

**LONGCLIFFE QUARRIES LIMITED**

**Report and Financial Statements**

**Year ended 31 March 2012**



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# **LONGCLIFFE QUARRIES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

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# **LONGCLIFFE QUARRIES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R J G Shields (Chairman)  
P J Gillatt  
A V Dearden  
P J Fothergill  
M Barkley  
I Gorbould  
J F G Shields

#### **COMPANY SECRETARY**

I Gorbould

#### **SOLICITORS**

Herbert Smith  
Exchange House  
Primrose Street  
London  
EC2A 2HS

#### **REGISTERED OFFICE**

Longcliffe  
Brassington  
Matlock  
Derbyshire  
DE4 4BZ

#### **BANKERS**

HSBC Plc  
Matlock  
Derbyshire

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

# **LONGCLIFFE QUARRIES LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 March 2012

### **PRINCIPAL 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

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company had another profitable year, recording profits on ordinary activities before taxation of £1,342,885 (2011 £1,189,070)

The company's financial position reflects the difficult trading year, due to the economic climate and the exceptionally high energy costs. Despite this the company's financial and cash flow position remain strong and the directors are confident about the future trading prospects and its strategic direction.

The progress of the business has continued to be supported by significant investment in both capital expenditure and research and development.

### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £975,389 (2011 £842,637)

A dividend of £90,921 (2011 £Nil) has been paid during the year.

### **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**

The directors who served during the year and subsequently to the date of this report were as follows:

R J G Shields (Chairman)  
P J Gillatt  
A V Dearden  
P J Fothergill  
M Barkley  
I Gorbould  
J P G Shields

# **LONGCLIFFE QUARRIES LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **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.

The company has some exposure to interest rate fluctuations with bank borrowings being based on variable rates. However, the company enters into interest rate swaps in order to mitigate this risk to some degree. The directors consider that the company's banking facilities are adequate going forward. Short-term flexibility is achieved by overdraft facilities.

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. Debtors are stated net of provision.

The company has no overseas transactions and therefore has no currency risk.

From the Balance Sheet date to the date of this report, the directors have considered the trading position of the company, along with future cash flow forecasts, and see no reason why the company will not be able to operate within the existing bank facility. The bank facility is due for renewal in December 2012 and through ongoing discussions with the bank the directors are confident this facility will be renewed.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### **CHARITABLE AND POLITICAL DONATIONS**

The company has made charitable donations of £32,343 (2011 £27,012). Political donations amounting to £Nil (2011 £Nil) were made during the year.

### **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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# **LONGCLIFFE QUARRIES LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **AUDITOR**

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 auditor is 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 auditor is aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditor of the company. A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

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



I GORBOULD  
Company Secretary

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

We have audited the financial statements of Longcliffe Quarries Limited for the year ended 31 March 2012 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. 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 the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 March 2012 and of its profit 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 other matter prescribed by the Companies Act 2006**

In our opinion the information given 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.



Mark Doleman FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, United Kingdom

3 August 2012

# LONGCLIFFE QUARRIES LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2012

	Note	2012 £	2011 £
Turnover	2	21,441,154	20,156,005
Cost of sales		(14,741,787)	(13,235,796)
<b>GROSS PROFIT</b>		<u>6,699,367</u>	<u>6,920,209</u>
Administrative expenses		(4,955,021)	(5,363,038)
<b>OPERATING PROFIT</b>	3	<u>1,744,346</u>	<u>1,557,171</u>
Income from shares in group undertakings		-	75,610
Net Interest payable and similar charges	5	(401,461)	(443,711)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1,342,885</u>	<u>1,189,070</u>
Tax on profit on ordinary activities	6	(367,496)	(346,433)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	17,18	<u><u>975,389</u></u>	<u><u>842,637</u></u>

All activities are derived from continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 March 2012

	2012 £	2011 £
Profit attributable to the members for the financial year	975,389	842,637
Actuarial (loss)/gain on defined benefit pension scheme (note 20)	(1,760,000)	1,152,000
Movement on deferred tax relating to pension scheme (note 20)	422,000	(311,000)
<b>Total recognised gains and losses since the last annual report</b>	<u><u>(362,611)</u></u>	<u><u>1,683,637</u></u>



