

**LONGCLIFFE QUARRIES LIMITED**

**Report and Financial Statements**

**31 March 2006**

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# **LONGCLIFFE QUARRIES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

D A G Shields (*Chairman*)  
R J G Shields  
R J Shields  
J F G Shields  
M F Hyde  
L J A Edwards  
A V Dearden

#### **SECRETARY**

M F Hyde

#### **SOLICITORS**

Herbert Smith  
Exchange House  
Primrose Street  
London  
EC2A 2HS

#### **REGISTERED OFFICE**

Longcliffe  
Brassington  
Matlock  
Derbyshire  
DE4 4BZ

#### **BANKERS**

HSBC Plc  
Matlock  
Derbyshire

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Nottingham

# LONGCLIFFE QUARRIES LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

### ACTIVITIES

The principal activity of the group has continued to be the extraction of minerals, producing high purity calcium carbonate products for a number of industrial applications. The group has diversified into waste management, specialising in recycling. The most recent acquisition, being Vital Earth (Derby) Ltd, a specialist in-vessel composting company.

As shown in the profit and loss account both sales and the profit on ordinary activities, before taxation, increased by 10.8 % and 25.9% respectively, compared with last year.

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has had another successful year, increasing profit on ordinary activities before taxation from £698,976 to £879,706. The progress of the business has continued to be supported by significant investment in both capital expenditure and research and development.

The directors remain confident about the prospects for continued growth and diversification.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £782,124 (2005: restated £604,578).

A dividend of £1.25 per share (2005: £1.25 per share) has been paid during the year. Retained profits of £623,335 (2005: £422,736) have been taken to reserves. The figures for 2005 have been restated for the adoption of FRS17 and FRS21 (see note 20).

### RESEARCH AND DEVELOPMENT

Research and development expenditure during the year has been concentrated on the development of new processes for value added limestone products.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	31 March 2006	1 April 2005
D A G Shields	-	-
R J Shields	-	-
R J G Shields	-	-
M F Hyde	-	-
L J A Edwards	-	-
J F G Shields	-	-
A V Dearden	-	-

The directors' interests in the shares of the parent company, Longcliffe Property Holdings Limited, are shown in that company's accounts.

### PRINCIPAL RISKS AND UNCERTAINTIES

Owing to the nature of our activities and the transport fleet we operate, the volatility of energy prices are a risk to our business. The company attempts to manage these risks by entering into supply contracts at the most opportune time, although fuel prices are subject to changes in worldwide markets.

# LONGCLIFFE QUARRIES LIMITED

## DIRECTORS' REPORT

### Interest Risk and Liquidity Risk

The company has some exposure to interest rate fluctuations with bank borrowings being based on variable rates. The directors consider that the company's banking facilities are adequate going forward. Short-term flexibility is achieved by overdraft facilities.

### Credit risk

Credit risk arises on financial instruments such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history.

## CHARITABLE AND POLITICAL DONATIONS

The company has made charitable donations of £43,513 (2005: £34,232). Political donations amounted to £3,000 for the year (2005: £Nil) and were made to Conservative Associations.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report including the financial statements. The Directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view in accordance with UK GAAP of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

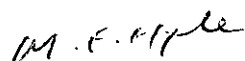
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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

M F HYDE, Secretary



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONGCLIFFE QUARRIES LIMITED**

We have audited the financial statements of Longcliffe Quarries Limited for the year ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion:

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

*Deloitte & Touche LLP*  
**Deloitte & Touche LLP**

Chartered Accountants and  
Registered Auditors  
Nottingham, United Kingdom

*31 January 2007*

# LONGCLIFFE QUARRIES LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2006

	Note	2006 £	Restated (see note 20) 2005 £
<b>Turnover</b>	2	17,624,077	15,907,725
<i>Changes in stocks of finished goods</i>		3,611	24,330
Other operating income		119,324	59,748
Raw materials and consumables		(1,525,964)	(1,253,165)
Other external charges		(5,818,301)	(5,449,868)
Staff costs	4	(5,588,220)	(4,831,831)
Depreciation and other amounts written off tangible fixed assets	9	(1,892,531)	(1,739,193)
Other operating charges		(1,717,215)	(1,591,368)
<b>OPERATING PROFIT</b>	3	1,204,781	1,126,378
Income from shares in group undertakings		130,000	50,000
Interest receivable and similar income	5	1,310	335
Interest payable and similar charges	6	(456,385)	(477,737)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		879,706	698,976
Tax on profit on ordinary activities	7	(97,582)	(94,398)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	18	782,124	604,578

All activities are derived from continuing operations.

