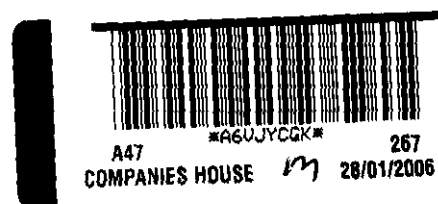


LONGCLIFFE QUARRIES LIMITED

Report and Financial Statements

31 March 2005



LONGCLIFFE QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

M F Hyde

SOLICITORS

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

REGISTERED OFFICE

Longcliffe
Brassington
Matlock
Derbyshire
DE4 4BZ

BANKERS

HSBC Plc
Matlock
Derbyshire

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Nottingham

LONGCLIFFE QUARRIES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

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 £432,578 (2004: £357,462).

The directors have proposed a final dividend of £1.25 per share (2004: final dividend of £1.25 per share). Retained profits of £250,736 (2004: £175,620) have been taken to reserves.

RESEARCH AND DEVELOPMENT

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

DIRECTORS AND THEIR INTERESTS

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

	Ordinary shares of £1 each	
	31 March 2005	1 April 2004
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 £34,232 (2004: £60,770). Political donations amounted to £Nil for the year (2004: £2,000) and were made to Conservative Associations.

LONGCLIFFE QUARRIES LIMITED

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:

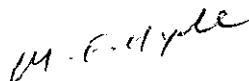
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to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

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

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



M F HYDE

Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONGCLIFFE QUARRIES LIMITED

We have audited the financial statements of Longcliffe Quarries Limited for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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 audit 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 2005 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 LLP

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

Nottingham

26th January 2006

LONGCLIFFE QUARRIES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2005

	Note	2005 £	2004 £
Turnover	2	15,907,725	14,865,523
Changes in stocks of finished goods		24,330	7,213
Other operating income		59,748	66,789
Raw materials and consumables		(1,253,165)	(1,099,971)
Other external charges		(5,449,868)	(5,299,470)
Staff costs	4	(4,831,831)	(4,230,247)
Depreciation and other amounts written off tangible fixed assets	9	(1,739,193)	(1,743,752)
Other operating charges		(1,946,368)	(1,940,773)
OPERATING PROFIT	3	771,378	625,312
Income from shares in group undertakings		50,000	30,000
Interest receivable and similar income	5	335	568
Interest payable and similar charges	6	(369,737)	(300,040)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		451,976	355,840
Tax on profit on ordinary activities	7	(19,398)	1,622
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	432,578	357,462
Dividends	8, 18	(181,842)	(181,842)
RETAINED PROFIT FOR THE FINANCIAL YEAR		250,736	175,620

All activities are derived from continuing operations.

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

LONGCLIFFE QUARRIES LIMITED

BALANCE SHEET

31 March 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible fixed assets	9	13,092,427	13,383,523
Investments	10	1,001,498	1,001,008
		<u>14,093,925</u>	<u>14,384,531</u>
CURRENT ASSETS			
Stocks	11	199,021	183,032
Debtors	12	4,146,730	3,539,925
Cash at bank and in hand		100	100
		<u>4,345,851</u>	<u>3,723,057</u>
CREDITORS: amounts falling due within one year	13	<u>(4,778,093)</u>	<u>(5,195,797)</u>
NET CURRENT LIABILITIES		<u>(432,242)</u>	<u>(1,472,740)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,661,683	12,911,791
CREDITORS: amounts falling due after more than one year	14	<u>(4,500,942)</u>	<u>(3,924,821)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(1,687,583)</u>	<u>(1,764,548)</u>
		<u>7,473,158</u>	<u>7,222,422</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	7,076,816	6,826,080
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>7,473,158</u>	<u>7,222,422</u>

These financial statements were approved by the Board of Directors on 12 December 2005.

Signed on behalf of the Board of Directors



R J G SHIELDS

Director

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

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

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

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.

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.

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES (Continued)

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

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

2. TURNOVER

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

3. OPERATING PROFIT

Operating profit is after charging/(crediting):

	2005 £	2004 £
Research and development expenditure written off	954,078	1,331,069
Hire of plant and equipment	111,552	154,034
Auditors' remuneration	15,200	15,200
Depreciation		
Owned assets	1,143,294	1,132,181
Leased assets	595,899	611,571
Operating lease rentals		
- Plant and machinery	-	1,870
- Land and buildings	33,500	32,500
(Profit)/loss on disposal of fixed assets	3,137	(7,935)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £	2004 £
Directors' remuneration		
Fees	77,504	70,606
Other remuneration	593,592	420,217
Pension contributions	73,594	42,884
	<u>744,690</u>	<u>533,707</u>
Remuneration of highest paid director		
Emoluments	444,713	275,888
Pension contributions	52,393	31,093
	<u>497,106</u>	<u>306,981</u>

In addition to the above remuneration, a payment of £nil (2004: £225,050) was made to the Longcliffe Quarries (Self-Administered) Pension Plan.

