

LONGCLIFFE QUARRIES LIMITED

Report and Financial Statements

Year ended 31 March 2010

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LONGCLIFFE QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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LONGCLIFFE QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

J R Lane

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 LLP
Chartered Accountants
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 auditors' report for the year ended 31 March 2010

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 £452,614 (2009 £661,078)

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 £413,511 (2009 £458,763)

No dividend (2009 £2.50 per share) has been paid during the year in consideration of the preceding year's results.

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 were as follows:

D A G Shields	(resigned 3 December 2009)
R J G Shields	(Chairman)
R J Shields	(resigned 3 December 2009)
J F G Shields	(resigned 3 December 2009)
P J Gillatt	(appointed 15 June 2009)
M F Hyde	(resigned 3 December 2009)
R J Cramp	
L J A Edwards	(resigned 3 December 2009)
A V Dearden	
P J Fothergill	(appointed 4 January 2010)
M Barkley	(appointed 4 January 2010)

LONGCLIFFE QUARRIES LIMITED

DIRECTORS' REPORT

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. 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 October 2010 and through ongoing discussions with the bank, the directors expect 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 £60,137 (2009 £65,268). Political donations amounting to £7,398 (2009 £750) 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

AUDITORS

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

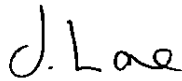
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(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 s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors 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



J R LANE
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 2010 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 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 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 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 (APB'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.

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 2010 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.

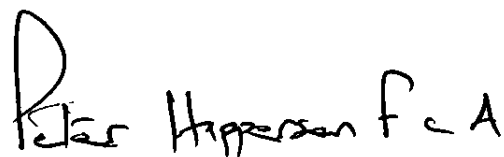
Opinion on other matter prescribed by the Companies Act 2006

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.



Peter Hipperson FCA, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Nottingham, United Kingdom

4th October 2010

LONGCLIFFE QUARRIES LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 March 2010**

	Note	2010 £	2009 £
Turnover	2	18,483,841	19,482,916
Changes in stocks of finished goods		1,905	11,581
Other operating income		104,582	188,129
Raw materials and consumables		(2,273,098)	(2,360,379)
Other external charges		(5,153,023)	(6,244,825)
Staff costs	4	(5,828,398)	(5,542,192)
Depreciation and other amounts written off tangible fixed assets	9	(1,942,828)	(1,946,525)
Other operating charges		(2,436,560)	(2,540,423)
OPERATING PROFIT	3	956,421	1,048,282
Income from shares in group undertakings		58,000	85,000
Interest receivable and similar income	5	9,270	18,605
Interest payable and similar charges	6	(571,077)	(490,809)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		452,614	661,078
Tax on profit on ordinary activities	7	(39,103)	(202,315)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18,19	413,511	458,763

All activities are derived from continuing operations

LONGCLIFFE QUARRIES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **Year ended 31 March 2010**

	2010	2009
	£	£
Profit attributable to the members for the financial year	413,511	458,763
Actuarial loss on defined benefit pension scheme (note 18)	(2,209,000)	(113,000)
Movement on deferred tax relating to pension scheme (note 18)	<u>618,000</u>	<u>32,000</u>
Total recognised gains and losses since the last annual report	<u><u>(1,177,489)</u></u>	<u><u>377,763</u></u>

