

LONGCLIFFE QUARRIES LIMITED

Report and Financial Statements

31 March 2007

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LONGCLIFFE QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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LONGCLIFFE QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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 2007

ACTIVITIES

The principal activity of the company has continued to be the extraction of minerals, producing high purity calcium carbonate products for a number of industrial applications

As shown in the profit and loss account both sales and the profit on ordinary activities, before taxation, increased by 5% and 250% 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 £879,706 to £3,079,188. The company's financial position and cash flow at the year end and has strengthened in line with the profit generated during the year

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 £2,304,430 (2006 £782,124)

A dividend of £1.25 per share (2006 £1.25 per share) has been paid during the year. Retained profits of £2,122,588 (2006 £600,282) have been taken to reserves

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 2007	1 April 2006
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. 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 £50,383 (2006 £43,513). Political donations amounting to £1,725 (2006 £3,000) were made during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LONGCLIFFE QUARRIES LIMITED

DIRECTORS' REPORT

AUDITORS

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

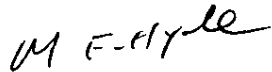
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(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 the 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 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 24. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Nottingham, United Kingdom

31st January 2008

LONGCLIFFE QUARRIES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2007

	Note	2007 £	2006 £
Turnover	2	18,530,606	17,624,077
Changes in stocks of finished goods		(18,364)	3,611
Other operating income		248,573	119,324
Raw materials and consumables		(1,531,068)	(1,525,964)
Other external charges		(4,901,244)	(5,818,301)
Staff costs	4	(5,783,474)	(5,588,220)
Depreciation and other amounts written off tangible fixed assets	9	(1,767,742)	(1,892,531)
Other operating charges		(1,570,933)	(1,717,215)
OPERATING PROFIT	3	3,206,354	1,204,781
Income from shares in group undertakings		220,000	130,000
Interest receivable and similar income	5	8,476	1,310
Interest payable and similar charges	6	(355,642)	(456,385)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,079,188	879,706
Tax on profit on ordinary activities	7	(774,758)	(97,582)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	2,304,430	782,124

All activities are derived from continuing operations

LONGCLIFFE QUARRIES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2007

	2007 £	2006 £'000
Profit attributable to the members for the financial year	2,304,430	782,124
Actuarial gain on defined benefit pension scheme	766,000	84,000
Movement on deferred tax relating to pension scheme	(230,000)	(25,000)
Total recognised gains and losses since the last annual report	<u>2,840,430</u>	<u>841,124</u>

LONGCLIFFE QUARRIES LIMITED

BALANCE SHEET

31 March 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible fixed assets	9	11,235,289	11,897,001
Investments	10	1,279,548	701,498
		<u>12,514,837</u>	<u>12,598,499</u>
CURRENT ASSETS			
Stocks	11	211,237	266,374
Debtors	12	6,069,739	5,242,997
Cash at bank and in hand		196,417	100
		<u>6,477,393</u>	<u>5,509,471</u>
CREDITORS amounts falling due within one year	13	(4,774,680)	(5,429,530)
NET CURRENT ASSETS		<u>1,702,713</u>	<u>79,941</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,217,550	12,678,440
CREDITORS amounts falling due after more than one year	14	(2,749,241)	(3,142,861)
PROVISIONS FOR LIABILITIES	16	(1,493,439)	(1,390,297)
NET ASSETS EXCLUDING PENSION DEFICIT		9,974,870	8,145,282
Pension deficit	21	(1,462,000)	(2,291,000)
NET ASSETS INCLUDING PENSION DEFICIT		<u>8,512,870</u>	<u>5,854,282</u>
CAPITAL AND RESERVES			
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	8,116,528	5,457,940
TOTAL SHAREHOLDERS' FUNDS	19	<u>8,512,870</u>	<u>5,854,282</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

30th January, 2008



R J G SHIELDS

Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

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 substantively 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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

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.

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.

