Company Registration No. 00579409

Darrington Quarries Limited

Report and Financial Statements

31 December 2010

Darrington Quarries Limited

Report and financial statements 2010

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Officers and professional advisers

Directors

P Taylor
V F Orts-Llopis
A Serrano Minchan

Company Secretary

C Favier-Tilston

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Auditor

Deloitte LLP
2 New Street Square
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Darrington Quarries Limited

Directors' report

The Directors of Darrington Quarries Limited (the "Company") present their report and audited financial statements for the year ended 31 December 2010

Overview of parent company

The Company is an indirect subsidiary of Waste Recycling Group Limited ("WRG") and its ultimate parent is Fomento de Construcciones y Contratas, S A ("FCC") FCC is a significant multi-national business listed on the Spanish SIBE stock exchange, with operations in Europe, South and Central America, Africa, the Middle East and the United States of America FCC's principal activities cover Environmental Services (including waste management), Non-Environmental Services, Renewable Energy, Construction, Cement and Real Estate

FCC's substantial financial strength and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts This complements WRG's position as a leading waste management, recycling and renewable energy business and the Group's ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK The core services provided by WRG are fully aligned with FCC's strategic growth plans and it is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the United Kingdom to meet the European Waste Framework Directive, whereby 50% of all municipal waste will have to be recycled by 2020 and the European Union's target that 20% of all energy consumed should be from a renewable source by 2020 The Board continues to look forward to the opportunities that are presented to WRG and its employees by virtue of FCC's plans to expand and embed its operations in the UK

The Board sees the development of major waste infrastructure to support sustainable waste management and strategic long-term partnerships as key to WRG's future business growth It anticipates considerable activity and deployment of Group resources into recycling facilities, renewable energy projects, major Private Finance Initiative ("PFI") and Public Private Partnership ("PPP") schemes, the development of innovative waste treatment solutions and the provision of regional facilities The Board remains of the view that Energy from Waste ("EfW") will be a key component of some regional waste strategies and, in combination with other treatment, recycling and recovery operations, backed up by landfill disposal for residues, this strategy represents a long-term sustainable solution for meeting its clients' diversion targets

2010 has been a progressive year for WRG It was the first under the leadership and stewardship of its new CEO, Paul Taylor There was also the announcement, in the media, of the Group's new strategic direction to a business model that recognises material values and produces renewable energy, moving away from its historic reliance on landfill

Principal activity

The principal activity of the Company during the year ended 31 December 2010 was stone quarrying and landfill management

The activities, strategies and risks affecting the Company are inextricably similar to, and dependent on, those of WRG together with its subsidiary undertakings (the "Group"), and consequently it is appropriate that the following narrative applies to the Group in its entirety

The Group is one of the UK's leading waste management, recycling and renewable energy service businesses It is a key player within the municipal waste management sector, with over 100 municipal contracts across England, Wales and Scotland

Principal activity (continued)

The Group provides a diverse range of cost effective and sustainable waste processing, recycling, treatment, disposal and energy recovery services for Local Authority and private commercial customers In the year the Group received, treated, recycled and disposed of over 9 1million (2009 9 8million) tonnes of household, commercial and industrial waste and managed around 200 licensed waste management facilities Through innovative solutions, backed by a commitment to excellent customer service, WRG is committed to working with its Local Authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, to meet the challenges of increased regulation from the UK and EU, and improve upon waste management targets

The Company undertakes activities in the following divisions of WRG -

- Landfill Division – UK wide responsibility for the operation and management of all WRG's operational landfill activities including the aftercare and decommissioning of closed sites
- Quarries Division – operates several quarries in Yorkshire

Business Review

2010 has been another very challenging year for the Company, with a continuation of the difficult market conditions seen in recent years The sharp economic downturn has reduced the amount of construction activity which has had an impact on the Company's revenue and profitability The management of WRG is committed to maximising the utilisation of Group assets, minimising unit costs and investing in growth projects to enhance the Group's ability to take full advantage of opportunities to increase earnings as the economy recovers

