

25 July 2016

**Michelmersh Brick Holdings Plc**  
**(“MBH”, the “Company”, or the “Group”)**

**Half Year Results for the six months ended 30 June 2016**

Michelmersh Brick Holdings Plc (AIM:MBH), the specialist brick manufacturer, is pleased to report its half year results for the six months ended 30 June 2016.

**HIGHLIGHTS**

**Financial Highlights:**

- **PBT increased to £2.6 million (H1 2015: £2.5 million)**
- **Operating profit of £2.6 million (H1 2015: £2.7 million)**
- **4% Increase in EPS 2.57 pence (H1 2015: 2.47 pence)**
- **Turnover steady at £15.3 million (H1 2015: £15.3 million)**
- **Net cash balance £2.7 million against a net debt of £0.8 million at June 2015**

**Operational Highlights**

- **Good performance in a flat market**
- **Average selling prices increase 2% over H1 2015**
- **Landfill License completes consultation period which will lead to economic realisation of Dunton site**
- **Commenced kiln replacement project at Michelmersh – expected completion in autumn 2016**
- **The Group ended the period well ahead of intake target with a forward order commitment over 47 million bricks**
- **Well positioned for a stronger H2 2016 operational and financial performance**

**Commenting on the results, Eric Gadsden, Chairman of Michelmersh Brick Holdings Plc, said:**

“The Company performed well in the first half despite the expected weaker market, and is on track to deliver its targets for the full year. We continue to invest in our plants to increase efficiency, which over the medium term will enable us to outperform the market with on-going creative development of products, investment in process and encouragement of the efforts of its employees. The business is profitable, cash generative and supported by a strong and long-term asset base”

**EU Referendum Outcome**

Whilst it is too early to know the full long-term impacts of the UK's exit from the EU, the Board feels that the Company is well positioned to manage any effects within the brick manufacturing and housing industry. The Board do not believe the outcome of the referendum in itself results in any material change in the outlook for the Group's near term financial results or future growth prospects.

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**About Michelmersh Brick Holdings PLC:**

Michelmersh Brick Holdings PLC is a business with five market leading brands: Blockleys, Charnwood, Freshfield Lane, Michelmersh and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks, tiles and pavers. The Group also includes a landfill operator, New Acres Limited, and seeks to develop future landfill and development opportunities on ancillary land assets.

Established in 1997 the Company has grown through acquisition and organic growth into a profitable and asset rich business, producing approximately 72 million clay bricks, tiles and pavers per annum. MBH currently owns most of the UK's premium manufacturing brands and is a leading specification brick and clay paving manufacturer.

Michelmersh strives to be a well invested, long term, sustainable, environmentally responsible business. Opportunity, training and security for all employees, whilst meeting the needs of stakeholders are at the forefront of everything we do. We aim to lead the way in producing some of Britain's premium clay products and enhancing our built environment by adding value to the architectural landscape for generations to come.

We are Michelmersh Brick Holdings PLC: we are "Britain's Brick Specialist".

**Please visit the Group's websites at: [www.mbhplc.co.uk](http://www.mbhplc.co.uk) and [www.bimbricks.com](http://www.bimbricks.com)**

## **Chairman's Statement**

I am pleased to present the Group's results for the six months ended 30 June 2016 in which the Group has maintained its position within its marketplace. The Group generated a profit before tax of £2.6 million (2015: £2.5 million). Turnover for the first six months of 2016 was level with the equivalent period in 2015 despite a small volume decrease offset by a 2% increase in average selling price. Gross margin fell back slightly from 38.6% to 37.3% as a result of some short-term production problems at one of our sites. Administration costs have fallen slightly despite increased expenditure on IT systems. The interest burden of recent years has been replaced by modest interest income as we maintained a cash positive position throughout the 6 months.

### **Dividend**

The final dividend of 1.0 (2014: 0.5) pence per share for 2015 was paid on 30 June 2016. It is not the Board's current policy to pay an interim dividend but it does intend to propose a full year dividend out of 2016 earnings payable in June 2017. The Board recognises the need to provide a meaningful yield to shareholders and has therefore adopted a progressive dividend policy for future years.

### **Assets**

Final consultation on the landfill license at the Dunton site has been completed and we await issue of the final license by the Environment Agency. We expect conclusion of this process within weeks and are actively considering options to activate the site in 2016.

### **Operational Review**

Volumes of bricks sold fell slightly in the first half to 35.1 million (H1 2015: 35.7 million) in what is a very competitive market. The Group did however achieve low single digit average selling price increases of 2% that allowed us to maintain turnover at lower volume. With a full period of the expanded capacity at Freshfield Lane, production in the period increased from 34.8 to 35.2 million allowing stock levels to return to circa 10 weeks sales, a level at which we can provide a timely and reliable service to our customers.

Increased production at our two biggest plants, Freshfield Lane and Blockleys, was offset by shortfall in output from the Michelmersh site in Romsey as yields were affected by clay geological issues in the existing quarry as delays in working through ecological and archaeological issues restricted expansion into the new available reserves. These issues have now been resolved and the effect on the remainder of the year is expected to be minimal and our £1m investment in a new kiln will be operational in the second half.