The profit and loss account for the year ended 31 March 2005 has been restated for the adoption of FRS 17 (see note 20).

# LONGCLIFFE QUARRIES LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 March 2006

	2006 £'000	Restated 2005 £'000
<b>Profit attributable to the members for the financial year</b>	782,124	604,578
Actuarial gain/(loss) on defined benefit pension scheme	84,000	(196,000)
Movement on deferred tax relating to pension scheme	(25,000)	59,000
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the year</b>	841,124	467,578
	<hr/>	<hr/>
Prior year adjustment	(2,460,000)	-
	<hr/>	<hr/>
<b>Total recognised gains and losses since the last annual report</b>	(1,618,876)	467,578
	<hr/>	<hr/>

The statement of total recognised gains and losses for the year ended 31 March 2005 has been restated for the adoption of FRS17 (see note 20).

# LONGCLIFFE QUARRIES LIMITED

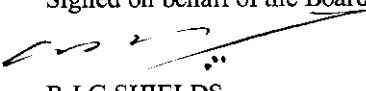
## BALANCE SHEET 31 March 2006

	Note	2006 £	Restated (see note 20) 2005 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	11,897,001	13,092,427
Investments	10	701,498	1,001,498
		<u>12,598,499</u>	<u>14,093,925</u>
<b>CURRENT ASSETS</b>			
Stocks	11	266,374	199,021
Debtors	12	5,242,997	4,146,730
Cash at bank and in hand		100	100
		<u>5,509,471</u>	<u>4,345,851</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(5,429,530)</u>	<u>(4,596,251)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>79,941</u>	<u>(250,400)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,678,440	13,843,525
<b>CREDITORS: amounts falling due after more than one year</b>	14	(3,142,861)	(4,500,942)
<b>PROVISIONS FOR LIABILITIES</b>	16	<u>(1,390,297)</u>	<u>(1,687,583)</u>
<b>NET ASSETS EXCLUDING PENSION DEFICIT</b>		8,145,282	7,655,000
Pension deficit	22	<u>(2,291,000)</u>	<u>(2,460,000)</u>
<b>NET ASSETS INCLUDING PENSION DEFICIT</b>		<u>5,854,282</u>	<u>5,195,000</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	145,474	145,474
Share premium account	18	234,375	234,375
Capital redemption reserve	18	16,493	16,493
Profit and loss account	18	<u>5,457,940</u>	<u>4,798,658</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	18	<u>5,854,282</u>	<u>5,195,000</u>

The balance sheet as at 31 March 2005 has been restated for the adoption of FRS17 and FRS 21 (see note 20).

These financial statements were approved by the Board of Directors on 30th January, 2007

Signed on behalf of the Board of Directors

  
R J G SHIELDS

Director



**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2006**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Depreciation**

Freehold land is not depreciated except the land which is currently being quarried. The cost of fixed assets is depreciated by equal annual instalments over the expected useful lives of the assets as follows:

Land being quarried	Period of extraction
Freehold properties	20-50 years
Plant and equipment	3-15 years

Assets under the course of construction are not depreciated until they are brought into use.

**Investments**

Investments are stated at cost less provision for any impairment in value.

**Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods, cost comprises direct materials and an appropriate proportion of quarry fixed and variable overheads based on normal level of activity.