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

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

	2005 No	2004 No
The number of directors who are members of:		
Defined contribution scheme	2	2
Defined benefit scheme	1	1
	<u>3</u>	<u>3</u>
Average number of persons employed		
Management and administration	33	32
Production, distribution and sales	92	94
	<u>125</u>	<u>126</u>
	£	£
Staff costs during the year		
Wages and salaries	3,653,277	3,247,143
Social security costs	339,320	288,536
Other pension costs	839,234	694,568
	<u>4,831,831</u>	<u>4,230,247</u>

5. INTEREST RECEIVABLE

	2005 £	2004 £
Other interest receivable	<u>335</u>	<u>568</u>

6. INTEREST PAYABLE

	2005 £	2004 £
Bank loan and overdraft	164,167	115,144
Finance and hire purchase leases	205,570	184,896
	<u>369,737</u>	<u>300,040</u>

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
a) Analysis of (credit)/charge in the year		
Current tax		
UK corporation tax at 30% (2004: 30%) based on the profit for the year	110,416	23,186
Adjustments in respect of previous year	(14,053)	(13,084)
Group relief	-	2,770
Total current tax (note 7b)	96,363	12,872
Deferred tax		
Origination and reversal of timing differences	(78,442)	(20,500)
Adjustments in respect of previous year	1,477	6,006
	(76,965)	(14,494)
	19,398	(1,622)

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.

	2005 £	2004 £
Profit on ordinary activities before tax	451,976	355,840
Tax on ordinary activities at the standard rate	135,593	106,752
Effects of:		
Expenses not deductible for tax purposes	18,957	30,686
Depreciation in excess of capital allowances	65,712	23,200
Other timing differences	12,730	(2,700)
Research and development tax credits	(104,252)	(115,482)
Rate difference	(3,324)	(7,500)
Group income not taxable	(15,000)	(9,000)
Adjustment in respect of prior year	(14,053)	(13,084)
Total tax for the year (note 7a)	96,363	12,872

8. DIVIDENDS

	2005 £	2004 £
Final proposed dividend of £1.25 (2004: £1.25) per share	181,842	181,842
Ordinary dividends on equity shares	181,842	181,842

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2005

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 April 2004	2,542,537	26,407,335	28,949,872
Additions	176,884	1,947,199	2,124,083
Disposals	-	(64,087)	(64,087)
Transfers to group companies	-	(1,126,699)	(1,126,699)
	<u>2,719,421</u>	<u>27,163,748</u>	<u>29,883,169</u>
At 31 March 2005			
Accumulated depreciation			
At 1 April 2004	523,917	15,042,432	15,566,349
Charge for the year	25,534	1,713,659	1,739,193
Disposals	-	(46,551)	(46,551)
Transfers to group companies	-	(468,249)	(468,249)
	<u>549,451</u>	<u>16,241,291</u>	<u>16,790,742</u>
At 31 March 2005			
Net book value			
At 31 March 2005	<u>2,169,970</u>	<u>10,922,457</u>	<u>13,092,427</u>
At 31 March 2004	<u>2,018,620</u>	<u>11,364,903</u>	<u>13,383,523</u>

Freehold land and buildings includes land other than that which is currently being quarried amounting to £1,125,144 (2004: £1,105,144).

Plant and machinery includes items held under finance leases and hire purchase contracts at a net book value of £4,975,819 (2004: £4,835,644). The depreciation attributable to these items during the year was £595,899 (2004: £611,571).

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2005

10. INVESTMENTS

	Loan to subsidiary £	Subsidiary undertaking shares £	Joint venture £	Other investments £	Total £
Cost:					
At 1 April 2004	750,000	307,002	6	-	1,057,008
Additions	-	-	-	490	490
At 31 March 2005	750,000	307,002	6	490	1,057,498
Provisions:					
At 1 April 2004 and 31 March 2005	-	56,000	-	-	-
Net book amounts:					
At 31 March 2005	750,000	251,002	6	490	1,001,498
At 31 March 2004	750,000	251,002	6	-	1,001,008

During the year, the company transferred £Nil (2004: £Nil) 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
Derby Paper Salvage (subsidiary of Transcycle Limited)	England and Wales	Ordinary shares	100%	Dormant
Joint ventures				
Allied Marble and Granite Limited	England and Wales	Ordinary shares	50%	Marble
Hopton Wood Stone Firms Limited	England and Wales	Ordinary shares	50%	Dormant
Other investments				
Vital Earth Group Limited	England and Wales	Ordinary shares	24.1%	Waste recycling