LONGCLIFFE QUARRIES LIMITED

BALANCE SHEET 31 March 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Tangible fixed assets	9	11,446,343	13,171,370
Investments	10	2,820,111	2,781,014
		<u>14,266,454</u>	<u>15,952,384</u>
CURRENT ASSETS			
Stocks	11	513,980	233,584
Debtors	12	5,559,083	5,634,556
Cash at bank and in hand		3,184	100
		<u>6,076,247</u>	<u>5,868,240</u>
CREDITORS amounts falling due within one year	13	<u>(4,894,593)</u>	<u>(5,362,258)</u>
NET CURRENT ASSETS		<u>1,181,654</u>	<u>505,982</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,448,108	16,458,366
CREDITORS amounts falling due after more than one year	14	<u>(2,720,284)</u>	<u>(3,818,296)</u>
PROVISIONS FOR LIABILITIES	16	<u>(1,116,323)</u>	<u>(1,339,080)</u>
NET ASSETS EXCLUDING PENSION DEFICIT		11,611,501	11,300,990
Pension deficit	21	<u>(3,279,000)</u>	<u>(1,791,000)</u>
NET ASSETS INCLUDING PENSION DEFICIT		<u>8,332,501</u>	<u>9,509,990</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	7,936,159	9,113,648
SHAREHOLDERS' FUNDS	19	<u>8,332,501</u>	<u>9,509,990</u>

These financial statements were approved by the Board of Directors on 30th Sept. 2010

Signed on behalf of the Board of Directors


R J G SHIELDS

Director

Company Registration Number 273400

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

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.

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.

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:

Land being quarried	Period of extraction
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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2010

1 ACCOUNTING POLICIES (Continued)

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.

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.

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2010

3. OPERATING PROFIT

Operating profit is after charging/(crediting)

	2010 £	2009 £
Research and development expenditure written off	646,039	728,860
Hire of plant and equipment	100,941	232,716
Auditors' remuneration - audit fees	17,026	19,652
- non audit fees	33,450	6,000
Depreciation		
Owned assets	1,372,198	1,281,641
Leased assets	570,630	664,884
Operating lease rentals		
- Land and buildings	111,631	116,206
Loss/(profit) on disposal of fixed assets	21,833	(63,063)

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 £2,800 (2009 £2,800)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £	2009 £
Directors' remuneration		
Fees	66,891	78,298
Emoluments	704,989	722,116
Pension contributions	190,652	192,668
	<u>962,532</u>	<u>993,082</u>
Remuneration of highest paid director		
Emoluments	<u>265,362</u>	<u>423,287</u>

Within the above remuneration, payments totalling £177,000 (2009 £177,000) 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. One of these directors resigned during the year. 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 2010

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2010 Number	2009 Number
The number of directors who are members of:		
Defined contribution scheme	6	3
Defined benefit scheme	-	1
	<u>6</u>	<u>4</u>

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

Average number of persons employed

Management and administration	39	37
Production, distribution and sales	102	100
	<u>141</u>	<u>137</u>

Staff costs during the year

Wages and salaries	£ 4,485,393	£ 4,514,654
Social security costs	473,594	457,335
Other pension costs	869,411	570,203
	<u>5,828,398</u>	<u>5,542,192</u>

5 INTEREST RECEIVABLE

	2010 £	2009 £
Bank and other interest receivable	<u>9,270</u>	<u>18,605</u>

6. INTEREST PAYABLE

	2010 £	2009 £
Loans and bank overdraft	207,767	149,929
Finance and hire purchase leases	91,310	191,880
Net charge on pension scheme	272,000	149,000
	<u>571,077</u>	<u>490,809</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2010

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£	£
a) Analysis of charge for the year		
Current tax		
UK corporation tax at 28% (2009 28%) based on the profit for the year	-	-
Adjustments in respect of previous year	(33,023)	6,816
Total current tax (note 7b)	(33,023)	6,816
Group relief		
Charge for the year	254,883	257,921
Deferred tax		
Origination and reversal of timing differences (note 16)	(224,666)	(192,138)
Adjustments in respect of previous year (note 16)	1,909	91,716
Pension timing differences	40,000	38,000
	(182,757)	(62,422)
Total current year tax	39,103	202,315

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 28% (2009 28%)
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

	2010	2009
	£	£
Profit on ordinary activities before tax	452,614	661,078
Tax on ordinary activities at the standard rate	126,732	185,102
Effects of		
Expenses not deductible for tax purposes	97,793	56,764
Differences between depreciation and capital allowances	219,330	181,945
Pension timing differences	(40,000)	(38,000)
Other timing differences	4,399	(51)
Group income not taxable	(16,240)	(24,000)
Research and Development tax credit	(137,131)	(103,839)
Adjustment in respect of prior year	(33,023)	6,816
Group relief	(254,883)	(257,921)
Total tax for the year (note 7a)	(33,023)	6,816

The standard rate of corporation tax in the United Kingdom is 28%. In June 2010, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 27% with effect from 1 April 2011.