**Taxation**

The tax expense represents the sum of the corporation tax currently payable and the deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items which are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date

Deferred taxation is accounted for under Financial Reporting Standard 19 ('FRS 19'), 'Deferred tax'. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax assets are only recognised to the extent that it is considered more likely than not that there will be taxable profits against which they will reverse in the reasonably foreseeable future. Deferred tax assets are not discounted.

**Leases and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 1. ACCOUNTING POLICIES (Continued)

#### Pension costs

The defined benefit scheme is accounted for in accordance with FRS17. The pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities of the defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present values of the scheme's liabilities arising from the passage of time are included in other finance income/cost. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

The company also contributes to a defined contribution pension scheme. The costs are charged to the profit and loss account as they accrue.

#### Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on the pilot plant is capitalised when its future value to the business can be regarded as assured. Depreciation on the plant commenced on 1 April 2001 and costs are spread over a period of 15 years.

#### Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. Goodwill amounting to £55,000 has been eliminated against reserves. This goodwill was eliminated as a matter of accounting policy at that time and would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related.

#### Exemption from the obligation to prepare a cash flow statement and group accounts

The company has taken advantage of an exemption from the obligation to prepare group accounts and a cash flow statement, on the grounds that the company is a wholly owned subsidiary of Longcliffe Property Holdings Limited and the financial results, position and cash flows are consolidated in the group financial statements of that company.

### 2. TURNOVER

Turnover comprises the invoice value of goods and services exclusive of VAT and is derived wholly within the United Kingdom from the continuing principal activity of the company.

### 3. OPERATING PROFIT

Operating profit is after charging/(crediting):

	2006 £	2005 £
Research and development expenditure written off	672,343	954,078
Hire of plant and equipment	179,796	111,552
Auditors' remuneration	14,800	15,200
Depreciation		
Owned assets	1,146,350	1,143,294
Leased assets	746,181	595,899
Operating lease rentals		
- Land and buildings	34,250	33,500
(Profit)/loss on disposal of fixed assets	(9,600)	3,137

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006 £	2005 £
<b>Directors' remuneration</b>		
Fees	78,153	77,504
Emoluments	583,552	593,592
Pension contributions	740,403	73,594
	<u>1,402,108</u>	<u>744,690</u>
<b>Remuneration of highest paid director</b>		
Emoluments	403,082	444,713
Pension contributions	29,893	52,393
	<u>432,975</u>	<u>497,106</u>

In addition to the above remuneration, a payment of £700,000 (2005: £Nil) was made to the Longcliffe Quarries (Self-Administered) Pension Plan.

Two of the directors, including the highest paid director, are two of the beneficiaries of this plan, however, it is not possible to apportion this payment between them and other members of the plan.

	2006 No	2005 No
<b>The number of directors who are members of:</b>		
Defined contribution scheme	2	2
Defined benefit scheme	1	1
	<u>3</u>	<u>3</u>
<b>Average number of persons employed</b>		
Management and administration	34	33
Production, distribution and sales	93	92
	<u>127</u>	<u>125</u>
	£	£
<b>Staff costs during the year</b>		
Wages and salaries	3,856,911	3,653,277
Social security costs	366,264	339,320
Other pension costs	1,365,045	839,234
	<u>5,588,220</u>	<u>4,831,831</u>

### 5. INTEREST RECEIVABLE

	2006 £	2005 £
Other interest receivable	<u>1,310</u>	<u>335</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 6. INTEREST PAYABLE

	2006	Restated (see note 20) 2005
	£	£
Bank loan and overdraft	136,026	164,167
Finance and hire purchase leases	201,359	205,570
Net charge on pension scheme	119,000	108,000
	<u>456,385</u>	<u>477,737</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of (credit)/charge in the year	2006	Restated (see note 20) 2005
	£	£
<b>Current tax</b>		
UK corporation tax at 30% (2005: 30%) based on the profit for the year	414,869	110,416
Adjustments in respect of previous year	(17,966)	(14,053)
Utilisation of advance corporation tax	(50,052)	-
Total current tax (note 7b)	<u>346,851</u>	<u>96,363</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(347,338)	(78,442)
Adjustments in respect of previous year	-	1,477
Utilisation of advance corporation tax	50,052	-
Movement in pension deficit	47,983	75,000
	<u>(249,269)</u>	<u>(1,965)</u>
	<u>97,582</u>	<u>94,398</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 7. TAX ON ORDINARY ACTIVITIES (Continued)

#### b) Factors affecting the tax charge for the year

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current year and the previous year are lower than the standard rate for the reasons set out in the following reconciliation.