Despite the continued uncertainties and restrictions in the credit markets the Group has retained and re-negotiated its banking facilities in the year

Principal risks and uncertainties

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group In response, the Board has appointed a Risk Committee that actively monitors the key risks that impact the business including the compilation of a comprehensive risk register The Directors regard the following to be the principal risks and uncertainties affecting the Group and their approach to managing these risks and uncertainties is considered below

- **Health and Safety.** Health and safety is a key issue for the Group due to the nature of its operations, including the use of heavy plant equipment and difficult working conditions The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously, through bulletins, on-line training courses and tool-box briefings The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at WRG sites to identify improvements and lessons for the business All employees undertake a rigorous health and safety training programme, which is underpinned by legislation, detailed policies and procedures The Board receives regular reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Health, Safety, Environment and Quality Manager, to monitor and promote high standards All employees are expected to recognise their role in achieving acceptable standards of health and safety and are expected to exhibit this through their approach and attitude to work All employees are expected to complete an on-line Health and Safety awareness e-module every twelve weeks This has helped to reinforce the Group's already high Health and Safety standards

Darrington Quarries Limited

Directors' report (continued)

Principal risks and uncertainties (continued)

- **Environmental risks:** The Group's operations are tightly controlled under environmental legislation derived principally from the Environment Agency ("EA") and the Scottish Environment Protection Agency ("SEPA") Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement The Directors receive regular reports on environmental compliance at the Group's sites and environmental compliance is managed by a dedicated in-house team The Group has adopted a formal environmental policy, which was reviewed in 2010 and there are detailed environmental procedures to enable compliance with environmental legislation

- **Business continuity:** The Group, as part of its risk management programme, has developed business continuity planning for its operations As part of this planning the Group has developed a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region) The Significant Events Response Team ("SERT") is brought together to plan for or deal with any significant events that occur or could potentially occur WRG's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity The Group is working on the development of a new business continuity plan under the control of WRG's Integrated Management System that will be designed around the British Standard 25999

- **Legislation:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations, including the significant opportunities it can present The waste management industry is subject to extensive government regulation which has a substantial impact on the Group's business, WRG therefore actively lobbies for its interests at European, national and regional levels through trade associations and federations

- **Litigation:** The Group is subject to litigation from time to time The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected There is also a risk that litigation could be instigated in the future that could materially impact the Group In some liability cases legal expenses are covered by the Group's liability insurance This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team

- **Competitive risk:** The Group operates in highly competitive markets in which competitors' service offerings may react faster to legislative and market dynamics than those of the Group To mitigate this risk the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation

- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business To manage this risk, succession planning for senior positions within the Group is undertaken In addition, the Group has the benefit of being able to draw on wider resources from within the FCC Group

- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT Support team, using internal and external resources In addition, there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so WRG has made a significant investment into establishing a dedicated technical and development team This team review and assess the available technologies before any are adopted to ensure they will meet the business and customers needs

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities The most important components of financial risk are interest rate risk, credit risk and liquidity risk Due to the nature of the Company's activities and the assets contained within the Company's balance sheet, the only financial risks the Directors consider relevant to the Company are liquidity and credit risk

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Directors' report (continued)

Liquidity and credit risk

The Company's exposure to credit and liquidity risk is reduced as it is an indirectly, wholly owned subsidiary of WRG Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis Liquidity risk is the risk that the Company does not have sufficient cash resources to meet its commitments The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments

Results, dividends and key performance indicators

The results for the year ended 31 December 2010 are set out on page 10 The loss for the financial year ended 31 December 2010 amounted to £3,237,000 (2009 loss £2,720,000) The retained loss has been withdrawn from (2009 withdrawn from) reserves The Company did not pay an interim dividend during the year (2009 £nil) and furthermore, the Directors do not recommend the payment of a final dividend (2009 £nil)

