25 March 2013

MICHELMERSH
Brick Holdings PLC
Britain's Brick Specialists

Michelmersh Brick Holdings Plc
(the "Group" or "MBH")

Final results for the year ended 31 December 2012

Michelmersh Brick Holdings Plc (AIM: MBH), the specialist brick, land development and landfill company, today announces its audited final results for the year ended 31 December 2012.

Financial Highlights

- Group turnover of £24.5 million (2011: £24.3 million)
- Operating profit of £1.04 million (2011: £1.34 million)
- Earnings per share of 0.02p (2011: 2.60p)
- Net Asset Value per share of 61.0p (2011: 59.7p)
- Cash generated by operations of £2.6 million (2011: £1.9 million)
- Net borrowings of the Group fell by £1.4 million to £18.4 million (2011: £19.8 million)

Operational Highlights

- Progress to planning consent for 185 houses on Telford former factory land
- Completion of the determination on initial phases of the option land at Telford
- Reduction in net working capital
- Improvement in average selling price to £355 per thousand (2011: £345)
- Launch of three product initiatives

Commenting on the results, Eric Gadsden, Chairman, said: "Although the south eastern market continues to be active, margins remain under pressure whilst the slow process of industry adjustment to a smaller marketplace continues. Our niche products enable us to continue to maintain turnover.

We are uniquely positioned and will be able to move our business forwards over the forthcoming period, particularly considering the progress we are at last making with certain of our land sales."

For further information:

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CHAIRMAN'S STATEMENT

I am pleased to report the Group's results for the year ended 31 December 2012. Against a decline of 9% in UK construction activity, we have more than held our own despite these headwinds.

Group turnover increased slightly to £24.5 million (2011: £24.3 million) and, in the face of growing energy and finance costs, produced a modest profit of £52,000 (2011: £530,000). Profits from the brick operations were largely static except that losses incurred at Dunton, our smallest works, accounted for the fall in Group profits. The results for the year include a positive performance from landfill despite provision for a bad debt arising at the end of the year.

We have made significant progress with our land assets during the year and since the year end, and this will provide a strong platform for further initiatives to develop the business over the next 24 months.

Financial Highlights

	2012	2011
	£'m	£'m
Turnover	**24.5**	24.3
Operating profit	**1.038**	1.335
EPS (p)	**0.02**	2.60
Net assets per share (p)	**61.0**	59.7
Cash generated by operations	**2.6**	1.9
Borrowings	**18.4**	19.8

The increase in turnover for the year was achieved on reduced volumes of bricks sold, as, despite a sluggish economy, the Group achieved increased sales prices through innovative high quality products and excellent customer service**.** The Group continues to suffer from energy related price inflation that erodes the progress we make in pricing, and although we have worked hard to contain the average cost of production, gross margin has fallen. The longer term trend however is a gradual move to higher margin products from our larger plants as the contribution from the smaller, higher sales value plants reduces. Reduced central sales and administrative costs yielded annual savings of £600,000 over 2011 and further savings will continue to be sought.

Cash and borrowings

Net borrowings of the Group fell in the year by £1.4 million to £18.4 million, as term loans and vendor loans were repaid to schedule. Gearing has fallen to a comfortable 52% (2011: 57%) given the substantial property asset base with development potential. Anticipated proceeds of land sales will be used to further reduce debt and invest in capacity and efficiency projects.

Cash generated from operations amounted to £2.6 million showing a significant improvement over 2011. Higher finance charges under the Term Loan implemented in December 2011 and the cost of interest rate hedging have however increased the interest burden in the year.

Assets and working capital

At 31 December 2012, Group tangible fixed assets have reduced by £4.2 million to £41.5 million through depreciation, impairment and after a transfer to current assets: the former factory land at Telford has been revalued and re-categorised as a current asset, land for resale, reflecting the Board's view that it will be sold within twelve months of the balance sheet date.

The charge for depreciation in the year to December 2012 has fallen from previous levels as certain assets have already been substantially depreciated, albeit still operating to full capacity but with increased maintenance requirements.

Non cash net current assets have also fallen by £600,000 through careful and targeted management of the Group's resources.

Revaluation of plant

The Group's oldest and smallest plant, Dunton, has presented a range of challenges over recent years. In 2012, production was cut in order to generate cash from stocks. Whilst the plant achieved its targeted production and cash generation, lower production levels entailed diseconomies of scale and lower profitability. The reduction in profitability at this one site amounted to the equivalent fall in group profit for the year. The fall in profitability has reduced the economic value of the plant which has led to a downward revaluation by £800,000 which has been charged to the revaluation reserve.