# LONGCLIFFE QUARRIES LIMITED

## BALANCE SHEET 31 March 2012

	Note	2012 £	2011 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	11,604,426	12,552,209
Investments	9	2,824,173	2,821,007
		<u>14,428,599</u>	<u>15,373,216</u>
<b>CURRENT ASSETS</b>			
Stocks	10	333,766	318,822
Debtors	11	7,411,990	6,614,514
Cash at bank and in hand		207,789	1,007
		<u>7,953,545</u>	<u>6,934,343</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(5,883,282)</u>	<u>(5,075,177)</u>
<b>NET CURRENT ASSETS</b>		<u>2,070,263</u>	<u>1,859,166</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		16,498,862	17,232,382
<b>CREDITORS: amounts falling due after more than one year</b>	13	(2,837,219)	(3,866,961)
<b>PROVISIONS FOR LIABILITIES</b>	15	<u>(811,037)</u>	<u>(1,050,283)</u>
<b>NET ASSETS EXCLUDING PENSION DEFICIT</b>		12,850,606	12,315,138
Pension deficit	20	<u>(3,288,000)</u>	<u>(2,299,000)</u>
<b>NET ASSETS INCLUDING PENSION DEFICIT</b>		<u>9,562,606</u>	<u>10,016,138</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	145,474	145,474
Share premium account	17	234,375	234,375
Capital redemption reserve	17	16,493	16,493
Profit and loss account	17	9,166,264	9,619,796
<b>SHAREHOLDERS' FUNDS</b>	18	<u>9,562,606</u>	<u>10,016,138</u>

These financial statements of Longcliffe Quarries Limited (registered number 273400) were approved by the board of directors and authorised for issue on *2nd August 2012*

They were signed on its behalf by



R J G SHIELDS

Director

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are described below and have been applied consistently in both the current year and prior year.

The company's financial statements present information about it as an individual undertaking and not about its group. The company has taken advantage of the exemption granted by s400 of the Companies Act 2006 from the requirement to prepare group financial statements.

#### Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis after due consideration of the principal risks and uncertainties as disclosed in the report to the directors, and in accordance with the Companies Act 2006.

#### Going Concern

From the Balance Sheet date to the date of this report, the directors have considered the trading position of the company, along with future cash flow forecasts and see no reason why the company will not be able to operate within the existing bank facility. The bank facility is due for renewal in December 2012 and through ongoing discussions with the bank the directors are confident this facility will be renewed.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### Tangible Fixed Assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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:

Freehold Land	Land is not depreciated
Freehold properties	20-50 years
Plant and machinery	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

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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.

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2012

### 1. ACCOUNTING POLICIES (Continued)

#### Taxation (continued)

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.

#### Leases and hire purchase commitments

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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 contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on the plant for research and development purposes is capitalised when its future value to the business can be regarded as assured.

#### 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 Group Limited and the financial results, position and cash flows are consolidated in the group financial statements of that company.

#### Derivative financial instruments

The company uses forward contracts to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes.

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 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. Income is recognised at the point of delivery of goods.

### 3. OPERATING PROFIT

Operating profit is after charging

	2012 £	2011 £
Research and development		
- current year expenditure	456,619	527,978
Auditor's remuneration		
- fees payable to the Company's auditor for the audit of the Company's financial statements	17,400	17,560
- non-audit fees payable for tax services	27,770	10,650
- fees payable to the Company's auditor and their associates in respect of associated pension schemes	2,950	2,950
Depreciation of tangible fixed assets		
- owned	1,001,860	1,313,849
- held under finance leases and hire purchase contracts	788,187	527,219
Hire of plant and equipment	398,582	273,591
Operating lease rentals		
- Land and buildings	161,631	111,631
Loss on disposal of fixed assets	31,459	941

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £	2011 £
<b>Directors' remuneration</b>		
Fees	15,000	92,544
Emoluments	1,034,987	984,849
Pension contributions	249,963	221,881
	<u>1,299,950</u>	<u>1,299,274</u>
<b>Remuneration of highest paid director</b>		
Emoluments	<u>199,291</u>	<u>240,642</u>

Within the above remuneration, payments totalling £287,500 (2011 £187,500) were 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. Since March 2008 no further payments have been made to the defined benefit scheme in respect of R J G Shields.