2010 saw a continuation of challenging market conditions for the construction industry as the economy remained depressed Economic indicators predict that these conditions are likely to continue through 2011 The Board continues to monitor business trends, and to manage its assets and cost structure in line with changing needs of the business and its customers

For the year ended 31 December 2010, turnover from continuing activities increased by 3 1% to £5 2 million (2009 £5 1 million) Given the tough economic conditions this represents a reasonable outcome The Company continues to maintain a tight control over its cash resources

Operating losses in 2010 were £2 9 million (2009 £2 5 million loss), the result reflects the trends highlighted above together with the impact of provisions and depreciation reported in note 3

WRG manages its operations on a divisional basis For this reason, the Company's Directors believe that the disclosure of further key performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business

Future trends and developments

The Directors of both the Company and WRG consider that the business of the Group faces some obvious challenges in today's difficult economic climate and anticipate that the impact of the recession will continue throughout 2011 This together with the impact of the European Union Landfill Directive and the increases in landfill tax will cause a further decline in the quantities of waste generated by customers The Board have altered the Group strategy to one which can address these challenges, concentrating on the development of WRG's infrastructure to support sustainable waste management for both the municipal and commercial sectors whilst continuing to reduce costs

Early in the year, WRG, together with FCC, announced its intention to invest £100million in building wind energy developments on suitable closed and operational landfill sites from its portfolio of over 100 sites in England, Scotland and Wales This exciting development will hugely increase the electricity generating capacity of the Group which already recovers energy from the clean combustion of non-hazardous household, commercial and industrial wastes at its EfW incineration facilities

In December 2010, the Group entered into a formal partnership with Energy Solutions Limited, a specialist nuclear services company, to tender for opportunities to dispose of very low level radioactive waste arising from the UK's nuclear decommissioning programme

Going concern

The Directors, having assessed the responses of their enquiries to the indirect parent company, WRG, have reviewed projected cash flows and continue to adopt the going concern basis in preparing the Directors' report and financial statements

Directors' report (continued)

Directors

The following individuals served as Directors of the Company during the year ended 31 December 2010 and up to the date of this report were as follows

P Taylor
V F Orts-Llopis
A Serrano Minchan
S N Jennings (resigned 11 June 2010)

Directors' Indemnities

During the financial year, qualifying third party indemnity provisions for the benefit of all Directors were in force and continue to be in force at the date of this report Such provisions were made by WRG, the intermediate parent company domiciled in the UK

Employees

The professionalism and commitment shown by the Group's employees over the last year, during which time the Group has continued to encounter very difficult trading conditions and the resulting structural and organisational changes, has been a major contribution to its successful operation The Board would like to thank all employees for their hard work, dedication and loyalty during what has been another challenging and eventful year

The Group is committed to ensuring that its policies and practices reflect human resource best practice for the whole life-cycle of its employment relationship The Group's policy of equal opportunity gives all employees the same chance to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status The Group has a structured training and development programme and is fully committed to ensuring that all employees have the necessary skills and knowledge to do their jobs effectively Subject to the nature of its businesses in the waste management industry, the policy of the Group is to ensure that there are fair opportunities for the employment, career development and training of disabled persons

The Board is dedicated to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal All employees are encouraged to report any concerns they may have over wrongdoing at work via the Group's internal reporting system In addition, WRG has engaged an independent confidential reporting (whistle blowing) service, should employees feel uncomfortable in approaching management Further to the implementation of the forthcoming Bribery Act, the Group is providing training to all employees regarding the procedures and practices in place within our business to prevent bribery

Training continues to be a high priority for WRG and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry and therefore the business evolves

The Directors recognise the importance of communication with employees and members of the Executive management team regularly visit sites and discuss with staff, matters of current interest and concern to the business In addition, the Executive regularly report on the Group's successes and performance to the entire Group via a monthly brief delivered by local management and announcements on the Group Intranet An in-house magazine is also published on a regular basis

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and that each 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 auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006 (the "Act")

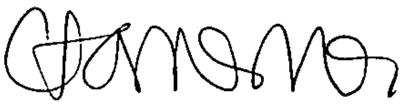
Darrington Quarries Limited

Directors' report (continued)