	2006 £	Restated (see note 20) 2005 £
Profit on ordinary activities before tax	879,706	698,976
Tax on ordinary activities at the standard rate	263,912	209,693
<b>Effects of:</b>		
Expenses not deductible for tax purposes	75,508	18,957
Differences between depreciation and capital allowances	169,740	65,712
Other timing differences	92,271	12,730
Research and development tax credits	(99,388)	(104,252)
Rate difference	-	(3,324)
Group income not taxable	(39,774)	(15,000)
Adjustment in respect of prior year	(17,966)	(14,053)
Utilisation of advance corporation tax	(50,052)	-
Adoption of FRS 17	(47,400)	(74,100)
<b>Total tax for the year (note 7a)</b>	<b>346,851</b>	<b>96,363</b>

### 8. DIVIDENDS

	2006 £	2005 £
Dividend paid of £1.25 (2005: £1.25) per ordinary share	181,842	181,842

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 April 2005	2,719,421	27,163,748	29,883,169
Additions	26,817	685,988	712,805
Disposals	-	(125,342)	(125,342)
At 31 March 2006	<u>2,746,238</u>	<u>27,724,394</u>	<u>30,470,632</u>
<b>Accumulated depreciation</b>			
At 1 April 2005	549,451	16,241,291	16,790,742
Charge for the year	31,728	1,860,803	1,892,531
Disposals	-	(109,642)	(109,642)
At 31 March 2006	<u>581,179</u>	<u>17,992,452</u>	<u>18,573,631</u>
<b>Net book value</b>			
At 31 March 2006	<u>2,165,059</u>	<u>9,731,942</u>	<u>11,897,001</u>
At 31 March 2005	<u>2,169,970</u>	<u>10,922,457</u>	<u>13,092,427</u>

Freehold land and buildings includes land other than that which is currently being quarried amounting to £1,145,321 (2005: £1,125,144).

Plant and machinery includes items held under finance leases and hire purchase contracts at a net book value of £4,743,847 (2005 £4,975,819). The depreciation attributable to these items during the year was £746,181 (2005: £595,899).

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 10. INVESTMENTS

	Loan to subsidiary £	Subsidiary undertaking shares £	Joint venture £	Other investments £	Total £
<b>Cost:</b>					
At 1 April 2005	750,000	307,002	6	490	1,057,498
Additions	-	450,000	-	-	450,000
Transferred to intercompany debtors	(750,000)	-	-	-	(750,000)
At 31 March 2006	-	757,002	6	490	757,498
<b>Provisions:</b>					
At 1 April 2005 and 31 March 2006	-	(56,000)	-	-	(56,000)
<b>Net book amounts:</b>					
At 31 March 2006	-	701,002	6	490	701,498
At 31 March 2005	750,000	251,002	6	490	1,001,498

During the year the company acquired the 100% of the ordinary share capital of Vital Earth (Derby) Limited. Vital Earth (Derby) Limited had been dormant prior to acquisition, and had net assets of £2 upon acquisition.

The company is exempt from the requirements to prepare group accounts, due to it being a subsidiary of Longcliffe Property Holdings Limited, a company which prepares consolidated financial statements.