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

3. OPERATING PROFIT

Operating profit is after charging/(crediting)

	2007 £	2006 £
Research and development expenditure written off	568,944	672,343
Hire of plant and equipment	70,541	179,796
Auditors' remuneration – audit fees	16,200	14,800
-non audit fees	5,500	5,000
Depreciation		
Owned assets	1,165,573	1,146,350
Leased assets	602,169	746,181
Operating lease rentals		
- Land and buildings	82,815	34,250
Profit on disposal of fixed assets	(73,171)	(9,600)

Auditors remuneration for audit fees represents fees payable to the company's auditors for the audit of the company's annual accounts

The non-audit services in the current and prior year are other services relating to taxation

Fees payable to the company's auditors and their associates in respect of associated pension schemes audited totalled £1,900 (2006 £1,900)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007 £	2006 £
Directors' remuneration		
Fees	80,450	78,153
Emoluments	650,637	583,552
Pension contributions	53,685	740,403
	<u>784,772</u>	<u>1,402,108</u>
Remuneration of highest paid director		
Emoluments	442,719	403,082
Pension contributions	42,850	29,893
	<u>485,569</u>	<u>432,975</u>

In addition to the above remuneration, a payment of £Nil (2006 £700,000) 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

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2007 No	2006 No
The number of directors who are members of:		
Defined contribution scheme	2	2
Defined benefit scheme	1	1
	<u>3</u>	<u>3</u>
Average number of persons employed		
Management and administration	38	34
Production, distribution and sales	96	93
	<u>134</u>	<u>127</u>
	£	£
Staff costs during the year		
Wages and salaries	4,362,831	3,856,911
Social security costs	430,147	366,264
Other pension costs	990,496	1,365,045
	<u>5,783,474</u>	<u>5,588,220</u>

5. INTEREST RECEIVABLE

	2007 £	2006 £
Bank and other interest receivable	<u>8,476</u>	<u>1,310</u>

6. INTEREST PAYABLE

	2007 £	2006 £
Bank loan and overdraft	165,847	136,026
Finance and hire purchase leases	159,795	201,359
Net charge on pension scheme	30,000	119,000
	<u>355,642</u>	<u>456,385</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
a) Analysis of charge for the year		
Current tax		
UK corporation tax at 30% (2006 30%) based on the profit for the year	694,685	414,869
Adjustments in respect of previous year	(123,227)	(17,966)
Utilisation of advance corporation tax	(25,842)	(50,052)
Total current tax (note 7b)	545,616	346,851
Deferred tax		
Origination and reversal of timing differences	(15,821)	(347,338)
Adjustments in respect of previous year	93,121	-
Utilisation of advance corporation tax	25,842	50,052
Movement in pension deficit	126,000	48,017
	229,142	(249,269)
Total current year tax	774,758	97,582

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% (2006 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

	2007 £	2006 £
Profit on ordinary activities before tax	3,079,188	879,706
Tax on ordinary activities at the standard rate	923,756	263,912
Effects of		
Expenses not deductible for tax purposes	33,720	75,508
Differences between depreciation and capital allowances	119,780	169,740
Other timing differences	(230,958)	44,871
Research and development tax credits	(85,613)	(99,388)
Group income not taxable	(66,000)	(39,774)
Adjustment in respect of prior year	(123,227)	(17,966)
Utilisation of advance corporation tax	(25,842)	(50,052)
Total tax for the year (note 7a)	545,616	346,851

In March 2007, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation has been substantively enacted in July 2007. As a result of this change the deferred tax assets and liabilities, currently stated at 30% of the temporary differences, will be restated at 28% of these amounts. In addition the effective tax rate for the period to 31 March 2009 is expected to reduce accordingly.

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2007

8. DIVIDENDS

	2007 £	2006 £
Dividend paid of £1 25 (2006 £1 25) per ordinary share	<u>181,842</u>	<u>181,842</u>

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 April 2006	2,746,238	27,724,394	30,470,632
Additions	99,370	1,157,075	1,256,445
Disposals	(124,296)	(472,223)	(596,519)
At 31 March 2007	<u>2,721,312</u>	<u>28,409,246</u>	<u>31,130,558</u>
Accumulated depreciation			
At 1 April 2006	581,179	17,992,452	18,573,631
Charge for the year	28,855	1,738,887	1,767,742
Disposals	(9,984)	(436,120)	(446,104)
At 31 March 2007	<u>600,050</u>	<u>19,295,219</u>	<u>19,895,269</u>
Net book value			
At 31 March 2007	<u>2,121,262</u>	<u>9,114,027</u>	<u>11,235,289</u>
At 31 March 2006	<u>2,165,059</u>	<u>9,731,942</u>	<u>11,897,001</u>

Freehold land and buildings includes land other than that which is currently being quarried amounting to £1,145,321 (2006 £1,145,321)

Plant and machinery includes items held under finance leases and hire purchase contracts at a net book value of £4,026,300 (2006 £4,743,847) The depreciation attributable to these items during the year was £602,169 (2006 £746,181)

Plant and machinery includes £148,000 (2006 £292,000) of assets under construction that are not yet being depreciated

