beginning of year	(9,553)	(11,392)
Current service cost	(88)	(28)
Contributions paid	520	520
Other finance costs	(277)	(350)
Actuarial gain	126	2,074
Movement in deferred tax	-	(377)
Past service cost	(282)	-
	<u>(9,554)</u>	<u>(9,553)</u>
Deficit net of tax in the scheme at end of year	<u>(9,554)</u>	<u>(9,553)</u>

Analysis of amounts included in other finance costs

	2018	2017
	£000	£000
Interest on pension scheme liabilities	(1,141)	(1,221)
Expected return on pension scheme assets	864	871
	<u>277</u>	<u>350</u>

Other finance cost is included within 'finance income (net)' in the profit and loss account.

	2018	2017
	%	%
Rate of increase in salaries	2.25	2.20
Rate of increase in pensions in payment	3.43	3.37
Discount rate	2.95	2.45
Inflation assumption (RPI)	3.25	3.20
Inflation assumption (CPI)	2.25	2.20

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 to financial statements (continued)
For the year ended 31 December 2018

17. Pensions (continued)

Analysis of amounts recognised in the statement of comprehensive income:

	2018	2017
	£000	£000
Actual return less expected return on assets	(2,275)	2,144
Experience losses and gains arising on liabilities	(2,002)	43
Changes in assumptions underlying the present value of the scheme liabilities	<u>4,403</u>	<u>(113)</u>
	<u>126</u>	<u>2,074</u>

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

	2018	2017	2016	2015	2014
Actual return less expected return on scheme assets (£'000)	(2,275)	2,144	4,567	(821)	1,736
Percentage of year end scheme assets	6.9%	6.0%	13.4%	2.8%	5.7%
Experience gains and losses arising on scheme liabilities (£'000)	(2,002)	43	377	(292)	282
Percentage of present value of year end scheme liabilities	4.5%	0.1%	0.8%	0.7%	0.7%
Actuarial gain/(loss) recognised in Statement of comprehensive income (£'000)	126	2,074	(2,046)	(1,042)	(1,627)
Percentage of present value of year end scheme liabilities	0.3%	4.4%	4.3%	2.5%	4.0%

The scheme was closed to future accrual with effect from 31 August 2016.

18. Contingent liabilities

The Norican Group issued €340.0m of 4.5% Senior Secured Notes due for repayment in 2023 on 17 May 2017. The Norican Group also has a revolving credit facility of €75.0m, with availability to 30 October 2022. In common with other participating companies, the company has given a fixed and floating charge on its assets to secure these facilities. At 31 December 2018, bank guarantees of €23.0m had been issued by the Group from the revolving credit facility.

The company has given bank guarantees to customers in respect of advance payments and the performance of goods sold, amounting to £160,000 (2017: £1,557,000). A guarantee is also in place for £10,000 (2017: £10,000) in favour of HM Revenue and Customs.

Wheelabrator Group Limited
Notes to financial statements (continued)
For the year ended 31 December 2018

19. Ultimate controlling party & immediate controlling party

The directors regard Norican Global A/S, registered in Denmark, as the ultimate parent company and Altor Fund IV Holding AB, registered in Sweden, as the ultimate controlling party.

The smallest and largest group in which the company's results are consolidated is that headed by Norican Global A/S, whose registered address is Hojager 8, DK-2630, Taastrup, Denmark. Group consolidated financial statements can be obtained from the registered address of Norican Global A/S.