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2010

8 DIVIDENDS

	2010 £	2009 £
Dividend paid of £Nil (2009 £2 50) per ordinary share	-	363,684

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 April 2009	2,819,402	32,622,807	35,442,209
Additions	91,057	280,577	371,634
Disposals	(46,500)	(261 496)	(307,996)
At 31 March 2010	2,863,959	32,641,888	35,505,847
Accumulated depreciation			
At 1 April 2009	668,845	21,601,994	22,270,839
Charge for the year	39,406	1,903,422	1,942,828
Disposals	-	(154,163)	(154,163)
At 31 March 2010	708,251	23,351,253	24,059,504
Net book value			
At 31 March 2010	2,155,708	9,290,635	11,446,343
At 31 March 2009	2,150,557	11,020 813	13,171 370

Freehold land and buildings includes land other than that which is currently being quarried amounting to £1,171,409 (2009 £1,171,409)

Plant and machinery includes items held under finance leases and hire purchase contracts at a net book value of £3,966,716 (2009 £5,300,176) The depreciation attributable to these items during the year was £570,630 (2009 £664,884)

Assets under construction that are not yet being depreciated total £368,609 (2009 £98,135), of which £79,289 (2009 £91,500) relates to plant and machinery and the remaining £289,320 (2009 £6,815) being included within land and buildings

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2010

10 INVESTMENTS

	Subsidiary undertaking shares £	Joint venture £	Other investments £	Total £
Cost*				
At 1 April 2009	2,809,008	6	28,000	2,837,014
Additions	41,127	-	150,000	191,127
At 31 March 2010	2,850,135	6	178,000	3,028,141
Provisions				
At 1 April 2009	56,000	-	-	56,000
Charge for the year	-	-	152,030	152,030
At 31 March 2010	56,000	-	150,000	208,030
Net book amounts				
At 31 March 2010	2,792,105	6	28,000	2,820,111
At 31 March 2009	2,753,008	6	28,000	2,781,014

The additions in the year relates to a share issue in Vital Earth Group Limited and the capitalisation of a loan balance with TIW Group Limited (£150,000). The investment in TIW Group Limited was subsequently fully provided for.

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
Subsidiary undertakings				
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
XYZAC Limited	England and Wales	Ordinary shares	100%	Dormant
Vital Earth Vitalizer 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 Farms Limited	England and Wales	Ordinary shares	50%	Dormant
Associates				
TIW Group Limited	England and Wales	Ordinary shares	26.8%	IT Consulting

* Vital Earth Vitalizer Limited is 100% owned by XYZAC Limited

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2010

10 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

11 STOCKS

	2010 £	2009 £
Finished goods	90,351	78,783
Consumable goods	134,307	154,801
Work in progress	289,322	-
	<u>513,980</u>	<u>233,584</u>

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

12 DEBTORS

	2010 £	2009 £
Trade debtors	3,616,405	3 826,772
Amounts owed by group undertakings	1 379,449	1,212,496
Prepayments and accrued income	338,254	327 689
Corporation tax	-	110,450
Other debtors	224,975	157,149
	<u>5,559,083</u>	<u>5,634,556</u>

All amounts fall due within one year

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Bank loans and overdraft	789,678	1,123,992
Obligations under finance lease and hire purchase contracts	1,003,623	1,360,705
Other loans	133,929	133,929
Trade creditors	1,121,280	1,178,715
Amounts owed to group undertakings	290,831	352,063
Other taxation and social security	1,145,970	751,977
Other creditors	71,653	51,412
Accruals and deferred income	337,629	409,465
	<u>4,894 593</u>	<u>5,362,258</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2010

