

LONGCLIFFE QUARRIES LIMITED

Report and Financial Statements

31 March 2003



Deloitte & Touche
Nottingham

REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

M F Hyde

SOLICITORS

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

REGISTERED OFFICE

Longcliffe
Brassington
Matlock
Derbyshire
DE4 4BZ

BANKERS

HSBC Plc
Matlock
Derbyshire

AUDITORS

Deloitte & Touche
Chartered Accountants
Nottingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

ACTIVITIES, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company carries on the business of mineral supply.

The directors consider the financial position of the company at the year end to be satisfactory and are confident it is well placed to take advantage of future business opportunities.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £377,334 (2002: £473,550).

The directors have proposed a final dividend of £1.25 per share (2002: final dividend of £1.25 per share). Retained profits of £195,492 (2002: £291,708) have been taken to reserves.

RESEARCH AND DEVELOPMENT

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

DIRECTORS AND THEIR INTERESTS

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

	Ordinary shares of £1 each	
	31 March 2003	1 April 2002
D A G Shields	-	-
R J Shields	-	-
R J G Shields	-	-
M F Hyde	-	-
L J A Edwards	-	-
J F G Shields	-	-
A V Dearden	-	-

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

CHARITABLE AND POLITICAL DONATIONS

The company has made charitable donations of £29,901 (2002: £43,958). Political donations amounted to £550 for the year (2002: £2,080) and were made to Conservative Associations.

DIRECTORS' REPORT

DIRECTORS' STATEMENT OF RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

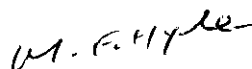
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Pursuant to S386 Companies Act 1985, an elective resolution has been passed dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche are deemed to continue as auditors.

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

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



M F HYDE
Secretary

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

We have audited the financial statements of Longcliffe Quarries Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

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

Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and
Registered Auditors

Nottingham

31 July 2003

PROFIT AND LOSS ACCOUNT**Year ended 31 March 2003**

	Note	2003 £	2002 £
Turnover	2	13,724,583	12,838,699
Changes in stocks of finished goods		(2,526)	(1,545)
Other operating income		92,485	101,290
Raw materials and consumables		(996,763)	(918,863)
Other external charges		(4,957,987)	(4,553,482)
Staff costs	4	(3,609,191)	(3,276,502)
Depreciation and other amounts written off tangible fixed assets	9	(1,637,531)	(1,582,557)
Other operating charges		(1,825,466)	(1,774,024)
OPERATING PROFIT	3	787,604	833,016
Income from shares in group undertakings		49,000	87,200
Interest receivable and similar income	5	998	-
Interest payable and similar charges	6	(341,145)	(381,056)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		496,457	539,160
Tax on profit on ordinary activities	7	(119,123)	(65,610)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		377,334	473,550
Dividends	8	(181,842)	(181,842)
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	195,492	291,708

All activities are derived from continuing operations.

There have been no recognised gains or losses in the year other than the result for the year and prior year, and accordingly no statement of total recognised gains and losses has been prepared.

BALANCE SHEET
31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible fixed assets	9	12,380,125	12,932,014
Investments	10	<u>1,001,008</u>	<u>1,016,008</u>
		<u>13,381,133</u>	<u>13,948,022</u>
CURRENT ASSETS			
Stocks	11	193,226	168,437
Debtors	12	3,325,848	2,861,003
Cash at bank and in hand		<u>100</u>	<u>100</u>
		<u>3,519,174</u>	<u>3,029,540</u>
CREDITORS: amounts falling due within one year	13	<u>(4,582,019)</u>	<u>(4,423,640)</u>
NET CURRENT LIABILITIES		<u>(1,062,845)</u>	<u>(1,394,100)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,318,288	12,553,922
CREDITORS: amounts falling due after more than one year	14	(3,492,444)	(3,947,654)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(1,779,042)</u>	<u>(1,754,958)</u>
		<u>7,046,802</u>	<u>6,851,310</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	<u>6,650,460</u>	<u>6,454,968</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>7,046,802</u>	<u>6,851,310</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