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2012

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2012 Number	2011 Number
<b>The number of directors who are members of:</b>		
Defined contribution scheme	4	6
Defined benefit scheme	-	-
	<u>4</u>	<u>6</u>

The number of directors who were members of the defined contribution scheme in the prior year includes one director who resigned during the prior year

	2012 Number	2011 Number
<b>Average number of persons employed</b>		
Management and administration	44	39
Production, distribution and sales	105	104
	<u>149</u>	<u>143</u>

	£	£
<b>Staff costs during the year</b>		
Wages and salaries	5,011,948	4,737,091
Social security costs	531,260	499,983
Other pension costs	504,342	557,185
	<u>6,047,550</u>	<u>5,794,259</u>

### 5 INTEREST PAYABLE

	2012 £	2011 £
Loans and bank overdraft	249,157	215,081
Finance and hire purchase leases	60,304	66,630
Net charge on pension scheme	92,000	162,000
	<u>401,461</u>	<u>443,711</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
<b>a) Analysis of charge for the year</b>		
<b>Current tax</b>		
UK corporation tax at 26% (2011 28%) based on the profit for the year	238,720	418,106
Adjustments in respect of previous year	54,945	(37,798)
Total current tax (note 6b)	293,665	380,308
<b>Group relief</b>		
Charge for the year	79,077	32,165
<b>Deferred tax</b>		
Origination and reversal of timing differences	(5,638)	(104,181)
Adjustments in respect of previous year	(21,488)	46,283
Effect of change in tax rate	21,880	(8,142)
	(5,246)	(66,040)
<b>Total current year tax</b>	367,496	346,433

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

The UK Government announced a reduction in the standard rate of UK corporation tax from 28% to 26% effective 1 April 2011 and to 24% effective 1 April 2012. These rate reductions became substantively enacted in March 2011 and March 2012, respectively. Accordingly, the company's profits for this financial year are taxed at an effective rate of 26%.

The UK Government also proposed changes to further reduce the standard rate of the UK corporation tax by 1% per annum to 22% by 1 April 2014. As these rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 19, as it is a non-adjusting event occurring after the reporting period. The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

	2012 £	2011 £
Profit on ordinary activities before tax	1,342,885	1,189,070
Tax on ordinary activities at the standard rate	349,150	332,940
<b>Effects of:</b>		
Expenses not deductible for tax purposes	66,382	294,936
Differences between depreciation and capital allowances	155,044	160,675
Other timing differences	(149,225)	(64,494)
Research and Development tax credit	(103,554)	(273,786)
Adjustment in respect of prior year	54,945	(37,798)
Group relief	(79,077)	(32,165)
<b>Total tax for the year (note 6a)</b>	293,665	380,308

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 7. DIVIDENDS

The following dividends were declared and paid in the period

	2012 £	2011 £
Ordinary final of 62 5p per share (2011 0p per share)	90,921	-

### 8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 April 2011	4,788,813	33,206,682	37,995,495
Additions	201,501	733,093	934,594
Disposals	-	(759,978)	(759,978)
At 31 March 2012	4,990,314	33,179,797	38,170,111
<b>Accumulated depreciation</b>			
At 1 April 2011	748,709	24,694,577	25,443,286
Charge for the year	40,440	1,749,607	1,790,047
Disposals	-	(667,648)	(667,648)
At 31 March 2012	789,149	25,776,536	26,565,685
<b>Net book value</b>			
At 31 March 2012	4,201,165	7,403,261	11,604,426
At 31 March 2011	4,040,104	8,512,105	12,552,209

Freehold land and buildings includes land other than that which is currently being quarried amounting to £1,171,409 (2011 £1,171,409)

Plant and machinery includes items held under finance leases and hire purchase contracts at a net book value of £4,034,513 (2011 £3,944,667) The depreciation attributable to these items during the year was £788,187 (2011 £527,219)

Assets under construction that are not yet being depreciated total £Nil (2011 £95,531)

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 9. INVESTMENTS

	Subsidiary undertaking shares £	Joint venture £	Other investments £	Total £
<b>Cost:</b>				
At 1 April 2011	2,851,034	3	204,497	3,055,534
Additions	3,166	-	-	3,166
At 31 March 2012	2,854,200	3	204,497	3,058,700
<b>Provisions:</b>				
At 1 April 2011	58,030	-	176,497	234,527
At 31 March 2012	58,030	-	176,497	234,527
<b>Net book amounts:</b>				
At 31 March 2012	2,796,170	3	28,000	2,824,173
At 31 March 2011	2,793,004	3	28,000	2,821,007