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

Name of company	Country of registration (or incorporation and operation)	Holding	Proportion of voting rights and share held	Nature of business
<b>Subsidiary undertakings</b>				
Transcycle Limited	England and Wales	Ordinary shares	100%	Waste recycling
Central Technology UK Limited	England and Wales	Ordinary shares	100%	Minerals
Vital Earth (Derby) Limited	England and Wales	Ordinary shares	100%	Recycling/ composting
Avochie Granite Co. Limited	England and Wales	Ordinary shares	100%	Dormant
Longcliffe Lime Company Limited	England and Wales	Ordinary shares	100%	Dormant
Longcliffe Limited	England and Wales	Ordinary shares	100%	Dormant
Longcliffe Industrial Minerals Limited	England and Wales	Ordinary shares	100%	Dormant
Derby Paper Salvage (subsidiary of Transcycle Limited)	England and Wales	Ordinary shares	100%	Dormant
<b>Joint ventures</b>				
Allied Marble and Granite Limited	England and Wales	Ordinary shares	50%	Marble
Hopton Wood Stone Firms Limited	England and Wales	Ordinary shares	50%	Dormant
<b>Other investments</b>				
Vital Earth Group Limited	England and Wales	Ordinary shares	24.1%	Waste recycling

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 2006

### 11. STOCKS

	2006 £	2005 £
Finished goods	88,407	78,197
Consumable goods	177,967	120,824
	<u>266,374</u>	<u>199,021</u>

### 12. DEBTORS

	2006 £	2005 £
Trade debtors	3,660,485	3,230,046
Amounts owed by group undertakings	1,255,803	639,003
Prepayments and accrued income	242,400	178,171
Other debtors	84,309	99,510
	<u>5,242,977</u>	<u>4,146,730</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	(Restated see note 20) 2005 £
Bank loans and overdraft	1,036,518	372,356
Obligations under finance lease and hire purchase contracts	1,190,142	1,356,817
Other loans	22,500	22,500
Trade creditors	1,413,364	1,851,964
Amounts owed to group undertakings	204,364	5,211
Corporation tax	346,868	92,713
Other taxation and social security	815,855	548,384
Other creditors	6,386	37,521
Accruals and deferred income	393,533	308,785
	<u>5,429,530</u>	<u>4,596,251</u>



# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Bank loan	970,208	1,527,708
Obligations under finance lease and hire purchase contracts (see note 15)	2,015,153	2,793,234
Other loans	157,500	180,000
	<u>3,142,861</u>	<u>4,500,942</u>

### 15. BORROWINGS

	2006 £	2005 £
<b>Analysis of repayments on bank borrowings</b>		
In one year or less or on demand	1,036,518	372,356
In more than one year but not more than two	360,833	557,500
In more than two years but not more than five	112,500	435,833
In more than five years	496,875	534,375
	<u>2,006,726</u>	<u>1,900,064</u>
<b>Analysis of repayments of obligations under finance leases and hire purchase contracts</b>		
In one year or less or on demand	1,190,142	1,356,817
In more than one year but not more than two	933,234	1,091,248
In more than two years but not more than five	1,081,919	1,701,986
	<u>3,205,295</u>	<u>4,150,051</u>
<b>Analysis of repayments of other loans</b>		
In one year or less or on demand	22,500	22,500
In more than one year but not more than two	22,500	22,500
In more than two years but not more than five	67,500	67,500
In more than five years	67,500	90,000
	<u>180,000</u>	<u>202,500</u>
<b>Total borrowings including finance leases</b>		
In one year or less or on demand	2,249,160	1,751,673
In more than one year but not more than two	1,316,567	1,671,248
In more than two years but not more than five	1,261,919	2,205,319
In more than five years	564,375	624,375
	<u>5,392,021</u>	<u>6,252,615</u>

The bank overdraft is secured by a fixed charge on the company's debts and a floating charge on the undertaking and assets of the company.

The bank loans are secured by a fixed and floating charge on the company's freehold properties and a floating charge over all assets. The loans are repayable in quarterly instalments and bear interest at 1.50% over LIBOR.

Obligations under finance leases and hire purchase contracts are secured by related leased assets and bear finance charges at normal commercial rates.

Other loans relates to a loan from The Longcliffe Quarries (Self-Administered) Pension Plan (see note 25).