Cost of production has been affected by the Michelmersh performance and the Group's gross profit has fallen by 1.3% to 37.3%.

As also reported in the equivalent 2015 period, the energy costs have fallen in the period despite the increase in output. The Group has continued to hedge forward into winter 2017 to lock into the benign energy market and secure ongoing production costs. Recent rises in energy cost indicators will have limited effect on future costs for the Group.

The first six months of 2016 have seen a robust level of order intake across the Group, particularly at our southern plants. The Group ended the period well ahead of intake target with a forward order commitment over 47 million bricks. Again, the emphasis is to ensure a good well balanced mix of forward orders. This strategy was reflected in our product and delivery mix across the various market sectors. The Group aims to continue this theme during 2016.

Strong deliveries in the key repair, maintenance and improvement market ("RMI") via key national and regional builders merchants have been complemented with deliveries to quality housing and regeneration projects. Commercial specification work made up the balance, enhanced by BIM and a number of high end bespoke blends from both our i-Line and Synthesis ranges.

A number of recently supplied notable projects have been the RIBA London Award winning Banham Group, Thornsett Road, Wandsworth, the Riverside building for Waveney District Council and Millgate's spectacular Englemere, Ascot

development. Ongoing future developments include Crest Nicholson's Longcross, Chertsey and the inspiring, sustainable Citu Little Kelham project in Sheffield.

The Group has seen a significant level of traffic and data downloads through its BIMBricks.com branded website. It has been very positive to see the impact of BIM on project management and order intake.

Hathern Terracotta continues to improve its contribution to the Group and has exceeded the exceptional performance in H1 2015. Current orders and prospects suggest that operational performance will proceed ahead of historic levels.

### **Outlook**

We appraise a wide range of economic, construction survey and brick industry statistics against which we measure and plan our business. This information is filtered through our experience and real-time feedback from our markets. Over the past few months there are number of conflicting trends that have been further confused by pre and post Brexit market movements.

Industry statistics suggest that brick manufacturing is largely steady and delivery volumes slightly, but not significantly, up and this is reflected in flat pricing. Imports seem to be falling from recent increased levels with currency and local economy factors indicating that this reduction will continue. Most commentators recognise the release of pressure from imports and the long term increasing demand for housing and this leads to a steady and growing demand for bricks. Whilst this may not be apparent in markets yet, the direction of travel is established.

The Company performed well in the first half, despite the expected weaker market, and is on track to deliver its targets for the full year. We continue to invest in our plants to increase efficiency which over the medium term will enable us to outperform the market with on-going creative development of products, investment in process and encouragement of the efforts of its employees. The business is profitable and cash generative and supported by a strong and long-term asset base.

**Eric Gadsden**  
**Chairman**  
**25 July 2016**

## Consolidated Income Statement

	<b>6 months ended 30 June 2016 £'000</b>	6 months ended 30 June 2015 £'000	12 months ended 31 December 2015 £'000
	<b>Unaudited</b>	Unaudited	Audited
Revenue	<b>15,292</b>	15,327	29,071
Cost of sales	<b>(9,581)</b>	(9,411)	(17,961)
Gross profit	<b>5,711</b>	5,916	11,110
Administration expenses	<b>(3,126)</b>	(3,244)	(6,468)
Other income	<b>13</b>	41	68
Operating profit	<b>2,598</b>	2,713	4,710
Finance income/(costs)	<b>8</b>	(209)	(153)
Profit before taxation	<b>2,606</b>	2,504	4,557
Taxation	<b>(521)</b>	(501)	(951)
<b>Profit for the period</b>	<b>2,085</b>	2,003	3,606
Basic earnings per share	<b>2.57 p</b>	2.47 p	4.44 p
Diluted earnings per share	<b>2.55 p</b>	2.46 p	4.42 p

## Consolidated Statement of Comprehensive Income

	<b>6 months ended 30 June 2016 £'000</b>	6 months ended 30 June 2015 £'000	12 months ended 31 December 2015 £'000
	<b>Unaudited</b>	Unaudited	Audited
<b>Profit for the financial period</b>	<b>2,085</b>	2,003	3,606
<b>Other comprehensive income</b>			
Items which will not subsequently be reclassified to profit or loss			
Revaluation surplus of property, plant & equipment	-	-	1,163
Revaluation deficit of property, plant & equipment	-	-	(2,771)
Deferred tax on revaluation	-	-	804
Other comprehensive income for the period net of tax	-	-	(804)
<b>Total comprehensive income for the financial period</b>	<b>2,085</b>	2,003	2,802