The additions in the year relates to the purchase of shares from a former director in respect of Vital Earth Group Limited

The company is exempt from the requirements to prepare group accounts, due to it being a subsidiary of Longcliffe Group 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
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
Vital Earth Group Limited	England and Wales	Ordinary shares	100%	Intermediate holding company
Vital Earth Vitalizer Limited *	England and Wales	Ordinary shares	100%	Dormant
<b>Joint ventures</b>				
Hopton Wood Stone Farms Limited	England and Wales	Ordinary shares	50%	Dormant
<b>Associates</b>				
TIW Group Limited	England and Wales	Ordinary shares	30.42%	IT Consulting

\* Vital Earth Vitalizer Limited is 100% owned by Vital Earth Group Limited



# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2012

### 9. INVESTMENTS (Continued)

By virtue of the company's interest in Vital Earth Group Limited, the following interests are held:

Vital Earth GB Limited	England and Wales	Ordinary shares	100%	Recycling/ Composting
Vital Earth (Sutton) Limited	England and Wales	Ordinary shares	100%	Recycling/ Composting
Vital Earth Limited	England and Wales	Ordinary shares	100%	Recycling/ Composting

### 10. STOCKS

	2012 £	2011 £
Finished goods	77,190	84,233
Consumable goods	256,576	234,589
	<u>333,766</u>	<u>318,822</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

### 11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade debtors	4,142,408	4,045,186
Amounts owed by group undertakings	2,421,147	2,137,140
Prepayments and accrued income	828,436	370,148
Other debtors	19,999	62,040
	<u>7,411,990</u>	<u>6,614,514</u>

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

	2012 £	2011 £
Bank loans and overdraft	164,729	359,337
Obligations under finance lease and hire purchase contracts	1,005,263	1,061,820
Other loans	137,628	137,625
Trade creditors	2,535,424	1,693,328
Amounts owed to group undertakings	108,733	5,211
Other taxation and social security	1,086,852	937,414
Other creditors	96,321	122,551
Accruals and deferred income	468,749	396,418
Corporation tax	279,583	361,473
	<u>5,883,282</u>	<u>5,075,177</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

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

	2012 £	2011 £
Bank loan	2,045,816	2,204,540
Obligations under finance lease and hire purchase contracts (see note 14)	757,157	1,490,548
Other loans	34,246	171,873
	<u>2,837,219</u>	<u>3,866,961</u>

### 14. BORROWINGS

	2012 £	2011 £
<b>Analysis of repayments on bank borrowings</b>		
In one year or less or on demand	164,729	359,337
In more than one year but not more than two	164,963	170,833
In more than two years but not more than five	494,893	512,500
In more than five years	1,385,960	1,521,207
	<u>2,210,545</u>	<u>2,563,877</u>
<b>Analysis of repayments of obligations under finance leases and hire purchase contracts</b>		
In one year or less or on demand	1,005,263	1,061,820
In more than one year but not more than two	412,905	913,674
In more than two years but not more than five	344,252	576,874
	<u>1,762,420</u>	<u>2,552,368</u>
<b>Analysis of repayments of other loans</b>		
In one year or less or on demand	137,628	137,625
In more than one year but not more than two	34,246	137,625
In more than two years but not more than five	-	34,248
	<u>171,874</u>	<u>309,498</u>
<b>Total borrowings including finance leases</b>		
In one year or less or on demand	1,307,620	1,558,783
In more than one year but not more than two	612,114	1,222,132
In more than two years but not more than five	839,145	1,123,622
In more than five years	1,385,960	1,521,207
	<u>4,144,839</u>	<u>5,425,744</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 Company has two bank loans. Both of the loans are repayable in monthly instalments with one loan to be repaid by 2024 and the other by 2026. The loans bear interest at 1.375% and 2.64% over Bank of England base rate and are secured by a fixed and floating charge on the Company's freehold properties.

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

Other loans relate to a loan from The Longcliffe Quarries (Self-Administered) Pension Plan and a loan from the Carbon Trust Fund. Both loans are unsecured.