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 2006

### 16. PROVISIONS FOR LIABILITIES

	2006 £	2005 £
<b>Deferred taxation</b>		
Balance at 1 April	1,687,583	1,764,548
Credit for the year	(297,286)	(78,442)
Prior year adjustment	-	1,477
	<u>1,390,297</u>	<u>1,687,583</u>
Balance at 31 March	<u>1,390,297</u>	<u>1,687,583</u>

The amounts of deferred taxation provided and unprovided in the accounts are:

	<b>Provided</b>		<b>Not provided</b>	
	2006 £	2005 £	2006 £	2005 £
Capital allowances in excess of depreciation	1,495,297	1,750,365	-	-
Short term timing differences	(105,000)	(12,730)	-	-
Capital losses	-	-	(16,800)	(16,800)
	<u>1,390,297</u>	<u>1,737,635</u>	<u>(16,800)</u>	<u>(16,800)</u>
Less: unrelieved Advance Corporation Tax	-	(50,052)	-	-
	<u>1,390,297</u>	<u>1,687,583</u>	<u>(16,800)</u>	<u>(16,800)</u>

The unprovided deferred tax asset in respect of capital losses will be recoverable against future capital gains. It has not been provided as there are no planned capital gains in the foreseeable future.

### 17. CALLED UP SHARE CAPITAL

	2006 £	2005 £
<b>Authorised</b>		
150,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
<b>Called up, allotted and fully paid</b>		
145,474 ordinary shares of £1 each	<u>145,474</u>	<u>145,474</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 2006

### 18. RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At beginning of year as previously stated	234,375	16,493	7,076,816	7,327,684
Prior year adjustment - FRS 17	-	-	(2,460,000)	(2,460,000)
Prior year adjustment - FRS 21	-	-	181,842	181,842
	<hr/>	<hr/>	<hr/>	<hr/>
At beginning of the year as restated	234,375	16,493	4,798,658	5,049,526
Profit for the year	-	-	782,124	782,124
Dividends	-	-	(181,842)	(181,842)
Actuarial gain relating to pension scheme	-	-	59,000	59,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	<u>234,375</u>	<u>16,493</u>	<u>5,457,940</u>	<u>5,708,808</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	(Restated see note 20) 2005 £'000
<b>Profit for the financial year</b>	782,124	604,578
Dividends	(181,842)	(181,842)
Other recognised gains and losses relating to the year	59,000	(137,000)
<b>Net increase in shareholders' funds</b>	659,282	285,736
Opening shareholders' funds as previously stated	7,473,158	7,223,422
Prior year adjustment – FRS17(see note 20)	(2,460,000)	(2,496,000)
Prior year adjustment – FRS21(see note 20)	181,842	181,842
Opening shareholders' funds as restated	5,195,000	4,909,264
<b>Closing shareholders' funds</b>	<u>5,854,282</u>	<u>5,195,000</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2006**

**20. PRIOR YEAR ADJUSTMENT**

The full adoption of FRS17 – Retirement Benefits, has required changes in the method of accounting for the surplus of deficit of a defined benefit scheme.

The adoption of FRS21 “Events after the balance sheet date” has required changes in the method of accounting for proposed dividends. Previously the company provided for proposed dividends in the year the dividend was proposed. Dividends are now charged to the profit and loss account in the year that they are paid.

As a result of these changes in accounting policies the comparatives have been restated as follows:

	<b>2005</b>
	<b>£'000</b>
<b>Profit for the financial year</b>	
Other operating charges as reported in 2005	1,946,368
Retirement benefit adoption of FRS17	(355,000)
	<u>1,591,368</u>
<b>2005 administration expenses as restated</b>	
Interest payable and similar charges as reported in 2005	369,737
Retirement benefit adoption of FRS17	108,000
	<u>477,737</u>
<b>2005 interest payable and similar charges restated</b>	
	<u>477,737</u>
<b>Balance sheet</b>	
Adoption of FRS17 - Pension deficit	(2,460,000)
	<u>181,842</u>
Adoption of FRS21 – creditors due within one year	181,842
	<u>181,842</u>
Profit and loss reserve:	
Adoption of FRS17	(2,460,000)
Adoption of FRS21	181,842
	<u>(2,278,158)</u>
<b>Decrease in net assets</b>	<u>(2,278,158)</u>