## Consolidated Balance Sheet

	As at 30 June 2016 £'000 Unaudited	As at 30 June 2015 £'000 Unaudited	As at 31 December 2015 £'000 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	2,475	2,475	2,476
Property, plant and equipment	41,354	42,472	40,810
	<b>43,829</b>	44,947	43,286
<b>Current assets</b>			
Inventories	7,278	6,239	7,195
Trade and other receivables	6,045	8,198	4,308
Investments	30	30	30
Cash and cash equivalents	2,747	132	2,935
	<b>16,100</b>	14,599	14,468
	<b>59,929</b>	59,546	57,754
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,899	4,840	4,165
Provisions	-	6	-
Interest bearing borrowings	-	906	456
Corporation tax payable	521	871	-
	<b>5,420</b>	6,623	4,621
<b>Non-current liabilities</b>			
Deferred tax liabilities	3,914	4,593	3,914
	<b>9,334</b>	11,216	8,535
	<b>50,595</b>	48,330	49,219
<b>Equity attributable to equity holders</b>			
Share capital	16,247	16,247	16,247
Share premium account	11,495	11,495	11,495
Reserves	16,953	17,564	16,850
Retained earnings	5,900	3,024	4,627
	<b>50,595</b>	48,330	49,219

## Consolidated Statement of Changes in Equity

	Share Capital	Share Option Reserve	Merger Reserve	Share Premium	Revaluation Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 January 2015</b>	16,247	48	979	11,495	16,503	1,422	46,694
Profit for the period	-	-	-	-	-	2,003	2,003
Total comprehensive income	-	-	-	-	-	2,003	2,003
Share based payment	-	39	-	-	-	-	39
Dividends paid	-	-	-	-	-	(406)	(406)
Transfer to retained earnings	-	-	-	-	(5)	5	-
<b>As at 30 June 2015</b>	16,247	87	979	11,495	16,498	3,024	48,330
Profit for the period	-	-	-	-	-	1,603	1,603
Revaluation surplus	-	-	-	-	1,163	-	1,163
Revaluation deficit	-	-	-	-	(2,771)	-	(2,771)
Deferred tax on revaluation	-	-	-	-	804	-	804
Total comprehensive income	-	-	-	-	(804)	1,603	799
Share based payment	-	90	-	-	-	-	90
<b>As at 31 December 2015</b>	16,247	177	979	11,495	15,694	4,627	49,219
Profit for the period	-	-	-	-	-	2,085	2,085
Total comprehensive income	-	-	-	-	-	2,085	2,085
Share based payment	-	103	-	-	-	-	103
Dividends paid	-	-	-	-	-	(812)	(812)
<b>As at 30 June 2016</b>	<b>16,247</b>	<b>280</b>	<b>979</b>	<b>11,495</b>	<b>15,694</b>	<b>5,900</b>	<b>50,595</b>



## Consolidated Statement of Cash Flows

	<b>6 months ended 30 June 2016 £'000</b>	6 months ended 30 June 2015 £'000	12 months ended 31 December 2015 £'000
	<b>Unaudited</b>	Unaudited	Audited
<b>Net cash generated by operating activities</b>	<b>1,628</b>	2,799	5,778
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>(1,004)</b>	(958)	(1,734)
Proceeds from sale of investment	-	-	-
Proceeds from sale of land	-	-	1,500
Proceeds on disposal of property, plant and equipment	-	-	7
<b>Net cash used in investing activities</b>	<b>(1,004)</b>	(958)	(227)
<b>Cash flows from financing activities</b>			
Repayment of interest bearing borrowings	-	(5,000)	(5,000)
Dividends paid	<b>(812)</b>	(406)	(406)
Repayment of finance lease obligations	-	(2)	(5)
<b>Net cash used in financing activities</b>	<b>(812)</b>	(5,408)	(5,411)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(188)</b>	(3,567)	140
Cash and cash equivalents at beginning of period	<b>2,935</b>	2,795	2,795
<b>Cash and cash equivalents at end of period</b>	<b>2,747</b>	(772)	2,935
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand	<b>2,747</b>	132	2,935
Bank overdraft	-	(904)	-
	<b>2,747</b>	(772)	2,935

## NOTES TO THE GROUP INTERIM REPORT

### 1. GENERAL INFORMATION

Michelmersh Brick Holdings Plc (“the Company”) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 3462378). The Company is domiciled in the United Kingdom and its registered address is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH. The Company’s Ordinary Shares are traded on the AIM Market of the London Stock Exchange plc. Copies of the Interim Report and Annual Report and Accounts may be obtained from the address above, or at [www.mbhplc.co.uk](http://www.mbhplc.co.uk).

### 2. ACCOUNTING POLICIES

#### **Basis of preparation**

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2016.

#### **Statutory accounts**

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 (“the Act”). The statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 June 2016 and 30 June 2015 is unaudited.

### 3. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £2,085,000 (six months ended 30 June 2015 – £2,003,000; 12 months ended 31 December 2015–£3,606,000) and 81,234,656 being the weighted average number of ordinary shares in issue.

#### **Diluted**

At 30 June 2016 there were 483,147 dilutive shares under option leading to 81,717,803 weighted average number of ordinary shares for the purposes of diluted earnings per share. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.