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 15 PROVISIONS FOR LIABILITIES

	2012 £	2011 £
<b>Deferred taxation</b>		
Balance at 1 April	1,050,283	1,116,323
Credit for the year	(239,245)	(112,323)
Prior year adjustment	-	46,283
	<u>811,038</u>	<u>1,050,283</u>
Balance at 31 March	<u>811,038</u>	<u>1,050,283</u>

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

	Provided		Not provided	
	2012 £	2011 £	2012 £	2011 £
Capital allowances in excess of depreciation	785,843	935,320	-	-
Short term timing differences	25,195	114,963	-	-
Capital losses	-	-	(12,410)	(3,351)
	<u>811,038</u>	<u>1,050,283</u>	<u>(12,410)</u>	<u>(3,351)</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.

### 16 CALLED UP SHARE CAPITAL

	2012 £	2011 £
<b>Called up, allotted and fully paid</b>		
145,474 ordinary shares of £1 each	<u>145,474</u>	<u>145,474</u>

### 17 RESERVES

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 April 2011	145,474	234,375	16,493	9,619,796	10,016,138
Profit for the year	-	-	-	975,389	975,389
Net actuarial loss relating to pension scheme	-	-	-	(1,338,000)	(1,338,000)
Dividends paid	-	-	-	(90,921)	(90,921)
At 31 March 2012	<u>145,474</u>	<u>234,375</u>	<u>16,493</u>	<u>9,166,264</u>	<u>9,562,606</u>

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

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

	2012 £	2011 £
Profit for the financial year	975,389	842,637
Net actuarial (loss)/gain relating to pension scheme	(1,338,000)	841,000
Dividends paid	(90,921)	-
<b>Net (decrease)/increase in shareholders' funds</b>	<b>(453,532)</b>	<b>1,683,637</b>
Opening shareholders' funds	10,016,138	8,332,501
<b>Closing shareholders' funds</b>	<b>9,562,606</b>	<b>10,016,138</b>

### 19. CAPITAL COMMITMENTS

	2012 £	2011 £
Contracted but not provided for	-	107,000

### 20. PENSION COMMITMENTS

The company operates a defined benefit pension scheme for all qualifying employees 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 2010, assuming that the real rate of investment return would be 7% per annum and that the real rate of salary increases would average 3.8% per annum. The most recent actuarial valuation carried out by Scottish Widows showed that market value of schemes assets amounted to £9,749,000 and the actuarial value of those assets represented 62% 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 5,870,000 at the valuation date of 1 April 2010.

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

The Scheme is closed both to new entrants and to future benefit accrual. The company made contributions of £675,000 during the year (2011: £415,000). This contribution rate is expected to continue to the date of the next triennial valuation.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2010 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 2012. Scheme assets are stated at their market value at 31 March 2012.

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

	Valuation at	
	2012	2011
Discount rate	5.1%	6.0%
Expected rate of salary increases	n/a	n/a
Future pension increases	n/a	n/a
Inflation	2.2%	2.8%

The pension increase in deferment assumption accounts for the fact that pension in deferment (in excess of GMP) are now assumed to increase in line with CPI, rather than RPI.

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2012

### 20. PENSION COMMITMENTS (Continued)

#### Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's defined benefit scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are

	Valuation at	
	2012 years	2011 years
Retiring today		
Males	20.3	20.2
Females	23.0	22.8
Retiring in 20 years		
Males	22.5	22.4
Females	25.2	25.1

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5 %
Rate of inflation	Increase/decrease by 0.25%	Increase/decrease by 2.5 %
Rate of mortality	Increase by 0.25%	Increase by 3.0%

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows

	2012 £'000	2011 £'000
Current service cost		
Interest cost	816	845
Expected return on scheme assets	(724)	(683)
	92	162

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is losses of £2,933,000, (2011 losses of £1,173,000)

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 20. PENSION COMMITMENTS (Continued)

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows

	2012 £'000	2011 £'000
Present value of defined benefit obligations	(15,912)	(13,597)
Fair value of scheme assets	11,586	10,448
Deficit in scheme	(4,326)	(3,149)
Related deferred tax asset	1,038	850
Liability recognised in the balance sheet	(3,288)	(2,299)

Movements in the present value of defined benefit obligations were as follows

	2012 £'000	2011 £'000
At 1 April	13,597	14,322
Interest cost	816	845
Actuarial losses/(gains)	1,932	(1 202)
Benefits paid	(433)	(368)
At 31 March	15,912	13,597