25th July, 2003


R J G SHIELDS

Director

CASH FLOW STATEMENT
Year ended 31 March 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	20	<u>1,872,337</u>	<u>1,924,726</u>
Returns on investments and servicing of finance			
Interest and other investment income received		38,200	80,000
Interest paid in respect of finance leases		(195,449)	(181,889)
Bank interest paid		<u>(138,287)</u>	<u>(201,825)</u>
Net cash outflow from returns on investments and servicing of finance		(295,536)	(303,714)
Taxation			
UK Corporation tax paid		<u>(18,400)</u>	-
		<u>(18,400)</u>	
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		183,819	(785,920)
Receipts from sale of tangible fixed assets		<u>117,867</u>	<u>87,625</u>
Net cash inflow/(outflow) from capital expenditure		<u>301,686</u>	<u>(698,295)</u>
Acquisitions and disposals			
Receipts from sale of investment		15,000	-
Net cash inflow from investing activities		-	-
Equity dividends paid		<u>(181,842)</u>	<u>(181,842)</u>
Net cash inflow before financing		<u>1,693,245</u>	<u>740,875</u>
Financing			
Repayment of loan		(520,000)	(520,000)
Repayment of capital elements of assets under finance leases and hire purchase		<u>(1,053,715)</u>	<u>(826,377)</u>
Net cash outflow from financing		<u>(1,573,715)</u>	<u>(1,346,377)</u>
Increase/(decrease) in cash	21,22	<u>119,530</u>	<u>(605,502)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**1. ACCOUNTING POLICIES**

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

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

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

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.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in period different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases and hire purchase commitments

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

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

Pension costs

The company operates a funded defined benefit pension scheme. Contributions are made to a separately administered fund and are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The regular cost is attributed to individual years using the projected unit credit method.

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

Research and development

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

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES (Continued)

Goodwill

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

2. TURNOVER

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

3. OPERATING PROFIT

Operating profit is after charging/(crediting):

	2003 £	2002 £
Research and development expenditure written off	1,179,946	1,235,662
Hire of plant and equipment	113,378	281,176
Auditors' remuneration	14,800	12,000
Depreciation		
Owned assets	1,152,460	1,168,424
Leased assets	485,071	414,133
Operating lease rentals		
- Plant and machinery	2,742	2,742
- Land and buildings	32,500	35,330
Loss/(profit) on disposal of fixed assets	1,676	(33,543)
	<u>1,799,533</u>	<u>1,852,068</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £	2002 £
Directors' remuneration		
Fees	46,982	45,148
Other remuneration	453,363	357,056
Pension contributions	39,333	56,469
	<u>539,678</u>	<u>458,673</u>
Remuneration of highest paid director		
Emoluments	315,403	220,174
Pension contributions	31,193	51,470
	<u>346,596</u>	<u>271,644</u>
	No	No
The number of directors who are members of:		
Defined contribution scheme	2	2
Defined benefit scheme	1	1
	<u>3</u>	<u>3</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

	2003 No	2002 No
Average number of persons employed		
Management and administration	30	30
Production, distribution and sales	93	94
	<u>123</u>	<u>124</u>
	£	£
Staff costs during the year		
Wages and salaries	3,073,324	2,853,094
Social security costs	241,498	235,292
Other pension costs	294,369	188,116
	<u>3,609,191</u>	<u>3,276,502</u>

5. INTEREST RECEIVABLE

	2003 £	2002 £
Other interest receivable	<u>998</u>	<u>-</u>

6. INTEREST PAYABLE

	2003 £	2002 £
Bank loan and overdraft	135,271	197,334
Finance leases and hire purchase contracts	205,874	183,722
	<u>341,145</u>	<u>381,056</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in the year

	2003 £'000	2002 £'000
Current tax		
UK corporation tax at 30% (2002: 30%) based on the profit for the year	71,886	17,612
Adjustments in respect of previous year	7,085	13,488
Group relief	16,068	39,479
Total current tax (note 7b)	<u>95,039</u>	<u>70,579</u>
Deferred tax		
Origination and reversal of timing differences	(33,117)	(195)
Adjustments in respect of previous year	57,201	(4,774)
	<u>119,123</u>	<u>65,610</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

b) Factors affecting the tax charge for the year

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

	2003 £	2002 £
Profit on ordinary activities before tax	496,457	539,160
Tax on ordinary activities at the standard rate	148,937	161,748
Effects of:		
Expenses not deductible for tax purposes	26,797	25,449
Depreciation in excess of capital allowances	51,147	(25,517)
Other timing differences	(18,030)	20,730
Research and development tax credits	(106,435)	(90,354)
Rate difference	238	(8,805)
Group income not taxable	(12,000)	(24,000)
Other	(2,700)	(2,160)
Adjustment in respect of prior year	7,085	13,488
Total tax for the year (note 7a)	95,039	70,579