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2007

10 INVESTMENTS

	Subsidiary undertaking shares £	Joint venture £	Other investments £	Total £
Cost				
At 1 April 2006	757,002	6	490	757,498
Additions	550,050	-	28,000	578,050
At 31 March 2007	1,307,052	6	28,490	1,335,548
Provisions				
At 1 April 2006 and 31 March 2007	56,000	-	-	56,000
Net book amounts:				
At 31 March 2007	1,251,052	6	28,490	1,279,548
At 31 March 2006	701,002	6	490	701,498

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
Subsidiary undertakings				
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
Vital Earth (Sutton) Ltd	England and Wales	Ordinary shares	49%	Recycling/ Composting
Vital Earth Ltd	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
Joint ventures				
Allied Marble and Granite Limited	England and Wales	Ordinary shares	50%	Marble
Hopton Wood Stone Firms Limited	England and Wales	Ordinary shares	50%	Dormant
Other investments				
Vital Earth Group Limited	England and Wales	Ordinary shares	24.1%	Waste recycling

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

11 STOCKS

	2007 £	2006 £
Finished goods	71,500	88,407
Consumable goods	139,737	177,967
	<u>211,237</u>	<u>266,374</u>

12. DEBTORS

	2007 £	2006 £
Trade debtors	3,648,463	3,660,485
Amounts owed by group undertakings	2,010,151	1,255,803
Prepayments and accrued income	260,547	242,400
Corporation tax	115,578	-
Other debtors	35,000	84,309
	<u>6,069,739</u>	<u>5,242,997</u>
All amounts fall due within one year		

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Bank loans and overdraft	532,500	1,036,518
Obligations under finance lease and hire purchase contracts	1,030,356	1,190,142
Other loans	133,929	22,500
Trade creditors	1,533,429	1,413,364
Amounts owed to group undertakings	294,424	204,364
Corporation tax	-	346,868
Other taxation and social security	750,847	815,855
Other creditors	7,944	6,386
Accruals and deferred income	491,251	393,533
	<u>4,774,680</u>	<u>5,429,530</u>

14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Bank loan	697,708	970,208
Obligations under finance lease and hire purchase contracts (see note 15)	1,350,105	2,015,153
Other loans	701,428	157,500
	<u>2,749,241</u>	<u>3,142,861</u>

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

15. BORROWINGS

	2007 £	2006 £
Analysis of repayments on bank borrowings		
In one year or less or on demand	532,500	1,036,518
In more than one year but not more than two	125,833	360,833
In more than two years but not more than five	112,500	112,500
In more than five years	459,375	496,875
	<u>1,230,208</u>	<u>2,006,726</u>
Analysis of repayments of obligations under finance leases and hire purchase contracts		
In one year or less or on demand	1,030,356	1,190,142
In more than one year but not more than two	755,207	933,234
In more than two years but not more than five	594,898	1,081,919
	<u>2,380,461</u>	<u>3,205,295</u>
Analysis of repayments of other loans		
In one year or less or on demand	133,929	22,500
In more than one year but not more than two	133,929	22,500
In more than two years but not more than five	401,786	67,500
In more than five years	165,713	67,500
	<u>835,357</u>	<u>180,000</u>
Total borrowings including finance leases		
In one year or less or on demand	1,696,785	2,249,160
In more than one year but not more than two	1,014,969	1,316,567
In more than two years but not more than five	1,109,184	1,261,919
In more than five years	625,088	564,375
	<u>4,446,026</u>	<u>5,392,021</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 23)

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

16. PROVISIONS FOR LIABILITIES

	2007 £	2006 £
Deferred taxation		
Balance at 1 April	1,390,297	1,687,583
Charge/(credit) for the year	10,021	(297,286)
Prior year adjustment	93,121	-
Balance at 31 March	<u>1,493,439</u>	<u>1,390,297</u>

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

	Provided		Not provided	
	2007 £	2006 £	2007 £	2006 £
Capital allowances in excess of depreciation	1,494,481	1,495,297	-	-
Short term timing differences	(1,042)	(105,000)	-	-
Capital losses	-	-	(20,233)	(16,800)
	<u>1,493,439</u>	<u>1,390,297</u>	<u>(20,233)</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

	2007 £	2006 £
Authorised		
150,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
Called up, allotted and fully paid		
145,474 ordinary shares of £1 each	<u>145,474</u>	<u>145,474</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