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

11. STOCKS

	2005 £	2004 £
Finished goods	78,197	66,271
Consumable goods	120,824	116,761
	<u>199,021</u>	<u>183,032</u>

12. DEBTORS

	2005 £	2004 £
Trade debtors	3,230,046	2,916,625
Amounts owed by group undertakings	639,003	415,299
Prepayments and accrued income	178,171	208,001
Other debtors	99,510	-
	<u>4,146,730</u>	<u>3,539,925</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdraft	372,356	1,375,635
Obligations under finance lease and hire purchase contracts	1,356,817	1,372,484
Other loans	22,500	22,500
Trade creditors	1,851,964	1,538,879
Amounts owed to group undertakings	5,211	5,211
Corporation tax	92,713	23,186
Other taxation and social security	548,384	418,090
Other creditors	37,521	32,535
Accruals and deferred income	308,785	225,435
Proposed dividend	181,842	181,842
	<u>4,778,093</u>	<u>5,195,797</u>

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

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

	2005 £	2004 £
Bank loan	1,527,708	973,333
Obligations under finance lease and hire purchase contracts	2,793,234	2,748,988
Other loans	180,000	202,500
	<u>4,500,942</u>	<u>3,924,821</u>

15. BORROWINGS

	2005 £	2004 £
Analysis of repayments on bank borrowings		
In one year or less or on demand	372,356	1,375,635
In more than one year but not more than two	557,500	520,000
In more than two years but not more than five	435,833	453,333
In more than five years	534,375	-
	<u>1,900,064</u>	<u>2,348,968</u>

Analysis of repayments of obligations under finance leases and hire purchase contracts

In one year or less or on demand	1,356,817	1,372,484
In more than one year but not more than two	1,091,248	1,129,092
In more than two years but not more than five	1,701,986	1,619,896
	<u>4,150,051</u>	<u>4,121,472</u>

Analysis of repayments of other loans

In one year or less or on demand	22,500	22,500
In more than one year but not more than two	22,500	22,500
In more than two years but not more than five	67,500	67,500
In more than five years	90,000	112,500
	<u>202,500</u>	<u>225,000</u>

Total borrowings including finance leases

In one year or less or on demand	1,751,673	2,770,619
In more than one year but not more than two	1,671,248	1,671,592
In more than two years but not more than five	2,205,319	2,140,729
In more than five years	624,375	112,500
	<u>6,252,615</u>	<u>6,695,440</u>

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

The bank loans are secured by a fixed and floating charge on the company's freehold properties and a floating charge over all assets. The loans are repayable in 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.

Other loans relates to a loan from The Longcliffe Quarries (Self-Administered) Pension Plan (see note 23).

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2005 £	2004 £
Deferred taxation		
Balance at 1 April	1,750,565	1,779,042
Credit for the year	(78,442)	(20,500)
Prior year adjustment	1,477	6,006
	<u>1,687,583</u>	<u>1,764,548</u>
Balance at 31 March	<u>1,687,583</u>	<u>1,764,548</u>

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

	Provided		Not provided	
	2005 £	2004 £	2005 £	2004 £
Capital allowances in excess of depreciation	1,750,365	1,814,620	-	-
Short term timing differences	(12,730)	-	-	-
Capital losses	-	-	(16,800)	(16,800)
	<u>1,737,635</u>	<u>1,814,600</u>	<u>(16,800)</u>	<u>(16,800)</u>
Less: unrelieved Advance Corporation Tax	(50,052)	(50,052)	-	-
	<u>1,687,583</u>	<u>1,764,548</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

	2005 £	2004 £
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
	2005 £	2005 £	2005 £	2005 £	2005 £	2004 £
At 1 April	145,474	234,375	16,493	6,826,080	7,222,422	7,046,802
Profit for the financial year	-	-	-	432,578	432,578	357,462
Dividends	-	-	-	(181,842)	(181,842)	(181,842)
	<u>145,474</u>	<u>234,375</u>	<u>16,493</u>	<u>7,076,816</u>	<u>7,473,158</u>	<u>7,222,422</u>
At 31 March	<u>145,474</u>	<u>234,375</u>	<u>16,493</u>	<u>7,076,816</u>	<u>7,473,158</u>	<u>7,222,422</u>

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2005

19. CAPITAL COMMITMENTS

	2005 £	2004 £
Contracted but not provided for	51,850	-

20. PENSION COMMITMENTS

The company operates a defined benefit pension scheme which is funded by the payment of contributions to separately administered funds. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was conducted as at 1 April 2004, assuming that the real rate of investment return would be 7.8% per annum and that the real rate of salary increases would average 2% per annum. The pension charge for the year was £752,376 (2004: £433,916). The charge is assessed in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation showed that market value of schemes assets amounted to £5,846,000 and the actuarial value of those assets represented 65% of the benefits that had accrued to members, after allowing for future increases in earnings. In addition, the most recent actuarial valuation showed a deficit of £3,093,000 at the valuation date of 1 April 2004.