Auditor

Pursuant to section 487 of the Act, the auditor will be deemed to be reappointed annually by the Company and Deloitte LLP will therefore continue in office until further notice

Approved by the Board of Directors
and signed on behalf of the Board



C Favier-Tilston
Company Secretary
15 June 2011

Darrington Quarries 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)

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 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 with reasonable accuracy at any time the financial position of the Company and to 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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of Darrington Quarries Limited

We have audited the financial statements of Darrington Quarries Limited for the year ended 31 December 2010 which comprise the profit and loss account, note of historical cost profits and losses, the balance sheet and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on matters prescribed by the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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

Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
20 June 2011

Darrington Quarries Limited

Profit and loss account
Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	**5,209**	5,054
Cost of sales		**(7,467)**	(6,927)
Gross loss		**(2,258)**	(1,873)
Administrative expenses		**(727)**	(635)
Operating loss		**(2,985)**	(2,508)
Net interest payable	5	**(252)**	(212)
Loss on ordinary activities before taxation	3	**(3,237)**	(2,720)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	**(3,237)**	(2,720)

All results for the year ended 31 December 2010 derive from continuing operations

There are no recognised gains and losses in either the financial year ended 31 December 2010 or previous financial year other than as stated in the profit and loss account Therefore, no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on a historical cost basis and that shown in the profit and loss account

Darrington Quarries Limited

Note of historical cost profits and losses
Year ended 31 December 2010

	2010	2009
	£'000	£'000
Loss on ordinary activities before taxation	**(3,237)**	(2,720)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	**122**	41
Historical cost loss on ordinary activities before taxation	**(3,115)**	(2,679)
Historical cost loss for the year after taxation	**(3,115)**	(2,679)

Darrington Quarries Limited

Balance sheet
at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	7	**3,129**	3,422
Tangible assets	8	**5,247**	6,524
Investments	9	**1**	1
		8,377	9,947
Current assets			
Debtors amounts due within one year	10	**13,372**	13,849
Debtors amounts due after more than one year	11	**1,181**	790
Total debtors		**14,553**	14,639
Cash at bank and in hand		**1**	1
		14,554	14,640
Creditors: amounts falling due within one year	12	**(16,259)**	(14,622)
Net current (liabilities)/assets		**(1,705)**	18
Total assets less current liabilities		**6,672**	9,965
Provisions for liabilities	13	**(9,103)**	(9,159)
Net (liabilities)/assets		**(2,431)**	806
Capital and reserves			
Called up share capital	14	**10**	10
Share premium account		**26**	26
Revaluation reserve	15	**1,579**	1,701
Profit and loss account	15	**(4,046)**	(931)
Shareholders' (deficit)/funds	16	**(2,431)**	806

The financial statements of Darrington Quarries Limited, registered number 00579409 were approved by the Board of Directors on 15 June 2011

Signed on behalf of the Board of Directors

V F Orts-Llopis
Director

Notes to the financial statements
Year ended 31 December 2010

1. **Accounting policies**

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

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold and leasehold land

Going concern

The Directors, having assessed the responses of their enquiries to the indirect parent company, Waste Recycling Group Limited ('WRG'), have reviewed projected cash flows and continue to adopt the going concern basis in preparing the Directors' report and financial statements

Cash flow statement

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised) from presenting a cash flow statement as it is an indirectly wholly owned subsidiary of a group which has prepared a consolidated cash flow statement

Consolidation

The Company has claimed exemption from the preparation of consolidated financial statements under section 400 of the Companies Act 2006 as it is a subsidiary of a group which has prepared consolidated financial statements Accordingly, these financial statements present information about the Company and not the Group

Goodwill

Purchased goodwill, representing the excess of purchase price over the fair value of the assets acquired, is capitalised and is being written off on a straight-line basis over its estimated useful life up to a maximum of 20 years The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill

Tangible fixed assets

Tangible fixed assets are stated at cost Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of each asset as follows