18 RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At beginning of year	234,375	16,493	5,457,940	5,708,808
Profit for the year	-	-	2,304,430	2,304,430
Dividends	-	-	(181,842)	(181,842)
Actuarial gain relating to pension scheme	-	-	536,000	536,000
	<u>234,375</u>	<u>16,493</u>	<u>8,116,528</u>	<u>8,367,396</u>
At 31 March 2007	<u>234,375</u>	<u>16,493</u>	<u>8,116,528</u>	<u>8,367,396</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £'000
Profit for the financial year	2,304,430	782,124
Dividends	(181,842)	(181,842)
Other recognised gains and losses relating to the year	536,000	59,000
	<u>2,658,588</u>	<u>659,282</u>
Net increase in shareholders' funds	2,658,588	659,282
Opening shareholders' funds	5,854,282	5,195,000
	<u>8,512,870</u>	<u>5,854,282</u>
Closing shareholders' funds	<u>8,512,870</u>	<u>5,854,282</u>

20. CAPITAL COMMITMENTS

	2007 £	2006 £
Contracted but not provided for	<u>692,029</u>	<u>76,150</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2007

21 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 £911,884 (2006 £611,144). 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 £686,000 (2006 £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 2007. Scheme assets are stated at their market value at 31 March 2007.

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

Valuation method	2007 Projected Unit	2006 Projected Unit	2005 Projected Unit	2004 Projected Unit
Discount rate	5.6%	5.2%	5.7%	5.7%
Increase in pensionable salaries	4.0%	3.8%	4.2%	4.2%
Limited price indexation	3.1%	2.9%	2.8%	2.8%
Increase in deferred pensions	3.1%	5.0%	5.0%	5.0%
Inflation assumption	3.1%	2.9%	2.8%	2.8%

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

21. 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 2007 £'000	Long term expected rate of return	Value at 31 March 2006 £'000	Long term expected Rate of Return	Value at 31 March 2005 £'000
Equities	7.8%	6,919	7.4%	6,206	7.7%	4,762
Bonds	5.0%	2,211	4.6%	1,813	4.9%	1,567
Other	5.0%	1,102	4.6%	910	4.9%	710
Total market value of assets		10,232		8,929		7,039
Present value of scheme liabilities		(12,320)		(12,202)		(10,554)
Deficit in the scheme		(2,088)		(3,273)		(3,515)
Related deferred tax asset		626		982		1,055
Net pension deficit		(1,462)		(2,291)		(2,460)

	2007 £'000	2006 £'000
Analysis of amounts charged to operating profit		
Current service cost	421	390
Total operating charge	421	390
Analysis of the amount charged/(credited) to other finance income		
Expected return on assets	605	483
Interest on liabilities	(635)	(602)
Net charge	(30)	(119)

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

21. PENSION COMMITMENTS (Continued)

	2007 £'000	2006 £'000
Movement in deficit during the year		
Deficit at beginning of the year	(3,273)	(3,515)
Current service cost	(421)	(390)
Contribution	870	667
Net return from other finance income	(30)	(119)
Actuarial gain in STRGL	766	84
Deficit at the end of the year	(2,088)	(3,273)

Analysis of the amounts recognised in statement of total recognised gains and losses (STRGL)	2007 £'000	2006 £'000
Actual return less expected return on assets	47	1,277
Experience gains on the liabilities	(13)	(131)
Change in assumptions	732	(1,062)
Actuarial gain recognised in STRGL	766	84

History of experience gains and losses	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the actual and expected return on assets (£'000)	47	1,277	270	672
- as % of scheme assets	0%	14%	4%	11%
Experience gains on liabilities (£'000)	(13)	(131)	268	233
- as % of liabilities	0%	1%	3%	2%
Total amount recognised in STRGL (£'000)	766	84	(196)	833
- as % of liabilities	6%	1%	(2%)	9%

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 £78,612 (2006 £753,791).

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

22. FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Leases which expire				
Within 2 to 5 years	75,000	75,000	-	-
After more than 5 years	-	10,000	-	-
	<u>75,000</u>	<u>85,000</u>	<u>-</u>	<u>-</u>

23. 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 2007 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 £370,871 (2006 £358,113) 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, £75,299 (2006 £68,024) is still outstanding at the year end.

Costs of £30,250 (2006 £30,250) relating to Avochie Quarry leased from JFG Shields. Of this amount, £1,312 (2006 £Nil) is still outstanding at the year end.

Sales from Longcliffe Quarries Limited to Allied Marble and Granite Limited during the year ended 31 March 2007 amounted to £15,099 (2006 £13,861).

Pension plan transactions

During the year, a lump sum payment of £Nil (2006 £700,000) 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. Rental charges of £41,500 (2006 £48,000) were paid in the year to The Longcliffe Quarries (Self-Administered) Pension Plan in relation to the rental of land.