14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010	2009
	£	£
Bank loan	496,875	534,375
Obligations under finance lease and hire purchase contracts (see note 15)	1,923,767	2,850,350
Other loans	299,642	433,571
	<u>2,720,284</u>	<u>3,818,296</u>

15 BORROWINGS

	2010	2009
	£	£
Analysis of repayments on bank borrowings		
In one year or less or on demand	789,678	1,123,992
In more than one year but not more than two	37,500	37,500
In more than two years but not more than five	112,500	112,500
In more than five years	346,875	384,375
	<u>1,286,553</u>	<u>1,658,367</u>
Analysis of repayments of obligations under finance leases and hire purchase contracts		
In one year or less or on demand	1,003,623	1,360,705
In more than one year but not more than two	933,503	986,503
In more than two years but not more than five	990,264	1,863,847
	<u>2,927,390</u>	<u>4,211,055</u>
Analysis of repayments of other loans		
In one year or less or on demand	133,929	133,929
In more than one year but not more than two	133,929	133,929
In more than two years but not more than five	165,713	299,642
	<u>433,571</u>	<u>567,500</u>
Total borrowings including finance leases		
In one year or less or on demand	1,927,230	2,618,626
In more than one year but not more than two	1,104,932	1,157,932
In more than two years but not more than five	1,268,477	2,275,989
In more than five years	346,875	384,375
	<u>4,647,514</u>	<u>6,436,922</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 loan is repayable in monthly instalments and is due to be repaid in 2024. The loan bears interest at 1.375% over Bank of England base rate and is secured by certain 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 relates to a loan from The Longcliffe Quarries (Self-Administered) Pension Plan (see note 23). This loan is unsecured

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2010

16 PROVISIONS FOR LIABILITIES

	2010 £	2009 £
Deferred taxation		
Balance at 1 April	1,339,080	1,439,502
Credit for the year	(224,666)	(192,138)
Prior year adjustment	1,909	91,716
Balance at 31 March	<u>1,116,323</u>	<u>1,339,080</u>

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

	Provided		Not provided	
	2010 £	2009 £	2010 £	2009 £
Capital allowances in excess of depreciation	1,121,659	1,339,080	-	-
Short term timing differences	(5,336)	-	-	-
Capital losses	-	-	(18,788)	(18,788)
	<u>1,116,323</u>	<u>1,339,080</u>	<u>(18,788)</u>	<u>(18,788)</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

	2010 £	2009 £
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>

18. RESERVES

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 April 2009	234,375	16,493	9,113,648	9,364,516
Profit for the year	-	-	413,511	413,511
Net actuarial loss relating to pension scheme	-	-	(1,591,000)	(1,591,000)
At 31 March 2010	<u>234,375</u>	<u>16,493</u>	<u>7,936,159</u>	<u>8,187,027</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2010

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Profit for the financial year	413,511	458,763
Dividends paid	-	(363,684)
Net actuarial loss relating to pension scheme	(1,591,000)	(81,000)
Net (decrease)/increase in shareholders' funds	(1,177,489)	14,079
Opening shareholders' funds	9,509,990	9,495,911
Closing shareholders' funds	8,332,501	9,509,990

20. CAPITAL COMMITMENTS

	2010	2009
	£	£
Contracted but not provided for	416,613	-

21 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 2007, 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 most recent actuarial valuation carried out by Scottish Widows showed that market value of schemes assets amounted to £10,206,000 and the actuarial value of those assets represented 78% 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 £2,943,000 at the valuation date of 1 April 2007.

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 £415,000 during the year (2009: £549,000).

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2007 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 2010. Scheme assets are stated at their market value at 31 March 2010.