Freehold buildings	- over 25 to 50 years
Freehold landfill sites, leasehold properties and licence agreements	- based on the void used in the period as a proportion of total void
Plant and machinery	- over 3 to 20 years
Motor vehicles	- over 4 years

No depreciation is provided for on freehold land

Expenditure on freehold landfill sites and leasehold properties includes engineering costs Elements of these costs are classified according to their expected economic life and depreciated accordingly in proportion to the rate that waste is deposited All other assets are depreciated on a straight-line basis

On adoption of FRS 15, the transitional provisions were applied and therefore previous valuations will be maintained

Investments

Investments are stated at cost less provision for any impairment

1. **Accounting policies (continued)**

Post Retirement Benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet

Decommissioning and aftercare costs

Full provision has been made for the net present value ("NPV") of the Company's minimum unavoidable costs, in respect of decommissioning liabilities at the Company's landfill sites, which has been capitalised in fixed assets The Company continues to provide for all aftercare costs over the life of its landfill sites, based on the volumes of waste deposited in the year, since liabilities in relation to these costs increase as waste is deposited

All long-term provisions for decommissioning and aftercare costs are calculated based on the NPV of estimated future costs Current cost estimates are inflated at 2 5 per cent and discounted at 5 per cent to calculate the NPV The effects of the unwinding of the discount element on existing provisions are reflected as a financial item

Turnover

Turnover is stated net of value added tax and trade discounts 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 value of the consideration due 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

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 Group'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

A net deferred tax asset is regarded as recoverable and therefore 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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Darrington Quarries Limited

Notes to the financial statements
Year ended 31 December 2010

2. Turnover

All turnover was generated in the United Kingdom principally from stone quarrying and landfill management

3 Loss on ordinary activities before taxation

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is after charging/(crediting):		
(Decrease)/increase in environmental provisions on revision of estimate of future costs	**(461)**	614
Depreciation of tangible fixed assets	**3,101**	925
Profit on sale of fixed assets	**(15)**	-
Amortisation of goodwill	**293**	288
Operating lease rentals – plant and machinery	**229**	242
Operating lease rentals – land and buildings	**16**	16

Auditors' remuneration in respect of audit fees totalling £4,300 (2009 £4,000) has been met by Waste Recycling Limited, a fellow subsidiary undertaking of WRG

4. Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2010 or the year ended 31 December 2009 They are all remunerated as directors or employees of WRG, an indirect parent company of the Company

	2010 £'000	2009 £'000
Staff costs during the year		
Wages and salaries	**1,062**	1,104
Social security costs	**106**	110
Other pension costs	**55**	30
	1,223	1,244
	No.	No
The average weekly number of employees (including Directors) during the year was	**48**	48

5. Net interest payable

	2010 £'000	2009 £'000
Interest payable and similar charges		
Unwinding of discount (see note 13)	**252**	212

Notes to the financial statements
Year ended 31 December 2010

6. Tax on loss on ordinary activities

	2010 £'000	2009 £'000
Corporation tax		
United Kingdom corporation tax at 28% (2009 28%) based on loss for the year	-	-

The total current tax charge for the current year and previous year are different from the standard rate of 28% (2009 28%) for the reasons set out in the following reconciliation

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(3,237)	(2,720)
Tax on loss on ordinary activities at standard rate	(906)	(762)
Factors affecting charge		
Non-taxable items	(20)	-
Depreciation in excess of capital allowances	775	304
Group relief	172	448
Utilisation of general provisions	(182)	(71)
Amortisation of goodwill	82	81
Transfer pricing adjustment	79	-
	-	-

A number of changes to the UK Corporation system were announced in the June 2010 Budget Statement The Finance (No2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011

Further reductions to the main rate have also been announced that will see the main rate fall to 23% by 1 April 2014 These changes have not been substantially enacted at the balance sheet date and therefore are not included in these financial statements