Movements in the fair value of scheme assets were as follows

	2012 £'000	2011 £'000
At 1 April	10,448	9,768
Expected return on scheme assets	724	683
Actuarial gains/(losses)	172	(50)
Contributions from the company	675	415
Benefits paid	(433)	(368)
At 31 March	11,586	10,448

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows

	Expected return		Fair value of assets	
	2012 %	2011 %	2012 £'000	2011 £'000
Equity instruments	6.3	7.4	7,788	7,374
Debt instruments	4.6	4.8	2,702	2,217
Property	6.3	7.4	941	857
Cash	0.5	-	155	-
			11,586	10,448

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2012

### 20. PENSION COMMITMENTS (Continued)

The five-year history of experience adjustments is as follows

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligations	(15,912)	(13,597)	(14,322)	(10,105)	(12,244)
Fair value of scheme assets	11,586	10,448	9,768	7,617	9,735
Deficit in the scheme	(4,326)	(3,149)	(4,554)	(2,488)	(2,509)
Experience adjustments on scheme liabilities					
Amount of (loss)/gain	(33)	217	215	264	(59)
Percentage of scheme liabilities (%)	0%	2%	2%	3%	0%
Experience adjustments on scheme assets					
Amount of gain/(loss)	172	(50)	2,288	(3,080)	(1,636)
Percentage of scheme liabilities (%)	1%	0%	23%	(40%)	(17%)

The most recent triennial valuation of the Company's pension scheme for funding purposes has been performed in 2010. Under the funding schedule agreed with the scheme trustees, the Company aims to eliminate the current deficit over the next 10 years. The company will monitor funding levels annually and the funding schedule will be reviewed between the Company and the trustees every three years, based on actuarial valuations. The next triennial valuation is due to be completed at 31 March 2013. The Company considers that the contribution rates agreed with the trustees are sufficient to eliminate the current deficit over the agreed period.

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 £216,842, (2011: £218,351).

### 21. FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	2012 £	2011 £	2012 £	2011 £
Leases which expire				
Within 2 to 5 years	161,631	111,631	-	-

# LONGCLIFFE QUARRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2012

### 22. RELATED PARTY TRANSACTIONS

#### Trading transactions

The company is a wholly owned subsidiary of Longcliffe Group Limited. Longcliffe Group Limited has prepared consolidated financial statements for the year ended 31 March 2012 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 £ 248,543, (2011 £352,032) relating to the development of a quarry occupied by Longcliffe Quarries Limited have been incurred by R J G Shields (trading as Avochie Estate (Sporting) Limited) and recharged to the company. Of this amount, £171,454, (2011 £166,461) is still outstanding at the year end. This recharge includes amounts relating to customer entertainment events which were also attended by employees of Longcliffe Quarries Limited.

Costs of £16,438, (2011 £30,252) were incurred during the year relating to Avochie Quarry leased from JFG Shields. Of this amount, £7,562, (2011 £1,313) is still outstanding at the year end.

#### Pension plan transactions

During the year, payments totalling £287,500, (2011 £187,500) were made to The Longcliffe Quarries (Self-Administered) Pension Plan. This is a private pension plan, of which R J G Shields (director), J F G Shields (appointed as a director during the year), A M L Shields (wife of R J G Shields), E E G Shields, E S G Shields and E A G Shields (daughters of R J G Shields) are the beneficiaries.

Rental charges of £61,000, (2011 £61,000) 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 £165,714, (2011 £299,643).

Aggregate interest of £8,062, (2011 £12,782) 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 loans are unsecured and are disclosed under 'other loans' within creditors (see notes 12 and 13).

### 23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent undertaking of the company is Longcliffe Group 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.

The largest and smallest group in which Longcliffe Quarries Limited is consolidated is headed by Longcliffe Group Limited.

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

### 24. FINANCIAL INSTRUMENTS

The company enters into interest contracts in order to manage its interest risk. As at year-end there were outstanding contracts of £3,991,000 (2011 £3,991,000) which are due to expire in 2016 at rates between 2.5% and 5.5%. The fair value of the outstanding contracts at 31 March 2012 is a liability of £231,423 (2011 liability of £84,105).