8. DIVIDENDS

	2003 £	2002 £
Final proposed dividend of £1.25 (2002: £1.25) per share	181,842	181,842
Ordinary dividends on equity shares	181,842	181,842

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

9. TANGIBLE FIXED ASSETS

	Freehold properties £	Plant and machinery £	Total £
Cost			
At 1 April 2002	2,118,088	23,774,460	25,892,548
Additions	59,246	1,145,939	1,205,185
Disposals	-	(258,040)	(258,040)
	<u>2,177,334</u>	<u>24,662,359</u>	<u>26,839,693</u>
At 31 March 2003			
Accumulated depreciation			
At 1 April 2002	486,316	12,474,218	12,960,534
Charge for the year	18,356	1,619,175	1,637,531
Disposals	-	(138,497)	(138,497)
	<u>504,672</u>	<u>13,954,896</u>	<u>14,459,568</u>
At 31 March 2003			
Net book value			
At 31 March 2003	<u>1,672,662</u>	<u>10,707,463</u>	<u>12,380,125</u>
At 31 March 2002	<u>1,631,772</u>	<u>11,300,242</u>	<u>12,932,014</u>

Freehold properties include land other than that which is currently being quarried amounting to £974,183 (2002: £974,183).

Plant and machinery includes items held under finance leases at a net book value of £3,221,735 (2002: £3,234,000). The depreciation attributable to these items during the year was £485,071 (2002: £414,133).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

10. INVESTMENTS

	Loan to subsidiary £	Subsidiary undertaking shares £	Joint venture £	Other investments £	Total £
Cost:					
At 1 April 2002	750,000	307,002	6	15,000	1,072,008
Disposals	-	-	-	(15,000)	(15,000)
At 31 March 2003	750,000	307,002	6	-	1,057,008
Provisions:					
At 1 April 2002 and 31 March 2003	-	56,000	-	-	56,000
Net book amounts:					
At 31 March 2003	750,000	251,002	6	-	1,001,008
At 31 March 2002	750,000	251,002	6	15,000	1,016,008

During the year, the company transferred £Nil (2002: £250,000) of the money advanced to Transcycle Limited from the intercompany debtor to a long-term loan.

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

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

Name of company	Country of registration (or incorporation and operation)	Holding	Proportion of voting rights and share held	Nature of business
Subsidiary undertakings				
Transcycle Limited	England and Wales	Ordinary shares	100%	Waste recycling
Central Technology UK Limited	England and Wales	Ordinary shares	100%	Minerals
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
Joint ventures				
Allied Marble and Granite Limited	England and Wales	Ordinary shares	50%	Marble
Hopton Wood Stone Firms Limited	England and Wales	Ordinary shares	50%	Dormant

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

11. STOCKS

	2003 £	2002 £
Finished goods	69,720	72,246
Consumable goods	123,506	96,191
	<u>193,226</u>	<u>168,437</u>

12. DEBTORS

	2003 £	2002 £
Trade debtors	2,899,123	2,654,921
Amounts owed by group undertakings	320,843	122,904
Dividends receivable	18,000	-
Prepayments and accrued income	87,882	83,178
	<u>3,325,848</u>	<u>2,861,003</u>

An amount of £8,000 (2002: £Nil) is due after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans and overdraft	1,187,081	1,306,611
Obligations under finance lease and hire purchase contracts	997,711	866,216
Trade creditors	1,260,252	1,365,798
Amounts owed to group undertakings	5,211	5,211
Other taxation and social security	551,579	393,007
Corporation tax	71,886	17,612
Other creditors	30,431	26,756
Accruals and deferred income	296,026	260,587
Proposed dividend	181,842	181,842
	<u>4,582,019</u>	<u>4,423,640</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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

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

	2003 £	2002 £
Bank loan	1,493,333	2,013,333
Obligations under finance lease and hire purchase contracts	1,999,111	1,934,321
	<u>3,492,444</u>	<u>3,947,654</u>

The bank loans are secured by a fixed and floating charge on the company's freehold properties and a floating charge over all assets. The loans are repayable in equal quarterly instalments amounting to £130,000 and bear interest at 1.50% over LIBOR.