Notes to the financial statements
Year ended 31 December 2010

7. Intangible fixed assets

	Goodwill £'000
Cost or valuation	
At 1 January 2010 and at 31 December 2010	5,689
Amortisation	
At 1 January 2010	2,267
Charge for the year	293
As at 31 December 2010	2,560
Net book value	
At 31 December 2010	**3,129**
At 31 December 2009	3,422

8. Tangible fixed assets

	Landfill sites £'000	Other freehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2010	8,672	6,004	6,132	66	20,874
Additions	676	55	1,113	-	1,844
Disposals	-	-	(155)	(16)	(171)
Transfer between group companies and reclassification	-	-	(40)	-	(40)
As at 31 December 2010	9,348	6,059	7,050	50	22,507
Depreciation					
At 1 January 2010	6,710	2,374	5,209	57	14,350
Charge for the year	2,638	189	266	8	3,101
Disposals	-	-	(155)	(16)	(171)
Transfer between group companies and reclassification	-	-	(20)	-	(20)
As at 31 December 2010	9,348	2,563	5,300	49	17,260
Net book value					
At 31 December 2010	-	**3,496**	**1,750**	**1**	**5,247**
At 31 December 2009	1,962	3,630	923	9	6,524

The cost of freehold land and buildings included land of £1,182,000 (2009 £1,182,000), which is not depreciated

Notes to the financial statements
Year ended 31 December 2010

8. Tangible fixed assets (continued)

	2010 £'000	2009 £'000
Other freehold properties are stated at		
Open market value at 29 May 1996	**3,012**	3,012
Cost	**3,047**	2,992
At 31 December	**6,059**	6,004

Comparable amounts determined according to the historical cost convention for freehold properties

	2010 £'000	2009 £'000
Cost	**3,047**	2,992
Accumulated depreciation based on historical cost	**(1,130)**	(1,035)
Historical cost net book value	**1,917**	1,957

All other assets are stated at historical cost

9. Fixed asset investments

	2010 £'000	2009 £'000
Cost and net book value		
Investment in subsidiary undertaking	**1**	1

The Company owns 100% of the ordinary share capital of Waste Recycling Group (Yorkshire) Limited, a company which is registered in England and Wales Its principal activity is the handling, recycling and disposal of waste materials

10 Debtors: amounts due within one year

	2010 £'000	2009 £'000
Trade debtors	**3**	3
Amounts owed from fellow subsidiary undertakings	**13,134**	13,525
Other debtors	**235**	-
Corporation tax	**-**	321
	13,372	13,849

Notes to the financial statements
Year ended 31 December 2010

11. Debtors: amounts due after more than one year

	2010 £'000	2009 £'000
Amounts prepaid to fellow subsidiary undertaking	**1,181**	790

12. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	**207**	171
Amounts owed to fellow subsidiary undertakings	**16,009**	14,415
Accruals	**43**	36
	16,259	14,622

13. Provisions for liabilities

	Other provisions £'000	Decomm-issioning £'000	Landfill aftercare £'000	Total £'000
At 1 January 2010	622	4,141	4,396	9,159
Charged/(credited) to the profit and loss account	85	(54)	(376)	(345)
Revision to provisions capitalised in tangible fixed assets	42	633	-	675
Unwinding of discount (note 5)	8	24	220	252
Expended in year	(371)	(190)	(77)	(638)
At 31 December 2010	**386**	**4,554**	**4,163**	**9,103**

The Group provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare The aftercare period is generally expected to be 60 years and expenditure will be incurred throughout this 60 year period These provisions are discounted at a rate of 5% from the date on which the expenditure is expected to occur These provisions by their nature require a significant degree of estimation and hence there is a degree of uncertainty with regards to the timing and amount of outflows of economic benefit

Other provisions include the estimated cost of discharging environmental liabilities, including current capping of open landfill areas and the disposal of leachate, which arise during the operational phase of its landfill sites Capping expenditure occurs as landfill cells are completed, whilst expenditure on the disposal of leachate occurs throughout the lifecycle of a landfill site