Dunton has started 2013 reasonably well, at higher production levels to meet demand, but we continue to monitor the position and evaluate alternative strategies now that our planning consent extending the life of the quarry, which includes landfill opportunity, has been finalised.

Dividend

The Directors are not recommending the payment of a dividend for the year but it is our objective to return to dividend payments as soon as reasonably practicable, when market and economic circumstances permit.

Land Assets

During the year an outline planning application was made for housing on the redundant factory land at Telford and in February 2013 a resolution to grant planning permission was made by Telford and Wrekin Council for 185 houses. A sale of the land has been agreed in principle and we expect to exchange contracts shortly with a major housebuilder. A further announcement will be made in due course.

Terms have also recently been agreed with Persimmon Homes on the first phase of the optioned land, also at Telford, subject to achieving the same level of S106 and affordable housing as on the factory site. There is now recognition by council planning officers that this needs to be addressed in the current economic climate.

People

I thank all our employees for their hard work in these challenging times. We have been working hard to improve our skill base and, as the industry has scaled back, have been able to build our team.

Outlook

Brick sales in 2012 have reduced by 6% across the industry and there have been further plant closures. Industry pricing continues to be unsustainable but, significantly, brick stocks reduced by a further 100 million units during the year, and have halved since 2008. There are encouraging signs of growth from the major housebuilders but the smaller housebuilders still do not have access to bank finance and therefore this area of the marketplace remains challenged.

Although the south eastern market continues to be active, margins remain under pressure whilst the slow process of industry adjustment to a smaller marketplace continues. Our niche products enable us to maintain turnover.

We are aware of a number of potential opportunities to grow our business both organically and by acquisition and will continue to consider all these options.

We are uniquely positioned and will be able to move our business forwards over the forthcoming period, particularly considering the progress we are at last making with certain of our land sales.

Eric Gadsden
Chairman
25 March 2012

CHIEF EXECUTIVE'S REVIEW

Clay Products

Over the past 12 months we have continued to make good progress. We manufactured 68 million units (2011: 70 million) and sold 67 million units (2011: 70 million), and achieved an improved average price of £355 per thousand (2011: £345 per thousand). Individual plant improvement in average selling price, particularly our volume plants, was very satisfactory.

Innovations in 2012 included the launch of three new products into the market place - BIM, I-Line and Synthesis. MBH became the first brick manufacturer to launch a dedicated BIM (Building Information Modelling) website, responding to the demands of the Government Construction Strategy. We are currently the only brick manufacturer in the UK to have an operational BIM specification database, underlining our position as 'Britain's Brick Specialists'.

The new I-Line product from our Charnwood plant now offers contemporary European sizes and reflects a growing demand for unusual elongated brickwork. During the fourth quarter of 2012, we received numerous new enquiries for these products and orders to the value of £125,000 for sites such as London's East Bank Civic Campus and South Bank University.

'Synthesis' was introduced in 2012 in response to specifiers looking for more striking colour blends. The interest level has been high, with Synthesis products being supplied to the new hall of residence at Corpus Christi College, Cambridge and the new ITV-Granada studios in Manchester.

In addition to our new products, 2012 saw us supply and complete some key projects such as the 2012 BDA Brick Award winning extension at Henrietta Barnet School in Hampstead Garden suburbs and the new Premier Inn, Liverpool. Despite the contraction of construction output, we retained our market share with key regional housebuilders such as the Berkeley Group, Crest and Croudace and increased our business in the RMI sector with Travis Perkins, Wolseley and a number of key regional builders merchants. Our forward order position with all the aforementioned, remains strong into the second quarter of 2013.

We are also pleased to note that the Group had significant exports in 2012 with 708,000 bricks and pavers sent to new projects abroad.

The Hathern Terra Cotta operation exceeded expectations, supplying refurbishment projects such as the Strand Palace Hotel, London, the Florence Institute, Liverpool and the award winning Durlston Castle, Swanage. Hathern Terra Cotta is also showing strong forward orders into the second quarter of 2013.

Our Freshfield Lane plant delivered an excellent performance during the period with improved yield and operational improvements resulting in a record output of 31.2 million units.

We also achieved substantial gas efficiency savings at our Blockleys plant. Through minimal targeted investment, improved kiln and dryer management and maximised kiln throughput we reduced our unit rate gas consumption by 21%.

Management Systems

Our continued strong focus on health and safety management has again been rewarded with all of our plants improving their independent audit score rating for the second year running.