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

15. BORROWINGS

	2003 £	2002 £
Analysis of repayments on bank borrowings		
In one year or less or on demand	1,187,081	1,306,611
In more than one year but not more than two	520,000	520,000
In more than two years but not more than five	973,333	1,493,333
	<u>2,680,414</u>	<u>3,319,944</u>
Analysis of repayments of obligations under finance leases and hire purchase contracts		
In one year or less or on demand	997,711	866,216
In more than one year but not more than two	905,140	747,711
In more than two years but not more than five	1,093,971	1,186,610
	<u>2,996,822</u>	<u>2,800,537</u>
Total borrowings	<u>5,677,236</u>	<u>6,120,481</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £	2002 £
Deferred taxation		
Balance at 1 April	1,805,010	1,809,979
Credit for the year	(33,117)	(195)
Prior year adjustment	57,201	(4,774)
Balance at 31 March	<u>1,829,094</u>	<u>1,805,010</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

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

	Provided		Not provided	
	2003	2002	2003	2002
	£	£	£	£
Capital allowances in excess of depreciation	1,831,794	1,825,740	-	-
Short term timing differences	(2,700)	(20,730)	-	-
Capital losses	-	-	(16,800)	(16,800)
	<u>1,829,094</u>	<u>1,805,010</u>	<u>(16,800)</u>	<u>(16,800)</u>
Less: unrelieved Advance Corporation Tax	(50,052)	(50,052)	-	-
	<u>1,779,042</u>	<u>1,754,958</u>	<u>(16,800)</u>	<u>(16,800)</u>

The unprovided deferred tax asset in respect of capital losses will be recoverable against future capital gains.

17. CALLED UP SHARE CAPITAL

	2003	2002
	£	£
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. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total	Total
	2003	2003	2003	2003	2003	2002
	£	£	£	£	£	£
At 1 April	145,474	234,375	16,493	6,454,968	6,851,310	6,559,602
Profit for the financial year	-	-	-	377,334	377,334	473,550
Dividends	-	-	-	(181,842)	(181,842)	(181,842)
At 31 March	<u>145,474</u>	<u>234,375</u>	<u>16,493</u>	<u>6,650,460</u>	<u>7,046,802</u>	<u>6,851,310</u>

19. CAPITAL COMMITMENTS

	2003	2002
	£	£
Contracted but not provided for	<u>-</u>	<u>39,139</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	787,604	833,016
Depreciation	1,637,531	1,582,557
Loss/(profit) on disposal of tangible fixed assets	1,676	(33,543)
(Increase)/decrease in stocks	(24,789)	6,187
Increase in external debtors	(256,106)	(121,261)
Increase in funding to subsidiaries	(197,939)	(371,677)
(Decrease)/increase in creditors	(75,640)	29,447
Net cash inflow from operating activities	<u>1,872,337</u>	<u>1,924,726</u>

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
Increase/(decrease) in cash in the period	119,530	(605,502)
Cash outflow from decrease in debt and lease financing	1,573,715	1,346,377
New finance leases	(1,250,000)	(1,389,766)
Movement in net debt in the period	443,245	(648,891)
Net debt at 1 April	(6,120,381)	(5,471,490)
Net debt at 31 March	<u>(5,677,136)</u>	<u>(6,120,381)</u>

22. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2002 £	Cash flows £	Other non-cash changes £	At 31 March 2003 £
Cash at bank and in hand	100	-	-	100
Overdrafts	(786,611)	119,530	-	(667,081)
		119,530		
Finance leases	(2,800,537)	1,053,715	(1,250,000)	(2,996,822)
Debt due after one year	(2,013,333)	-	520,000	(1,493,333)
Debt due within one year	(520,000)	520,000	(520,000)	(520,000)
		1,573,715		
	<u>(6,120,381)</u>	<u>1,693,245</u>	<u>(1,250,000)</u>	<u>(5,677,136)</u>

Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £1,250,000 (2002: £1,389,766).

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

23. PENSION COMMITMENTS

The company operates a defined benefit pension scheme which is funded by the payment of contributions to separately administered funds. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was conducted as at 1 April 2001, assuming that the real rate of investment return would be 7.2% per annum and that the real rate of salary increases would average 3.9% per annum. The pension charge for the year was £261,976 (2002: £135,445). The charge is assessed in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation showed that market value of schemes assets amounted to £5,846,000 and the actuarial value of those assets represented 83% 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 £1,174,000 at the valuation date of 1 April 2001.

In order to eliminate the deficit, employee contributions are to rise from 1 May 2002 to 6% of pensionable salary for staff employees and 4.25% of pensionable salary for works employees. Increase to pensions in payment for all active members, for benefit accrued prior to 1 April 2000, is to decrease from 5% per annum on pension in excess of the GMP to 5%, or RPI if less. Finally, the accrual rate for current staff members is to fall from n/50ths to n/60ths for service accruing after 1 May 2002.