**21. CAPITAL COMMITMENTS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Contracted but not provided for	<u>76,150</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 2006**

**22. PENSION COMMITMENTS**

The company operates a defined benefit pension scheme which is funded by the payment of contributions to separately administered funds. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was conducted as at 1 April 2004, assuming that the real rate of investment return would be 7.8% per annum and that the real rate of salary increases would average 2% per annum. The pension charge for the year was £611,144 (2005: £752,376). The charge is assessed in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation showed that market value of schemes assets amounted to £5,846,000 and the actuarial value of those assets represented 65% of the benefits that had accrued to members, after allowing for future increases in earnings. In addition, the most recent actuarial valuation showed a deficit of £3,093,000 at the valuation date of 1 April 2004.

The company is committed to providing the necessary funding to ensure the deficit is eliminated.

During the year, the contribution rates for employees were 7% of pensionable salary for staff employees and 5.25% of pensionable salary for works employees. The agreed rate of employee contributions from 1 April 2005 to 10 February 2015 is 7% of pensionable salary for staff employees and 5.25% of pensionable salary for works employees.

The total contribution rate during the year was 15.5% of total pensionable earnings

During the year, the company also made an additional contribution of £386,000.

The agreed contribution for future years is 15.5% of total pensionable salary until 31 March 2008 and 17.1% of total pensionable salary thereafter, increasing at 0.4% of total pensionable salary each year. In addition, the company will make additional contributions of £386,000 per annum for 12 years from 1 April 2005.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2004 and updated by Scottish Widows to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2006. Scheme assets are stated at their market value at 31 March 2006.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

<b>Valuation method</b>	<b>2006 Projected Unit</b>	<b>2005 Projected Unit</b>	<b>2004 Projected Unit</b>	<b>2003 Projected Unit</b>
Discount rate	5.2%	5.7%	5.7%	5.6%
Increase in pensionable salaries	3.8%	4.2%	4.2%	3.8%
Limited price indexation	2.9%	2.8%	2.8%	2.4%
Increase in deferred pensions	5.0%	5.0%	5.0%	5.0%
Inflation assumption	2.9%	2.8%	2.8%	2.4%

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 22. PENSION COMMITMENTS (Continued)

The assets in the scheme and the expected rate of return were:

	Long term expected rate of return	Value at 31 March 2006 £'000	Long term expected rate of return	Value at 31 March 2005 £'000	Long term expected Rate of Return	Value at 31 March 2004 £'000
Equities	7.4%	6,206	7.7%	4,762	8.0%	4,058
Bonds	4.6%	1,813	4.9%	1,567	4.9%	1,358
Other	4.6%	910	4.9%	710	4.9%	447
Total market value of assets		8,929		7,039		5,863
Present value of scheme liabilities		(12,202)		(10,554)		(9,429)
Deficit in the scheme		(3,273)		(3,515)		(3,566)
Related deferred tax asset		982		1,055		1,070
<b>Net pension deficit</b>		<b>(2,291)</b>		<b>(2,460)</b>		<b>(2,496)</b>

	2006 £'000	2005 £'000
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	390	448
<b>Total operating charge</b>	<b>390</b>	<b>448</b>
<b>Analysis of the amount charged/(credited) to other finance income</b>		
Expected return on assets	483	429
Interest on liabilities	(602)	(537)
<b>Net charge</b>	<b>(119)</b>	<b>(108)</b>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 2006

### 22. PENSION COMMITMENTS (Continued)

	2006 £'000	2005 £'000
<b>Movement in deficit during the year</b>		
Deficit at beginning of the year	(3,515)	(3,566)
Current service cost	(390)	(448)
Contribution	667	803
Net return from other finance income	(119)	(108)
Actuarial gain/(loss) in STRGL	84	(196)
<b>Deficit at the end of the year</b>	<b>(3,273)</b>	<b>(3,515)</b>