Following our efforts in 2011, we received full independent accreditation for our ISO 14001 environmental management system at Charnwood. We are currently updating the environmental management system at our Michelmersh site along with our quality and sustainability systems across the Group.

Staff Development

During the period, our quarry managers completed the competence training in quarry management through the Institute of Materials, Minerals and Mining (IOM3). This accredited training is backed up by an annual continuous professional development programme coordinated by our health and safety manager and verified by the IOM3.

In addition, we have strengthened our quarry and land management at our key Blockleys quarry by internal relocation of a full time quarry manager for the site.

We have also strengthened our production management team with two managers with strong pedigrees and wide industry experience to take forward production efficiency at Michelmersh and Charnwood.

Landfill

Our landfill facility at Telford again produced a good performance during 2012 with turnover of £626,000 (2011: £686,000) on a tonnage of 200,000 (2011: 170,000). The contribution from landfill to Group profits of £250,000 (2011: £200,000) was after providing for a £50,000 debt from a customer which went into administration after the year end. Landfill income at Telford is expected to continue to make a meaningful contribution to Group results as we progress the development of the site.

We have now finalised our planning consent at Dunton and are pursuing a number of options.

Land Assets

We have received a resolution to grant outline consent for 185 houses at our redundant factory site at Telford. A sale has been agreed in principle with a major housebuilder and we are close to an exchange of contracts.

This will also provide the platform to renegotiate with the Planning Authority, the S106 and Affordable Housing obligations on the first phase of the land at Telford, optioned to Persimmon, and we have agreed a way forward with them on that basis. We are also finalising an exercise to plan future clay extraction, landfilling and delivery of further land for housing on a phased basis on the remainder of this site.

We are beginning the process of working up options for our surplus land at Charnwood, which is designated in the SHLAA for around 250 houses, using the same team which successfully obtained consent at Telford.

At Michelmersh, we are currently making representation in the Hampshire Mineral Plan for future allocations of land for mineral extraction.

Outlook

Despite the weak economy, 2013 has started more positively than 2012. We have a unique pallet of products that will always be in demand. Whilst progress in this economy is frustratingly slow, we are more than holding our own in a market which as a whole has declined yet again.

There are further opportunities to increase the value of our land assets and due to the vital jobs we provide, we are gaining more support for our businesses as we work with the planning authorities.

We are also planning small but significant investments in the brick businesses which will yield positive returns.

We continue to generate cash, pay down debt and improve our asset base. We have a very busy period ahead of us and anticipate opportunities to develop the business organically, as well as to consider the wider opportunities which we believe will present themselves for consideration.

Martin Warner
Chief Executive
25 March 2013

Consolidated Income Statement
for the year ended 31 December 2012

	2012	2011
	£'000	£'000
Revenue	24,510	24,268
Cost of sales	(18,148)	(17,006)
Gross profit	6,362	7,262
Administrative expenses	(5,728)	(6,356)
Other income	403	429
Operating profit	1,037	1,335
Finance costs	(986)	(805)
Profit before taxation	51	530
Taxation	(42)	982
Profit for the financial year	9	1,512
Basic earnings per share	0.02p	2.60p
Diluted earnings per share	0.02p	2.59p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	2012	2010
	£'000	£'000
Profit for the financial year	9	1,512
Other comprehensive income:		
Loss on revaluation of property, plant and equipment	-	(6,090)
Deferred tax on revaluation movement	764	2,167
	764	(3,923)
Total comprehensive profit/(loss)for the year	773	(2,411)

Consolidated Balance Sheet
as at 31 December 2012

	2012 £'000	2011 £'000
Assets		
Non-current assets		
Intangible assets	2,468	2,340
Property, plant and equipment	41,538	45,737
	44,006	48,077
Long term financial asset	165	195
Total non-current assets	44,171	48,272
Current assets		
Assets held for sale	3,350	-
Inventories	9,132	9,562
Trade and other receivables	4,743	5,201
Corporation tax recoverable	-	32
Investments	74	74
Cash and cash equivalents	70	47
Total current assets	17,369	14,916
Total assets	61,540	63,188
Liabilities		
Current liabilities		
Trade and other payables	2,572	2,943
Corporation tax payable	47	-
Interest bearing borrowings	7,461	8,775
Total current liabilities	10,080	11,718
Non-current liabilities		
Deferred tax liabilities	4,935	5,704
Interest bearing borrowings	10,991	11,035
	15,926	16,739
Total liabilities	26,006	28,457
Net assets	35,534	34,731
Equity attributable to equity holders		
Share capital	11,645	11,645
Share premium account	6,440	6,440
Reserves	19,103	18,443
Retained earnings	(1,654)	(1,797)
Total equity	35,534	34,731