Had these assumptions been incorporated into the triennial valuation performed at 1 April 2001, then this would have resulted in a deficit of £198,000 as at the valuation date.

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

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2001 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 2003. Scheme assets are stated at their market value at 31 March 2003.

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

Valuation method	2003 Projected Unit	2002 Projected Unit
Discount rate	5.6%	5.9%
Increase in pensionable salaries	3.8%	5.0%
Limited price indexation	2.4%	3.0%
Increase in deferred pensions	5.0%	5.0%
Inflation assumption	2.4%	3.0%

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

	Long term expected rate of return	Value at 31 March 2003 £'000	Long term Expected Rate of Return	Value at 31 March 2002 £'000
Equities	8.0%	3,541	7.7%	4,820
Bonds	4.7%	553	5.4%	769
Other	4.7%	438	4.0%	191
Total market value of assets		4,532		5,780
Present value of scheme liabilities		(8,814)		(7,968)
Deficit in the scheme		(4,282)		(2,188)
Related deferred tax asset		1,285		656
Net pension deficit		(2,997)		(1,532)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

23. PENSION COMMITMENTS (Continued)

Net assets	2003 £'000	2002 £'000
Net assets excluding pension deficit	7,053	6,851
Net pension deficit	(2,997)	(1,532)
Net assets including pension deficit	4,056	5,319
Reserves		
Profit and loss reserve excluding pension deficit	6,657	6,455
Net pension deficit	(2,997)	(1,532)
Profit and loss reserve including pension deficit	3,660	4,923
		Year to 31 March 2003 £'000
Analysis of amounts charged to operating profit		
Current service cost		401
Total operating charge		401
Employee contribution to be set off		107
Analysis of the amount credited to other finance income		
Expected return on assets		425
Interest on liabilities		(470)
Net return		(45)
		Year to 31 March 2003 £'000
Movement in surplus during the year		
Surplus/(deficit) at beginning of the year		(2,188)
Current service cost		(401)
Contribution		330
Net return from other finance income		(45)
Actuarial gain or loss in STRGL		(1,978)
Surplus/(deficit) at the end of the year		(4,282)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

23. PENSION COMMITMENTS (Continued)

Year to
31 March
2003
£'000Analysis of the amounts recognised in statement of total recognised gains and losses
(STRGL)

Actual return less expected return on assets	(1,796)
Experience gains/(losses) on the liabilities	4
Change in assumptions	(186)
Actuarial gain/(loss) recognised in STRGL	(1,978)

History of experience gains and losses

Difference between the actual and expected return on assets (£'000)	(1,796)
- as % of scheme assets	(40)%
Experience gains/(losses) on liabilities (£'000)	4
- as % of liabilities	0%
Total amount recognised in STRGL (£'000)	(1,978)
- as % of liabilities	(22)%

The directors are of the opinion that the actuarial valuation provides a more accurate reflection of the pension scheme deficit than the valuation performed for FRS 17 purposes. The valuation for FRS17 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 a defined contribution pension scheme, the assets being held separate from the company in an independently administered fund. The employer contributions are charged direct to the profit and loss account and amounted to £32,383 (2002: £51,670).

24. CONTINGENT LIABILITIES AND CHARGES

The company is party to a banking arrangement with a number of group companies. The maximum contingent liability under this guarantee is £450,637 (2002: £565,151).

25. FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Leases which expire:				
Within one year	-	-	2,742	2,742
After 5 years	32,500	32,500	-	-
	<u>32,500</u>	<u>32,500</u>	<u>2,742</u>	<u>2,742</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**26. RELATED PARTY TRANSACTIONS**

The company is a wholly owned subsidiary of Longcliffe Property Holdings Limited. Longcliffe Property Holdings Limited has prepared consolidated financial statements for the year ended 31 March 2003 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 £247,380 (2002: £117,352) relating to the development of a quarry leased by Longcliffe Quarries Limited have been incurred by R J G Shields trading as Avochie Estate and recharged to the company. Of this amount, £22,867 (2002: £Nil) is still outstanding at the year end.

Costs of £30,250 (2002: £30,250) relating to Avochie Quarry leased from JFG Shields. Of this amount, £Nil (2002: £5,250) is still outstanding at the year end.

Sales from Longcliffe Quarries Limited to Allied Marble and Granite Limited during the year ended 31 March 2003 amounted to £27,752 (2002: £17,799).

27. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

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