<b>Analysis of the amounts recognised in statement of total recognised gains and losses (STRGL)</b>	2006 £'000	2005 £'000
Actual return less expected return on assets	1,277	270
Experience gains on the liabilities	(131)	268
Change in assumptions	(1,062)	(734)
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>84</b>	<b>(196)</b>

<b>History of experience gains and losses</b>	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the actual and expected return on assets (£'000)	1,277	270	672	(1,796)
- as % of scheme assets	14%	4%	11%	(40)%
Experience gains on liabilities (£'000)	(131)	268	233	4
- as % of liabilities	1%	3%	2%	0%
Total amount recognised in STRGL (£'000)	84	(196)	833	(1,978)
- as % of liabilities	1%	(2%)	9%	(22)%

The directors are of the opinion that the actuarial valuation provides a more accurate reflection of the pension scheme deficit than the valuation performed for FRS 17 purposes. The valuation for FRS 17 purposes uses a more stringent set of assumptions that the directors do not consider to be representative of the actual position.

The company also operates two defined contribution pension schemes, the assets being held separate from the company in independently administered funds. The employer contributions are charged direct to the profit and loss account and amounted to £753,791 (2005: £79,599).



# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 23. CONTINGENT LIABILITIES AND CHARGES

The company is party to a banking arrangement with a number of group companies. The maximum contingent liability under this guarantee is £Nil (2005: £397,569).

### 24. FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Leases which expire:				
Within one year	-	-	-	-
Within 2 to 5 years	75,000	75,000	-	-
After more than 5 years	10,000	8,500	-	-
	<u>85,000</u>	<u>83,500</u>	<u>-</u>	<u>-</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 2006

### 25. RELATED PARTY TRANSACTIONS

#### Trading transactions

The company is a wholly owned subsidiary of Longcliffe Property Holdings Limited. Longcliffe Property Holdings Limited has prepared consolidated financial statements for the year ended 31 March 2006 and therefore, the company has relied on the exemptions contained within Financial Reporting Standard 8 in respect of the disclosure of related party transactions.

Costs of £358,113 (2005: £316,397) relating to the development of a quarry leased by Longcliffe Quarries Limited have been incurred by R J G Shields trading as Avochie Estate and recharged to the company. Of this amount, £68,024 (2005 £40,090) is still outstanding at the year end.

Costs of £ 30,250 (2005: £30,250) relating to Avochie Quarry leased from JFG Shields. Of this amount, £Nil (2005: £5,250) is still outstanding at the year end.

Sales from Longcliffe Quarries Limited to Allied Marble and Granite Limited during the year ended 31 March 2006 amounted to £13,861 (2005: £16,914).

#### Pension plan transactions

During the year, a lump sum payment of £700,000 (2005: £Nil) was made to The Longcliffe Quarries (Self-Administered) Pension Plan. This is a private pension plan, of which R J G Shields, J F G Shields (both directors), A M L Shields (wife of R J G Shields) and E S G Shields (daughter of R J G Shields) are the beneficiaries.

On 30 March 2004, The Longcliffe Quarries Limited (Self-Administered) Pension Plan, made a loan of £225,000 to Longcliffe Quarries Limited.

The loan liability at the year end was £180,000 (2005: £202,500).

Interest of £14,555 (2005: £16,137) was paid to the plan during the year.

The loan is repayable in equal monthly instalments over 10 years. The interest charged on the loan is 3% per annum over the base rate, payable annually. The loan is unsecured and is disclosed under 'other loans' within creditors (see notes 13 and 14).

Rental charges of £48,000 (2005: £13,054) were paid in the year to The Longcliffe Quarries (Self-Administered) Pension Plan in relation to the rental of land.

### 26. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent undertaking of the company is Longcliffe Property Holdings Limited, a company registered in England and Wales. Copies of the accounts of this company can be obtained from Longcliffe Quarries Limited, Brassington, Matlock, Derbyshire, DE4 4BZ.

Longcliffe Property Holdings Limited is controlled by RJG Shields and members of his immediate family.