Consolidated Statement of Changes in Equity

	Share capital	Share option reserve	Merger reserve	Share premium	Revaluation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2011	**11,620**	**183**	**979**	**6,422**	**21,500**	**(3,608)**	**37,096**
Profit for the year	-	-	-	-	-	1,512	1,512
Revaluation in the year	-	-	-	-	(6,090)	-	(6,090)
Deferred taxation on revaluation	-	-	-	-	2,167	-	2,167
Total comprehensive income/(expense)	-	-	-	-	(3,923)	1,512	(2,411)
Share based payment	-	3	-	-	-	-	3
Shares issued during the year	25	-	-	18	-	-	43
Transfer to retained earnings	-	-	-	-	(299)	299	-
As at 31 December 2011	**11,645**	**186**	**979**	**6,440**	**17,288**	**(1,797)**	**34,731**
Profit for the year	-	-	-	-	-	9	9
Deferred taxation on revaluation	-	-	-	-	764	-	764
Total comprehensive income	-	-	-	-	764	9	773
Share based payment	-	30	-	-	-	-	30
Transfer to retained earnings	-	-	-	-	(134)	134	-
As at 31 December 2012	**11,645**	**216**	**979**	**6,440**	**17,908**	**(1,654)**	**35,534**

Consolidated Cash Flow Statement
for the year ended 31 December 2012

	2012 £'000	2011 £'000
Cash flows from operating activities		
Profit before taxation	51	530
Loss on disposal of plant and machinery	53	-
Profit on sale of fixed assets	(11)	-
Finance costs	986	805
Depreciation	1,017	1,530
Amortisation	3	3
Usage of carbon emissions quota	402	877
Grant of carbon emissions quota	(533)	(816)
Share base payment charge	30	3
Cash flows from operations before changes in working capital	1,998	2,932
Decrease/(increase) in inventories	455	(371)
Decrease/(increase) in receivables	489	(69)
Decrease in payables	(362)	(550)
Net cash generated by operations	2,580	1,942
Taxation paid	-	(37)
Interest paid	(994)	(821)
Net cash generated by operating activities	1,586	1,084
Cash flows from investing activities		
Proceeds of sale of investments	-	49
Purchase of property, plant and equipment	(248)	(323)
Proceeds of disposal of property, plant and equipment	11	56
Net cash used in investing activities	(237)	(218)
Cash flows from financing activities		
Repayment of interest bearing borrowings	(3,198)	(15,002)
Proceeds/(repayment) of interest bearing borrowings	2,000	13,067
Repayment of hire purchase and finance lease obligations	(23)	(72)
Net cash used in financing activities	(1,221)	(2,007)
Net increase/(decrease) in cash and cash equivalents	128	(1,141)
Cash and cash equivalents at the beginning of the year	(2,897)	(1,756)
Cash and cash equivalents at the end of the year	(2,769)	(2,897)
Cash and cash equivalents comprise:		
Cash at bank and in hand	70	47
Bank overdraft	(2,839)	(2,944)
	(2,769)	(2,897)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. There have been no changes to the accounting policies adopted since the last consolidated financial statements were published.

2. FINANCIAL INFORMATION

The financial information set out in this Preliminary Announcement does not constitute the Group's statutory financial statements for the years ended 31 December 2012 or 2011. The financial information has been extracted from the Group's statutory financial statements for the years ended 31 December 2012 and 2011. The auditors have reported on those financial statements; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies, whereas those for the year ended 31 December 2012 will be delivered to the Registrar of Companies following the Company’s Annual General Meeting.

The financial information is presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

3. EARNINGS PER SHARE

Basic

The calculation of earnings per share is based upon the profit for the year of £9,000 (2011: profit of £1,512,000) and 58,227,154 (2011: 58,227,154) weighted average number of ordinary shares.

Diluted

The diluted figures for 2011 include options issued during the year. At 31 December 2012 there were 187,000 (2011: 233,000) existing options which are under water and are not included in the diluted figures for 2012.

4. REPORT & ACCOUNTS

Copies of this announcement are available and the Annual Report will be available in due course on the Group's website www.mbhplc.co.uk and from the Company's registered office at Freshfield Lane, Danehill, Haywards Heath, West Sussex RH17 7HH.