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

	Valuation at	
	2010	2009
Discount rate	5.9%	7.5%
Expected rate of salary increases	n/a	n/a
Future pension increases	n/a	n/a
Inflation	3.6%	2.7%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2010

21. 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	
	2010 years	2009 years
Retiring today		
Males	20.9	20.8
Females	24.1	24.0
Retiring in 20 years		
Males	22.7	22.6
Females	26.1	26.0

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 0.5%	Decrease/increase by 10 %
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 10 %
Rate of mortality	Increase by 1 year	Increase by 2.77%

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

	2010 £'000	2009 £'000
Current service cost	-	201
Interest cost	758	820
Expected return on scheme assets	(486)	(671)
Settlements or curtailments	-	65
	<u>272</u>	<u>415</u>

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 £2,325,000 (2009 losses of £116,000)

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2010

21. 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

	2010 £'000	2009 £'000
Present value of defined benefit obligations	(14,322)	(10,105)
Fair value of scheme assets	9,768	7,617
Deficit in scheme	(4,554)	(2,488)
Related deferred tax asset	1,275	697
Liability recognised in the balance sheet	(3,279)	(1,791)

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

	2010 £'000	2009 £'000
At 1 April	10,105	12,244
Service cost	-	201
Interest cost	758	820
Actuarial (gains) and losses	4,497	(2,967)
Benefits paid	(1,038)	(258)
Settlements or curtailments	-	65
At 31 March	14,322	10,105

Movements in the fair value of scheme assets were as follows

	2010 £'000	2009 £'000
At 1 April	7,617	9,735
Expected return on scheme assets	486	671
Actuarial gains and (losses)	2,288	(3,080)
Contributions from the company	415	549
Benefits paid	(1,038)	(258)
At 31 March	9,768	7,617

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	
	2010 %	2009 %	2010 £'000	2009 £'000
Equity instruments	7.5	7.0	6,884	5,100
Debt instruments	5.0	5.6	2,061	1,828
Property	7.5	6.8	823	689
			9,768	7,617

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2010

21 PENSION COMMITMENTS (Continued)

The five-year history of experience adjustments is as follows

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations	(14,322)	(10,105)	(12,244)	(12,320)	(12,202)
Fair value of scheme assets	9,768	7,617	9,735	10,232	8,929
Deficit in the scheme	(3,279)	(1,791)	(1,806)	(1,462)	(3,273)
Experience adjustments on scheme liabilities					
Amount of loss/(gain)	4,497	(2,967)	(59)	(13)	(131)
Percentage of scheme liabilities (%)	31%	(29%)	0%	0%	(1%)
Experience adjustments on scheme assets					
Amount of loss/(gain)	2,288	(3,080)	(1,636)	47	1,277
Percentage of scheme liabilities (%)	23%	(40%)	(17%)	0%	14%

The most recent triennial valuation of the Company's pension scheme for funding purposes has been performed in 2007. 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 2010. 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 £384,380 (2009: £296,310).

22 FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Leases which expire				
Within 2 to 5 years	99,570	100,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2010

23 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 2010 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 £183,907 (2009 £397,947) relating to the development of a quarry occupied by Longcliffe Quarries Limited have been incurred by R J G Shields (trading as Avochie Estate) and recharged to the company. Of this amount, £70,884 (2009 £67,179) is still outstanding at the year end.

Costs of £30,250 (2009 £30,250) were incurred during the year relating to Avochie Quarry leased from JFG Shields. Of this amount, £3,938 (2009 £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 2010 amounted to £nil (2009 £14,698).

Pension plan transactions

During the year, payments totalling £177,000 (2009 £177,000) 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 (resigned 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 (2009 £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 £433,571 (2009 £567,500).

Aggregate interest of £17,468 (2009 £42,486) 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 13 and 14).

24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The 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.