The Longcliffe Quarries Limited (Self-Administered) Pension Plan has made two loans to Longcliffe Quarries Limited. The aggregate liability at the year end was £835,357 (2006 £180,000).

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 £157,500 (2006 £180,000).

Aggregate interest of £68,648 (2006 £14,555) was paid to the plan during the year.

The loans are repayable in equal monthly instalments. The interest charged on the loans 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).

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

24 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.

ADDITIONAL INFORMATION

The additional information on pages 26 - 27 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

LONGCLIFFE QUARRIES LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT Year ended 31 March 2007

	2007 £	2006 £
SALES	17,903,780	17,043,469
Aggregate levy	626,970	580,620
Less Discount allowable	(144)	(12)
	<u>18,530,606</u>	<u>17,624,077</u>
COST OF SALES		
Stock at 1 April	77,102	73,491
Purchases		
Materials for resale	135,598	254,173
Fuel and power	1,031,945	976,194
Oil and lubricants	28,076	20,769
Sacks	192,762	178,494
Powder and explosives	105,959	96,334
	<u>1,571,442</u>	<u>1,599,455</u>
Less stock at 31 March	(58,738)	(77,102)
	<u>1,512,704</u>	<u>1,522,353</u>
Wages and national insurance	2,231,237	2,089,168
Carriage outwards	2,001,223	1,892,251
Motor expenses	1,688,753	1,546,754
Repairs and maintenance	932,377	1,469,132
Excavation and plant hire	70,541	179,796
Aggregate levy	626,970	580,620
Royalties payable	19,244	13,930
Lease re Etches land	11,136	10,747
	<u>7,581,481</u>	<u>7,782,398</u>
Depreciation		
Quarry land and buildings	5,652	10,644
Fixed plant	979,004	1,124,242
Quarry mobile plant	259,821	266,737
Motor lorries	346,903	336,449
	<u>1,591,380</u>	<u>1,738,072</u>
	<u>(10,685,565)</u>	<u>(11,042,823)</u>
GROSS PROFIT 42.4% (2006: 37.3%)	<u>7,845,041</u>	<u>6,581,254</u>
ADMINISTRATION AND SELLING EXPENSES (page 27)	<u>(5,336,260)</u>	<u>(5,772,797)</u>
	2,508,781	808,457
OTHER INCOME (page 27)	248,573	119,324
NET INTEREST PAYABLE	(317,166)	(336,075)
Dividend from Central Technology UK Limited	220,000	130,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>2,660,188</u>	<u>721,706</u>

LONGCLIFFE QUARRIES LIMITED

ADMINISTRATION AND SELLING EXPENSES

Year ended 31 March 2007

	2007 £	2006 £
Salaries and national insurance	1,674,437	1,298,223
Pension and retirement benefit schemes	903,449	551,955
Pension scheme (CIMP)	33,362	72,577
Commission	3,658	3,878
Travelling expenses	28,674	26,106
Rent and rates	260,659	269,355
Insurance	155,185	142,166
Bank charges	26,525	26,727
Telephone	40,352	37,812
Stationery	17,456	21,255
Advertising	81,088	90,191
Postage	10,067	10,527
Cleaning	24,009	19,195
Subscriptions and donations	66,583	128,785
Sundry expenses	104,850	139,162
Bad debts	14,131	38,805
Depreciation		
Freehold houses	23,203	21,084
Fixtures and office equipment	60,483	53,943
Motor cars	92,676	79,432
Professional charges	677,714	646,702
Auditors' remuneration	16,200	14,800
Directors' emoluments		
Fees	80,450	78,153
Management	650,637	583,552
Pension	53,685	740,403
Research and development	568,944	672,343
Recharge to Transcycle Limited (salaries)	(126,569)	(104,344)
Recharge to Vital Earth (Derby) Limited (salaries)	(205,648)	-
Write-off of loan	-	110,010
	<u>5,336,260</u>	<u>5,772,797</u>
OTHER INCOME		
Contract farming - income	8,997	9,666
- costs	-	(608)
	<u>8,997</u>	<u>9,058</u>
Management charge		
Central Technology UK Limited	85,560	64,745
Vital Earth (Derby) Ltd	39,739	-
Vital Earth (Sutton) Ltd	11,156	-
Surplus on disposal of fixed assets	73,171	9,600
Rent	25,994	34,275
Grass feeding	1,020	1,646
Sale of scrap	2,500	-
Income from Woodlands timber	436	-
	<u>248,573</u>	<u>119,324</u>