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

During the year, the contribution rates for employees were 6% of pensionable salary for staff employees and 4.25% of pensionable salary for works employees. The agreed rate of employee contributions from 1 April 2005 to 10 February 2015 is 7% of pensionable salary for staff employees and 5.25% of pensionable salary for works employees.

The employer contribution rate during the year was 16.7% of total pensionable earnings

During the year, the company also made an additional contribution of £350,000.

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

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2004 and updated by Scottish Widows to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2005. Scheme assets are stated at their market value at 31 March 2005.

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

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

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

20. PENSION COMMITMENTS (Continued)

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

	Long term expected rate of return	Value at 31 March 2005 £'000	Long term expected rate of return	Value at 31 March 2004 £'000	Long term Expected Rate of Return	Value at 31 March 2003 £'000
Equities	7.7%	4,762	8.0%	4,058	8.0%	3,541
Bonds	4.9%	1,567	4.9%	1,358	4.7%	553
Other	4.9%	710	4.9%	447	4.7%	438
Total market value of assets		7,039		5,863		4,532
Present value of scheme liabilities		(10,554)		(9,429)		(8,814)
Deficit in the scheme		(3,515)		(3,566)		(4,282)
Related deferred tax asset		1,055		1,070		1,285
Net pension deficit		(2,460)		(2,496)		(2,997)
Net assets					2005 £'000	2004 £'000
Net assets excluding pension deficit					7,473	7,222
Net pension deficit					(2,460)	(2,496)
Net assets including pension deficit					5,013	4,726
Reserves						
Profit and loss reserve excluding pension deficit					7,077	6,826
Net pension deficit					(2,460)	(2,496)
Profit and loss reserve including pension deficit					4,617	4,330
Analysis of amounts charged to operating profit						
Current service cost					448	447
Total operating charge					448	447
Analysis of the amount credited to other finance income						
Expected return on assets					429	341
Interest on liabilities					(537)	(494)
Net return					(108)	(153)

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

20. PENSION COMMITMENTS (Continued)

	2005 £'000	2004 £'000
Movement in deficit during the year		
Deficit at beginning of the year	(3,566)	(4,282)
Current service cost	(448)	(447)
Contribution	803	483
Net return from other finance income	(108)	(153)
Actuarial gain or loss in STRGL	(196)	833
Deficit at the end of the year	(3,515)	(3,566)

Analysis of the amounts recognised in statement of total recognised gains and losses (STRGL)	2005 £'000	2004 £'000
Actual return less expected return on assets	270	672
Experience gains on the liabilities	268	233
Change in assumptions	(734)	(72)
Actuarial (loss)/gain recognised in STRGL	(196)	833

History of experience gains and losses

Difference between the actual and expected return on assets (£'000)	270	672
- as % of scheme assets	4%	11%

Experience gains on liabilities (£'000)	268	233
- as % of liabilities	3%	2%

Total amount recognised in STRGL (£'000)	(196)	833
- as % of liabilities	(2%)	9%

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

The company also operates two defined contribution pension schemes, the assets being held separate from the company in independently administered funds. The employer contributions are charged direct to the profit and loss account and amounted to £86,858 (2004: £260,652).

21. 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 £397,569 (2004: £372,894).

22. FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Leases which expire:				
Within one year	-	-	-	1,870
After 5 years	83,500	82,500	-	-
	<u>83,500</u>	<u>82,500</u>	<u>-</u>	<u>1,870</u>

LONGCLIFFE QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2005

23. RELATED PARTY TRANSACTIONS

Trading transactions

The company is a wholly owned subsidiary of Longcliffe Property Holdings Limited. Longcliffe Property Holdings Limited has prepared consolidated financial statements for the year ended 31 March 2005 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 £316,397 (2004: £222,665) 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, £40,090 (2004: £50,767) is still outstanding at the year end.

Costs of £30,250 (2004: £30,250) relating to Avochie Quarry leased from JFG Shields. Of this amount, £5,250 (2004: £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 2004 amounted to £16,914 (2004: £20,385).

Pension plan transactions

During the prior year, a lump sum payment of £225,050 was made to The Longcliffe Quarries (Self-Administered) Pension Plan. This is a private pension plan, of which R J G Shields, J F G Shields (both directors), A M L Shields (wife of R J G Shields) and E S G Shields (daughter of R J G Shields) are the beneficiaries.

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

The loan liability at the year end was £202,500 (2004: £225,000).

Interest of £16,137 (2004: £Nil) was paid to the plan during the year.

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

Rental charges of £13,054 (2004: £Nil) were paid in the year to The Longcliffe Quarries (Self-Administered) Pension Plan in relation to the rental of land.

24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

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