LONGCLIFFE QUARRIES LIMITED

ADDITIONAL INFORMATION

The additional information on pages 25 - 26 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 2010

	2010 £	2009 £
SALES	17,750,266	18,779,537
Aggregate levy	733,587	703,443
Less Discount allowable	(12)	(64)
	<u>18,483,841</u>	<u>19,482,916</u>
COST OF SALES		
Stock at 1 April	72,063	60,482
Purchases		
Materials for resale	255,473	281,332
Fuel and power	1,652,778	1,731,582
Oil and lubricants	35,179	33,437
Sacks	224,000	216,056
Powder and explosives	105,669	97,973
	<u>2,345,162</u>	<u>2,420,862</u>
Less stock at 31 March	(73,968)	(72,063)
	<u>2,271,194</u>	<u>2,348,798</u>
Wages and national insurance	2,606,271	2,679,223
Carriage outwards	1,101,221	1,369,173
Motor expenses	2,137,848	2,261,423
Repairs and maintenance	1,455,668	1,651,726
Excavation and plant hire	100,941	232,716
Aggregate levy	733,587	703,443
Royalties payable	11,136	15,207
Lease re Etches land	27,623	11,138
	<u>8,174,295</u>	<u>8,924,049</u>
Depreciation		
Quarry land and buildings	13,078	10,743
Fixed plant	1,053,400	1,026,431
Quarry mobile plant	269,635	280,746
Motor lorries	440,080	427,124
	<u>1,776,193</u>	<u>1,745,044</u>
	<u>(12,221,682)</u>	<u>(13,017,891)</u>
GROSS PROFIT 34% (2009 33%)	6,262,159	6,465,024
ADMINISTRATION AND SELLING EXPENSES (page 26)	<u>(5,410,320)</u>	<u>(5,604,871)</u>
	<u>851,839</u>	<u>860,153</u>
OTHER INCOME (page 26)	104,582	188,129
NET INTEREST PAYABLE	<u>(561,807)</u>	<u>(472,204)</u>
Dividend from Central Technology UK Limited	58,000	85,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u><u>452,614</u></u>	<u><u>661,078</u></u>

LONGCLIFFE QUARRIES LIMITED

ADMINISTRATION AND SELLING EXPENSES Year ended 31 March 2010

	2010 £	2009 £
Salaries and national insurance	1,512,446	1,368,335
Pension and retirement benefit schemes	48,053	258,225
Pension scheme (CIMP)	207,380	119,310
Commission	1,902	2,203
Travelling expenses	29,010	31,230
Rent and rates	306,072	303,024
Insurance	158,563	141,593
Bank charges	21,195	9,146
Telephone	31,223	31,341
Stationery	23,720	19,615
Advertising	195,209	208,001
Postage	11,786	10,532
Cleaning	30,598	29,220
Subscriptions and donations	77,627	77,370
Sundry expenses	159,247	206,752
Bad debts	26,920	58,368
Contract car hire	3,783	-
Depreciation		
Freehold houses	26,328	26,328
Fixtures and office equipment	34,163	50,522
Motor cars	106,144	124,628
Professional charges	487,229	887,023
Auditors' remuneration	17,026	19,652
Directors' emoluments		
Fees	66,891	78,298
Management	665,737	722,116
Pension	187,989	192,668
Research and development	646,039	728,860
Recharge to Transcycle Limited (salaries)	(121,958)	(99,489)
Provision against TIW investment	450,000	-
	<u>5,410,320</u>	<u>5,604,871</u>
OTHER INCOME		
Contract farming - income	11,830	10,084
Management charge		
Central Technology UK Limited	25,200	25,200
Vital Earth (Derby) Ltd	25,884	30,126
Vital Earth (Sutton) Ltd	11,232	11,232
Loss/profit on disposal of fixed assets	(21,833)	63,063
Rent	52,269	44,193
Grass feeding	-	1,231
Analysis of samples	-	300
Income from shooting rights	-	1,500
Milling cost recharges to Central Technology	-	1,200
	<u>104,582</u>	<u>188,129</u>