13. Provisions for liabilities (continued)

Deferred taxation

	Provided		Unprovided	
	2010	2009	**2010**	2009
	£'000	£000	**£'000**	£'000
Capital allowances in excess of depreciation	**(44)**	(40)	**-**	-
Short term timing differences	**44**	40	**77**	77
	-	-	**77**	77

The Company has unprovided deferred tax assets as there is insufficient certainty as to whether events will materialise to crystallise the deferred tax

14. Called up share capital

	2010	2009
	£'000	£'000
Authorised		
25,000 ordinary shares of £1 each	**25**	25
Called up, allotted and fully paid		
10,431 ordinary shares of £1 each	**10**	10

15. Reserves

	Revaluation reserve	**Profit and loss account**
	£'000	**£'000**
At 1 January 2010	1,701	(931)
Loss for the financial year	-	(3,237)
Transfer from revaluation reserve to profit and loss account	(122)	122
At 31 December 2010	**1,579**	**(4,046)**

16. Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
Loss for the financial year	**(3,237)**	(2,720)
Net reduction in shareholders' (deficit)/funds	**(3,237)**	(2,720)
Opening shareholders' (deficit)/funds	**806**	3,526
Closing shareholders' (deficit)/funds	**(2,431)**	806

Notes to the financial statements
Year ended 31 December 2010

17. Contingent liabilities

a) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the Group

b) On 21 December 2006, the Company was a party to the refinancing of Azincourt Investment, SL ("Azincourt") and its subsidiary companies Azincourt was the company used by Fomento de Construcciones y Contratas, S A ("FCC") for the acquisition of WRG and its subsidiary undertakings, including the Company The Company agreed to advance funds to Azincourt under the Group's cash pooling arrangements for the purposes of, among other things, the repayment of principal, interest or other amounts under the Facility Agreement, or the payment of any other costs or expenses incurred by Azincourt directly or indirectly in connection with its acquisition of WRG The Company also entered in to a floating charge over all its present and future rights, title and interest to the cash pooling account and all amounts credited to it in its favour

c) On 27 September 2006, the Company together with several other Group companies, entered into a Letter of Credit Facility for £50 million with The Royal Bank of Scotland plc, allowing it to have performance bonds and letters of credit issued on its behalf necessary for the business of the Company

d) The Group must comply with the Environment Agency's financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by providing financial security bonds totalling £92 1million The value of the bonds issued in the Company's name for this financial provisioning requirement at 31 December 2010 was £3 3million However, the Company is an indemnifying party to the other Group bonds and as such has contingent liabilities for environmental provisions in respect of other members of the Group

18 Operating lease commitment

	Land and buildings		Plant and machinery	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Which expire				
Within one year	**-**	-	**4**	-
In two to five years	**4**	4	**-**	8
	4	4	**4**	8

19. Pension contributions

The Company participates in the defined contribution schemes operated by WRG on behalf of its eligible employees The assets of the scheme are held separately from those of the Company in independently administered funds

The contributions made by the Company under the schemes during the year were as follows

	2010	2009
	£'000	£'000
Defined contribution scheme	**55**	30

20. Related party transactions

In the ordinary course of business, the Company traded with fellow subsidiaries of Waste Recycling Group Limited

The Company has taken advantage of the exemption conferred by FRS 8 from disclosing details of transactions with other wholly owned subsidiaries of the group

21. Ultimate parent company

The immediate parent of the Company is Finstop Limited, a company registered in England and Wales

The Directors regard Fomento de Construcciones y Contratas, S A, a company registered in Spain, as the ultimate parent entity and Esther Koplowitz Romero de Juseu to be the ultimate controlling party

Fomento de Construcciones y Contratas, S A is the parent company of the largest group of which the Company is a member and for which group accounts are drawn up Waste Recycling Group Limited is the parent company of the smallest group of which the Company is a member and for which group accounts are drawn up Copies of the financial statements of both Waste Recycling Group Limited and Fomento de Construcciones y Contratas, S A are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG