20 March 2017

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

FINAL RESULTS

Michelmersh Brick Holdings (AIM:MBH), the specialist brick manufacturer and landfill company, is pleased to report its audited final results for the year ended 31 December 2016.

Financial Highlights

- Turnover up 3.4% to £30.1 million (2015: £29.1 million);
- Profit before tax stable at £4.5 million (2015: £4.5 million);
- Debt free with a year-end cash balance of £4.7 million (2015: £2.9 million);
- Dividend doubled again to 2.0 pence per share payable for the period; and
- Strong forward order commitments -well positioned for 2017 operational and financial performance.

Operational Highlights

- Kiln replacement project completed at the Michelmersh plant, now yielding 99%;
- Operational issues at the Michelmersh plant have been resolved;
- Average selling prices maintained; and
- Since year end, the Company has signed a conditional contract for the £2.7 million sale of the former Dunton brickworks site at Chesham.

Eric Gadsden, Chairman at Michelmersh Brick Holdings, commented: **“The Group sits in a well-defined segment of the UK brick sector; our high quality products set technical standards and our service levels are recognised by our customers. We continue to develop the business around our product offering and commitment to our customers.”**

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Chairman’s Statement

I am very pleased to report that the Company delivered another strong performance in 2016, which culminated in matching 2015’s levels of profit before tax. What is more pleasing is that this was achieved despite some challenging operational issues, notably at the Michelmersh plant as reported at the half year. The Company has grown stronger through investment, cash balances have increased and further progress has been made on land assets across the Group. The Board is pleased to report that confidence is high and we seek to continue steady growth in 2017. This confidence also allows us to double the dividend again, ahead of expectations, to reward shareholders.

Financial Highlights
Turnover grew by 3.4% to £30.1 million, with additional output from Freshfield Lane satisfying the increased demand for Company product. The Group generated profit before tax of £4.6 million (2015: £4.6 million). We

maintained our average selling prices across the Group despite the dilution caused by increased sales of lower priced products. As reported at the half-year, operational issues at the Michelmersh plant had an impact on Group margins and consequently profit before tax, and being a higher value product further diluted the Group average selling price. The problem is now behind us and operations have returned to normal.

Cash and Borrowings
Cash balances at the year-end amounted to £4.7 million (2015; £2.9 million). Having cleared all borrowings in previous years, the Group can now invest its resources in the business whilst increasing cash headroom. Available debt facilities were not utilised during the year and the proceeds of sale of the Dunton landfill site will further enhance our cash profile. This creates opportunity to invest in operational and land assets and supports strong dividend returns going forward.

Assets and Working Capital
The Group continues to invest in plant and land assets, spending £2.3 million during 2016. The most significant individual investment was the replacement of a kiln at Michelmersh for £1 million which became operational later in the year and which is now working at full capacity. The investment programme is set to continue at a sustainable rate through 2017 as expenditure is targeted at energy and labour inefficient processes.

Dividend
In 2015 the Group paid its first, albeit modest, dividend since 2008 which was doubled in 2016. The Board are pleased to announce that they will propose a dividend of 2 pence per share in respect of the year to 31 December 2016 (2015: 1 pence). Having restored the Group's positive cash balance, this represents a commitment to shareholders to provide a meaningful return on their investment. In addition, the Board has decided to commence payment of an interim as well as a final dividend in respect of 2017 in December and June respectively. The dividend represents over 40% of earnings and, whilst the Group is trading favourably, it is the Board's intention that this level of distribution is maintained.

Land Assets
The Board announced in January that it had signed a conditional contract for the sale of the former Dunton brickworks site at Chesham. Since the brickmaking operations ceased in 2013, the site has been subject to a long and technically involved process to achieve the best economic outcome for the site, which is as a high value landfill site. The sale will complete when the landfill licence is transferred to the purchaser, which is expected to take place in the summer of 2017. A deposit has been paid, and the remainder of the £2.68 million sale price will be paid on completion. The land is treated as a 'non-current asset held for resale' in the balance sheet as at 31 December 2016 at sale value less the costs of disposal. The land was subject to a £1 million revaluation uplift in the accounts to 31 December 2016 and contributed to the increase in net asset value.

Board and Employees
The appointment of Frank Hanna and Peter Sharp as joint CEO from 1 January 2016, has proved effective. To support the change, a sub-board of Associate Directors was established to manage operations at a regional and national level. The Board would like to recognise the important contribution of the new structure and would like to thank all employees for their contribution to the Group's performance in 2016.

Outlook
The Group sits in a well-defined segment of the UK brick sector; our high quality products set technical standards and our service levels are recognised by our customers. We continue to develop the business around our product offering and commitment to our customers.

The UK construction sector is facing continued demands to provide increased residential output to meet the housing shortage. This will support demand for bricks alongside other products and the short and medium term prospects for our industry encourage investment. The Board will continue to evaluate industry opportunities as they arise.

On a personal note, this will be my last Chairman's Report as I will be retiring from the Board at the forthcoming AGM. It is interesting to reflect that what started as little more than a hobby for Martin and myself to save a small craft brickworks in the Chilterns has grown into a sizeable Public Company. It has been a thoroughly enjoyable 20 years during which time I have learnt an enormous amount about manufacturing thanks to the help of some of the nicest and most professional people you could wish to meet. I am proud of the fact that together we have managed to establish Michelmersh as the foremost provider of bricks for premium projects many of which have won awards both nationally and locally. Martin Warner will take over the Chairman's role and I look forward to the business's continued prosperity with him at the helm.

Eric Gadsden
Chairman

20 March 2017

Chief Executives' Review

Clay Products

The UK's construction sector fundamentals remain positive as most housebuilders are reporting increased activity in 2016 and suggesting further growth in 2017. The UK brick industry had a comparatively steady 2016 against a backdrop of a positive drive to increase housing starts but with some economic uncertainty caused by wider political events. Overall the UK produced 7% less bricks and imports fell. Deliveries increased by a similar percentage but the impetus was strongest later in the year. Average prices were flat or falling as the market sought equilibrium of supply and demand.

Michelmersh occupies a defined sector of the market but is affected by the wider industry forces. The Group despatched 69.4 million bricks, up 4% from the previous year, and would perhaps have despatched more had output not reduced by 1.3%. Bricks produced fell across the Group from 69.5 million to 68.6 million as yields from the Michelmersh factory were affected by the clay geological issues in the existing quarry, while delays in working through ecological and archaeological issues restricted expansion into the new available reserves. This and the associated production downtime was addressed by a combination of improved clay recipes and additional engineering resource. Towards the end of the period the new kiln was commissioned, further improving yields at the factory.

The Group continues to invest in its plants, systems and skilled staff to seek to protect the business and enhance yield and quality. Besides expenditure of £1 million on the new kiln at Michelmersh, the Group invested in selected parts of the manufacturing process through 2016. This included replacing two old brick dryers at Freshfield Lane with one new £250k investment that increases capacity and energy efficiency. Investment during 2017 will largely be focused on yield and energy efficiency projects with existing kilns and dryers. The Group also plans to undertake an extensive engineering review of our key manufacturing assets to identify further plant maximisation and risk reduction projects. We continue to explore larger conceptual projects that afford output increases and / or target cost or risk reduction. Two such projects are technically well advanced and will be subject to financial feasibility assessments as time progresses.

During 2016 the Group achieved success by having a balanced market approach as was set out in our annual sales strategy. The focus was centred around delivering strong customer service to our regional and national distribution partners in both the merchant and factor sectors. The Group's distribution centric approach ensured robust deliveries throughout the year.

As in recent years, our products were delivered into the Group's usual sector mix of Repairs, Maintenance & Improvements (RMI), new homes, quality urban regeneration and specification projects. RMI remained steady and strong for the Group throughout 2016.

The Group saw the delivery and completion of some iconic projects during the year. Of particular architectural note were the following: the beautiful Englemere, Ascot, by Millgate Homes; Urban regeneration at Chobham Manor, Stratford; the new Police and Fire HQ in Butterley, Derbyshire perfectly highlighting our contemporary and innovative Synthesis S17 blend delivered through our Select Order Process; the new Banham offices in Thornsett Road, Wandsworth; and lastly the Whitty Theatre at Luckley House School which won the coveted Architects Choice Award at the 2016 BDA Brick Awards.

High quality housing and urban regeneration has always been key for the Group. Our strong product offering was again at the forefront of key projects with companies such as Keepmoat, Telford Homes, Countryside Properties PLC, Berkeley Group and A2 Dominion to highlight a few.

The Group's strategy to maintain a well balanced forward order book will continue to prevail post 2016 and into the current year, thus ensuring a continued optimum product mix.

Hathern Terrcotta had a positive year and produced a solid result albeit slightly below the exceptional result for 2015. Stand out projects included Victoria Quarter, Leeds and Hans Place, London.

During 2016, the Group increased its delivery fleet as part of a rolling improvement programme. This investment will afford additional flexibility, efficiency and customer service. The Group's Freight Transport Association regulated haulage function also currently holds Bronze FORS accreditation with a continuous improvement programme aiming for Silver accreditation.

The Group's online BIMBricks.com brand continues to attract significant web traffic from designers, architects and students. 2016 saw the Group receive the largest single order via BIM totalling over half a million bricks. Our drive to continuously improve and enhance the available data for free distribution continues in the Group's effort to contribute to the creation of an innovative and digitised construction sector.

As well as BIM, the Group was delighted to see a rise in social media activity during the year, inspiring architects through our online renders and images and in turn generating new enquiries.

Throughout 2016 the Group continued its support of education by means of free products, funding and Continuing Professional Development. This was in line with our ethos of future proofing the UK construction sector by assisting local colleges in training much needed bricklayers.

Management Systems
During the year we commenced a consolidation and integration exercise of our quality and environmental management systems. When complete, this will combine our four manufacturing sites into a Group-wide system that will deliver consistent best practice across the Group along with associated operational synergies. We also delivered compliance with our EU-ETS carbon emissions and ESOS energy saving obligations.

2016 saw the Group change its health and safety auditors with a view to further improving our safety performance above and beyond compliance. We joined and engaged RoSPA (The Royal Society for the Prevention of Accidents) to carry out a Quality Safety Audit (QSA) encompassing workplace and management audits across the group and we are pleased to have achieved a Health and Safety Performance Rating of 75%. ROSPA indicated that this was a credible result for a first audit and we have targeted improvement for 2017.

Staff development
During 2016 we strengthened and developed our engineering team across the group. In addition to our successful engineering apprenticeship programme we now have a mix of technical and management skills as well as succession planning which is being enhanced with experience, training and development. Succession and development has also been addressed in both the manufacturing and commercial departments of the business with several new graduates taking on key roles. Our key managers are engaged on our tailored Institute of Leadership and Management programme as well as health and safety training from The Institute of Occupational Safety and Health.

Plans are under way to enhance the Group's HR function in 2017 by reallocating resources and redefining its role. This development reflects the Group's commitment to its staff and recognises the importance of a structured format to improve their skills and support their personal development and wellbeing.

Landfill and land Assets
At the end of the period we successfully delivered two technically challenging land projects at our Dunton and Michelmersh sites. As detailed in the Chairman's Statement we have exchanged contracts for the sale of the Dunton site for £2.68 million. At Michelmersh we completed extensive ecology and archaeological field work to enable us to extend our quarrying operations to our School House Field. The archaeological work alone involved a team of several archaeologists for five months stripping and excavating subsoil. The field was found to contain a significant find of Neolithic flint tools and fragments of international importance. Clay extraction will commence towards the summer of 2017.

During 2016, we also updated the mineral valuation of the clay resource within the Group's land holdings after taking advice from mineral valuer, Wardell Armstrong LLP. The value of mineral reserves was increased by £325,000 to £1.24 million.

The Board
Eric Gadsden has decided to relinquish his position as Chairman of the Board at this year's AGM. It is fair to say that he has been incredibly supportive to the Company as a whole and to us individually. Michelmersh would not have achieved the success it has without his energy and insight. We would like to thank him for his contribution over many years. The Board intend to recruit a non-executive director in due course to re-balance the Board.

Outlook
The positive indicators and market fundamentals look set to continue. There is a widely accepted need and publicised government drive for delivering new housing. We believe this backdrop presents significant opportunities for the Group in not only new builds, but also in RMI where we are particularly strong. During 2017 the Group will improve efficiency and promote new innovative and contemporary products to the market. Through the course of the year the market may see brick demand rise to meet current mid-term UK output capacity, however, the significant uncertainties surrounding the impact of Brexit continue to prevail.

Frank Hanna, Peter Sharp
Joint Chief Executives

20 March 2017

Consolidated Income Statement
for the year ended 31 December 2016

	notes	2016 £'000	2015 £'000
Revenue	2	30,057	29,071
Cost of sales		(19,709)	(17,961)
Gross profit		10,348	11,110
Administrative expenses		(5,833)	(6,468)
Other income	3	36	68
Operating profit		4,551	4,710
Finance income/(expense)	4	18	(153)
Profit before taxation	5	4,569	4,557
Taxation	9	(1,010)	(951)
Profit for the financial year		3,559	3,606
Basic earnings per share attributable to the equity holders of the company	24	4.38p	4.44p
Diluted earnings per share attributable to the equity holders of the company	24	4.36p	4.42p

The profit for the financial year is wholly attributable to the equity holders of the Parent Company.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	notes	2016 £'000	2015 £'000
Profit for the financial year		3,559	3,606
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to profit or loss			
Revaluation surplus of property, plant and equipment	11	1,369	1,163
Revaluation deficit of property, plant and equipment	11	–	(2,771)
Deferred tax on revaluation movement	19	49	804
		1,418	(804)
Total comprehensive income for the year		4,977	2,802

The total comprehensive income for the year is wholly attributable to the equity holders of the Parent Company.

Consolidated Balance Sheet
as at 31 December 2016

	notes	2016 £’000	2015 £’000
Assets			
Non-current assets			
Intangible assets	10	2,469	2,476
Property, plant and equipment	11	40,794	40,810
		43,263	43,286
Non-current assets held for resale	11	2,542	–

Current assets			
Inventories	13	7,193	7,195
Trade and other receivables	14	5,052	4,308
Investments		–	30
Cash and cash equivalents		4,720	2,935
Total current assets		16,965	14,468
Total assets		62,770	57,754
Liabilities			
Current liabilities			
Trade and other payables	15	4,702	4,165
Corporation tax payable		373	456
Total current liabilities		5,075	4,621
Non-current liabilities			
Deferred tax liabilities	19	4,052	3,914
Total liabilities		9,127	8,535
Net assets		53,643	49,219
Equity attributable to equity holders			
Share capital	21	16,294	16,247
Share premium account		11,495	11,495
Reserves		18,410	16,850
Retained earnings		7,444	4,627
Total equity	23	53,643	49,219

Consolidated Statement of Changes in Equity

	Share capital £'000	**Share option reserve £'000**	**Merger reserve £'000**	**Share premium £'000**	**Revaluation reserve £'000**	**Retained earnings £'000**	**Total £'000**
As at 1 January 2015	16,247	48	979	11,495	16,503	1,422	46,694
Profit for the year	–	–	–	–	–	3,606	3,606
Revaluation surplus	–	–	–	–	1,163	–	1,163
Revaluation deficit	–	–	–	–	(2,771)	–	(2,771)
Deferred taxation on revaluation	–	–	–	–	804	–	804
Total comprehensive income	–	–	–	–	(804)	3,606	2,802
Share based payment	–	129	–	–	–	–	129
Transfer to retained earnings	–	–	–	–	(5)	5	–
Dividend paid	–	–	–	–	–	(406)	(406)
As at 31 December 2015	16,247	177	979	11,495	15,694	4,627	49,219
Profit for the year	–	–	–	–	–	3,559	3,559
Revaluation surplus	–	–	–	–	1,369	–	1,369
Deferred taxation on revaluation	–	–	–	–	49	–	49
Total comprehensive income	–	–	–	–	1,418	3,559	4,977
Share based payment	–	212	–	–	–	–	212
Shares issued during the year	47	–	–	–	–	–	47

Transfer to retained earnings	–	(70)	–	–	–	70	–
Dividend paid	–	–	–	–	–	(812)	(812)
As at 31 December 2016	**16,294**	**319**	**979**	**11,495**	**17,112**	**7,444**	**53,643**

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit before taxation	4,569	4,557
Profit on sale of fixed assets	(8)	(7)
Finance (income)/expense	(18)	153
Depreciation	1,063	1,174
Amortisation	3	3
Market value adjustment of Intangible assets	4	(3)
Share based payment charge	212	129
Cash flows from operations before changes in working capital	5,825	6,006
Decrease/(increase) in inventories	35	(1,070)
(Increase)/decrease in receivables	(744)	1,489
Increase in payables	537	197
Net cash generated by operations	5,653	6,622
Taxation paid	(905)	(740)
Interest received/(paid)	18	(104)
Net cash generated by operating activities	4,766	5,778
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,254)	(1,734)
Proceeds of sale of investments	30	–
Proceeds of sale of land	–	1,500
Proceeds of disposal of property, plant and equipment	8	7
Net cash used in investing activities	(2,216)	(227)
Cash flows from financing activities		
Repayment of interest bearing borrowings	–	(5,000)
Proceeds of share issue	47	–
Dividend paid	(812)	(406)
Repayment of hire purchase and finance lease obligations	–	(5)
Net cash used in financing activities	(765)	(5,411)
Net increase in cash and cash equivalents	1,785	140
Cash and cash equivalents at the beginning of the year	2,935	2,795
Cash and cash equivalents at the end of the year	4,720	2,935
Cash and cash equivalents comprise:		
Cash at bank and in hand	4,720	2,935
Bank overdraft	–	–
	4,720	2,935

General Information and Accounting Policies

General Information

Introduction
Michelmersh Brick Holdings Plc ("the Company") is a public limited company limited by shares incorporated in the United Kingdom under the Companies Act 2006.

The principal activity of the Company during the year was the management and administration of its subsidiary companies. The main activity of the main trading subsidiary company was the manufacture of bricks. All other subsidiary companies were non trading.

These financial statements cover the financial year from 1 January to 31 December 2016, with comparative figures for the year 1 January to 31 December 2015.

The companies within the Group during the financial year ended 31 December 2016 are disclosed in note 12.

Accounting Policies

Basis of Preparation
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. The consolidated financial statements for the financial years ended 31 December 2016 and 31 December 2015 have been prepared under the historical cost convention, as modified by the revaluation of certain items as stated in the accounting policies.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand ("£000") except where otherwise indicated.

The financial statements of the parent company are prepared under FRS 102 and its subsidiary undertakings are prepared under FRS101, all to the same reporting date. Adjustments are made to remove any differences that may exist between UK GAAP and IFRS for consolidation purposes.

The preparation of the financial statements, in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Although these results are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

New Standards and interpretations
IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases* are in issue but are not yet effective so the Group has not adopted these standards in these Accounts. The directors have not yet made an assessment of the likely impact of these.

Accounting standards and interpretations adopted during the year
No other Amendments and Improvements have been issued that are not yet effective that would have an impact on the Group's Accounts.

Basis of consolidation
The financial statements comprise a consolidation of the financial statements of Michelmersh Brick Holdings Plc and all its subsidiaries. Subsidiaries include all entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which the Group has the power to control. When control of a subsidiary is lost, a disposal occurs and the subsidiary is no longer consolidated from that date.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out the Chairman's Statement and the Chief Executives' Review.

The Group meets its day-to-day working capital requirements principally through cash balances. Additional facilities are in place including a revolving credit facility and an overdraft facility provided by Barclays Bank Plc.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its facilities.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue
Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities.

The following specific recognition criteria must also be met before revenue is recognised:

Building materials product revenue
Revenue is recognised when the significant rights and rewards of ownership of the goods have passed to the buyer, normally on despatch of the goods. Discounts are negotiated with customers at the beginning of each financial year.

Landfill revenue
Revenue is recognised following delivery of service in line with quantities of inert landfill waste tipped by customers.

Goodwill
Purchased goodwill, representing the difference between the fair values of the consideration and the underlying assets and liabilities acquired, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. See note 10 for further details.

Licences
The costs of preparing and submitting applications for licences have been capitalised as an intangible fixed asset. Amortisation is calculated so as to write off the cost of the licence on a straight line basis, through cost of sales, over the operational life of the landfill site to which it relates.

Property, plant and equipment
Plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Land and buildings are carried at appropriate valuation for the land and buildings concerned. Further details are disclosed in note 11 to the financial statements.

Freehold buildings are revalued annually
Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value based on current prices at the balance sheet date, over the useful economic life of the asset as follows:

Freehold buildings	–	life of brickworks site
Plant and machinery	–	3% - 25%
Motor vehicles	–	25%
Fixtures and fittings	–	20% - 25%
Equipment	–	3% - 25%

Freehold land used in landfill activities is amortised over the life of the site on a usage basis. Mineral reserves are included within freehold land and buildings and are amortised on a usage basis. All other freehold land is not depreciated.

Site development costs are capitalised. These costs are written off over the operational life of the site as and when the void space created as a result of this expenditure is consumed. Provision for site restoration costs is made and capitalised once the Group creates a legal or constructive obligation in respect of restoration work on landfill sites. This is deemed to be a cost of disposal and is recognised in the income statement within profit or loss on disposal when disposal occurs. Provision is made, where material, for the net present value of the Group's estimated unavoidable costs in relation to the restoration and aftercare of landfill sites operated by the

Group. Provision is not made where no significant cost is expected, or where costs are not deemed reliably measurable.

An amount equal to the excess of the annual depreciation charge on certain revalued assets over the notional historical cost depreciation charge on those assets is transferred from the revaluation reserve to retained earnings.

Impairment of assets
At each balance sheet date the Group reviews the carrying amount of its assets other than inventories to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The review period is based on the expected life of the brickworks and this is linked with available clay reserves.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement, except to the extent that it represents the reversal of a previous valuation, where it is recognised directly in other comprehensive income.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Inventories
Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is calculated using the average cost formula on the basis of direct cost plus attributable overheads based on a normal level of activity and includes as part of the deemed cost an element of clay in respect of mineral reserves, which have been extracted at valuation and transferred from the freehold land. No element of profit is included in work in progress and no revaluations of inventories are made after recognition.

Financial Instruments
Financial Instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair values less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis, matching the expense to the value of borrowings in issue.

Trade and other receivables
Trade receivables are recognised initially at fair value and subsequently at amortised cost less any provision for impairment. A provision for impairment is established when it becomes probable that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The reduction in carrying amount of the asset is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Trade and other payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are also included as they are an integral part of the Group's cash management.

Share based payment transactions
An expense for equity instruments granted under employee share schemes and the Save-As-You-Earn Schemes is recognised in the financial statements based on the fair value at the date of the grant. This expense is recognised over the vesting period of the scheme. The cumulative expense recognised at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of

equity instruments that will ultimately vest. The Group has adopted the principles of the Black Scholes Model for the purposes of computing fair value.

Operating Lease Agreements
Rentals applicable to operating leases where substantially all of the benefits and risk of ownership remain with the lessor are charged against profits on a straight line basis over the life of the lease.

Taxation
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that deferred tax relates to items recognised directly in equity, in which case, this element of the deferred tax charge is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are neither taxable or deductible.

Deferred tax is provided using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Pension costs
The Group operates defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the companies. Contributions are charged to the income statement in the year in which they are incurred.

Carbon emissions allowances policy
Unused and acquired carbon emission quotas held at the Balance Sheet date are recognised as intangible assets and are valued at open market value. Any gain or loss arising is recognised in the Income Statement.

Dividends
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholder.

Notes to Financial Statements
Year ended 31 December 2016

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgements and key sources of estimation uncertainty employed in the preparation of these financial statements are as follows:

- Future taxation payments and receipts, which have been estimated on the basis of the best information available (see note 9).
- Freehold land and buildings are valued by the Directors, after taking into account external professional advice, and incorporate certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and landfill facilities.
- Estimated useful life of property, plant and equipment is estimated and reviewed at each financial year end. The Group also tests for impairment whenever a trigger event occurs. Impairment test assumptions include cash flows based on trading forecasts generated from current performance of

each of the cash generating units. Cash generating units are deemed to be each integrated trading site, due to the integrated business model adopted by the Group. Discounting is applied based on weighted average cost of capital.

- The fair value of share based payments is calculated using the appropriate fair value model with the estimated level of vesting being reviewed annually by management. The key assumptions of this model are set out in note 22.

2. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31 December 2016. Segment information has been prepared in accordance with the accounting policies of the Group as set out on pages 21 to 25.

The chief operating decision-maker has been identified as the Board of Directors (the "Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management have determined the operating segments based on these reports and on the internal report's structure.

The Board assesses the performance of the operating segments based on measures of revenue and profit before tax. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, such as centrally managed costs relating to individual segments and costs relating to land used in more than one individual segment.

The Group comprises the following segments:

Building materials:
Manufacture of bricks, tiles and building products being principally facing bricks and clay paviors:

- Blockleys – based in Telford, Shropshire
- Charnwood – based in Shepshed, Leicestershire
- Freshfield Lane – based in Danehill, West Sussex
- Michelmersh – based in Romsey, Hampshire

Landfill:
Engagement in landfill operations:

- New Acres Limited – based in Telford, Shropshire

Segment performance is evaluated by the Board based on revenue and profit before tax. Given that income taxes and certain corporate costs are managed on a centralised basis, these items are not allocated between segments for the purposes of the information presented to the Board and are accordingly omitted from the analysis below.

	2016		2015	
Continuing Activities	**Segmental Revenue £'000**	**PBT £'000**	**Segmental Revenue £'000**	**PBT £'000**
Building materials				
Blockleys	7,121	2,162	7,464	2,113
Charnwood	3,507	948	3,491	991
Michelmersh	5,802	188	6,057	1,377
Freshfield Lane	14,104	5,614	12,475	5,215
Less rebates	(477)	(477)	(461)	(461)
	30,057	8,435	29,026	9,235
Landfill				
New Acres	–	(8)	50	4
	30,057	8,427	29,076	9,239
Inter-segmental revenue and unallocated costs*	–	(3,858)	(5)	(4,682)

	30,057	4,569	29,071	4,557

*All inter-segmental revenues transactions are at arms length prices

Other segmental disclosure

	2016			2015		
Property, plant and equipment	**Additions £'000**	**Depreciation £'000**	**Intangible fixed assets Amortisation £'000**	**Property, plant and equipment Additions £'000**	**Depreciation £'000**	**Intangible fixed assets Amortisation £'000**
Building materials						
Blockleys	238	280	–	560	258	–
Charnwood	118	67	–	265	55	–
Michelmersh	1,362	433	–	185	380	–
Freshfield Lane	285	283	–	655	396	–
	2,003	1,063	–	1,665	1,089	–
Landfill						
New Acres	–	–	–	–	–	3
Dunton	251	–	–	68	–	–
	2,254	1,063	–	1,733	1,089	3

Revenue by geographical destination

	2016 £'000	2015 £'000
United Kingdom	29,990	29,017
Europe	36	37
Rest of the World	31	17
	30,057	29,071

Total assets including property, plant and equipment and intangible assets are all held in the UK. Sales of £4,559,000 (2015: £4,296,000) were made to a single customer of the Group.

Total Group revenue made to the top five customers amounted to £13,602,000 (2015: £11,284,000). No other customers were individually material in revenue value.

3. OTHER INCOME

	2016 £'000	2015 £'000
Rents receivable	15	19
Profit on sale of fixed assets	8	7
Market value adjustment to intangible asset	–	3
Other	13	39
	36	68

4. FINANCE COSTS

	2016 £'000	2015 £'000
Interest expense	–	82
Charges in respect of early termination and new facilities	–	188
Charges in respect of hire purchase agreements	–	1
less		
Release of interest adjustment on deferred proceeds of land sale	–	(118)
Interest earned	(18)	–
	(18)	153

5. PROFIT BEFORE TAXATION

		2016 £'000	2015 £'000
Profit before taxation is stated after charging:			
Amortisation	– other	3	3
Depreciation	– owned assets	1,063	1,171
	– assets held under hire purchase agreements	–	3
Operating lease costs	– plant and machinery	91	281
	– motor vehicles	435	449

6. DIVIDEND

On 30 June 2016, a dividend was paid of 1.0 pence per share, amounting in total to £812,000.

The Board has proposed a dividend of 2.0 pence per share payable on 30 June 2017 to shareholders on the register on 2 June 2017. The dividend will amount to a total payment of £1,629,000.

Services provided to the Group by the auditors are reviewed by the Board of Directors to ensure that the independence of the auditors is not compromised.

7. AUDITORS REUMERATION

	2016 £'000s	2015 £'000s
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	20	20
Fees payable to the Group's auditor and its associates for other services		
– the audit of the Group's subsidiaries, pursuant to legislation	23	25
– tax compliance services	26	26
– corporate finance services	7	7

Services provided to the Group by the auditors are reviewed by the Board of Directors to ensure that the independence of the auditors is not compromised.

8. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Group during the year amounted to:

	2016	2015
Manufacture and supply of bricks	266	257
Administration	33	32
	299	289

	2016 £'000	2015 £'000
Wages and salaries	8,909	8,597
Social security costs	864	844
Other pension costs	338	330
	10,111	9,771

Details of Directors' emoluments are shown in the Remuneration Report on page 11.

9. TAXATION

a) Recognised in the income statement

	2016 £'000	2015 £'000
Current tax expense		
Current year	843	876
Prior year	(21)	(50)
	822	826
Deferred tax		
Origination and reversal of temporary differences	188	125
Total income tax charge in the income statement	1,010	951

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2015 higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below.

	2016 £'000	2015 £'000
Reconciliation of effective tax rate		
Profit before taxation	4,569	4,557
Income tax using the domestic corporation tax rate	914	923
Effects of :		
Expenses disallowed	19	53
Share option expense not taxable	28	–
Depreciation in excess of capital allowances	65	44
Change to prior year estimate	32	(4)
Profit on sale	(2)	(25)
Rate changes	(38)	(55)
Other timing differences	(8)	15
	1,010	951

c) Factors affecting future tax charges

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 20%, which has applied from 1 April 2015 to 17%. The reduction in the corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 was enacted on 15 September 2016. As this rate was enacted at the balance sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it has the effect of reducing the UK deferred tax balance.

As at 31 December 2016, the Group had tax losses carried forward of approximately £1,169,000 (2015: £1,181,000).

A deferred tax asset has not been recognised in respect of £503,000 (2015: £503,000) of these tax losses, as the Directors do not consider their recovery to be sufficiently certain in the near future.

10. INTANGIBLE ASSETS

	Goodwill £'000	PPC license £'000	Carbon emissions quota £'000	Total £'000
Cost or valuation				
As at 1 January 2015	2,280	75	143	2,498
Revaluation adjustment	–	-	3	3
As at 31 December 2015	2,280	75	146	2,501
Revaluation adjustment	–	-	(4)	(4)
As at 31 December 2016	2,280	75	142	2,497
Amortisation				
As at 1 January 2015	–	22	–	22
Charge for the year	–	3	–	3
As at 31 December 2015	–	25	–	25
Charge for the year	–	3	–	3
As at 31 December 2016	–	28	–	28
Net book value				
As at 31 December 2016	2,280	47	142	2,469
As at 31 December 2015	2,280	50	146	2,476

GOODWILL

The goodwill relates exclusively to the acquisition of Freshfield Lane Brickworks Limited in 2010. In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 31 December 2016, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections of the brickworks discounted at the Group's weighted average cost of capital.

The key assumptions used in the value in use calculations are those regarding discount rates of 10% (2015: 10%) and revenue and cost growth rates of 3% (2015: 3%). The Group prepares cash flow forecasts as part of the budget process, and these are extrapolated forward for the expected life of the business.

There were no impairment losses recognised on goodwill during the year (2015: £nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Site develop-ment £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost or valuation					
As at 1 January 2015	33,671	202	27	25,477	59,377
Additions	1,338	–	–	396	1,734
Transfer between categories	(41)	–	–	–	(41)
Transfers to inventories	–	–	–	(72)	(72)
Revaluation surplus	1,163	–	–	–	1,163
Revaluation deficit	(2,771)	–	–	–	(2,771)
As at 31 December 2015	33,360	202	27	25,801	59,390
Additions	640	–	11	1,602	2,254
Transfers to inventories	(33)	–	–	–	(33)
Transfer to current assets	(2,639)	–	–	–	(2,639)
Disposals	–	–	–	(38)	(38)
Revaluation surplus	1,369	–	–	–	1,369
As at 31 December 2016	32,697	202	38	27,365	60,302

Depreciation					
As at 1 January 2015	1,666	46	27	15,739	17,478
Charge for the year	132	–	–	1,042	1,174
Disposals	–	–	–	(72)	(72)
As at 31 December 2015	1,798	46	27	16,709	18,580
Charge for the year	317	–	1	745	1,063
Transfer to current assets	(97)	–	–	–	(97)
Disposals	–	–	–	(38)	(38)
As at 31 December 2016	2,018	46	28	17,416	19,508
Net book value					
As at 31 December 2016	30,679	156	10	9,949	40,794
As at 31 December 2015	31,562	156	–	9,092	40,810

The Group's freehold land and buildings were valued by the Directors at £30,679,000 at 31 December 2016 (2015: £31,562,000), resulting in a net increase in the revaluation reserve of £1,369,000 (2015: decrease £1,608,000). Deferred tax liabilities were decreased by £49,000 (2015: £804,000) and have been credited to the revaluation reserve.

The revaluation surplus in the year ended 31 December 2016 relates to an increase in value of a landfill asset and the Group's mineral reserves. Conditional contracts have been exchanged in January 2017 for the sale of the Dunton landfill site for £2.68 m. The asset was revalued to the sale value less costs to sell and re-categorised as 'non-current assets, held for resale' as at 31 December 2016. The Group's mineral assets were revalued during the year by Wardell Armstrong LLP and the value was increased accordingly.

In respect of the freehold property stated at a valuation, the comparable historical cost and depreciation values are as follows:

	2016 £'000	**2015 £'000**
Historical cost		
At 1 January	16,705	15,408
Additions	640	1,338
Transfer to inventories	(33)	(41)
At 31 December	17,312	16,705

All other property, plant and equipment are stated at historical cost.

IFRS13

Under IFRS13 companies must disclose greater detail about the assets held at fair value and the valuation methodology. Michelmersh 'fair values' its land and buildings on a range of bases described below depending on the nature of the asset. Fair value is defined as the price that would be received on sale of the asset in an orderly transaction between market participants at the measurement date.

The assets have been valued individually consistent with the principles of IFRS13. Valuations have been made on the basis of highest and best use which involves consideration of a potential alternative use given current market conditions. Current and best use is considered by the directors to represent highest and best use.

Methodology

IFRS13 requires the fair values to be categorised in a three level 'fair value hierarchy' based on the inputs used in the valuation.

Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2 – Use of a model with inputs (other than quoted prices as in Level 1) that are directly or indirectly observable market data.

Level 3 – Use of a model with inputs that are not based on observable market data.

The fair value of Land and Buildings above of £30,679,000 are all derived using Level 3 inputs and there have been no transfers between Levels during the period.

Valuation techniques

Brickwork properties have been fair valued using a cost approach, by assessing the rebuild cost provided by external professional valuers in 2011, ascribing a construction industry price inflation factor and applying a remaining life period over the total life of each asset of between 20 and 50 years. These values were confirmed by a third party valuation in 2015 of Freshfield Lane and Telford properties. Mineral reserves were assessed during 2016 and the volumes of 4.7 million tonnes and market rate less extraction costs have been reveiwed and subjected to net present value assessments to arrive at current fair value. Similarly, the fair value of landfill assets have been assessed by updating external third party valuations from 2011 based on available landfill voids of 1.9 million tonnes.

Other property comprises land assets that may be treated as Investment properties at some point in the future. The Directors have reviewed the third party professional valuations conducted in 2011 updated them where they consider conditions have changed in the interim period.

	2016 £'000	**2015 £'000**
Fair value of Land and Buildings at 1 January	31,562	32,005
Transferred to inventories	(33)	(41)
Charged to the Income Statement in cost of sales	(317)	(132)
Expenditure on assets	640	1,338
Transferred to current assets	(2,542)	–
Net loss recognised in Other Comprehensive Income	–	(2,771)
Net gains recognised in Other Comprehensive Income	1,369	1,163
Fair value of Land and Buildings at 31 December	30,679	31,562

Sensitivity

The fair value of brickworks land and buildings will be sensitive to changes in construction costs and expected life of the buildings. The net present value of the landfill and mineral deposits uses inputs relating to the market value of landfill and clay and usage levels available that would determine market participants evaluation.

The open market value of the other properties is sensitive to general economic conditions but changes in value will be most highly affected by change in planning status and the period of time estimated to ultimately developed alternative use.

12. SUBSIDIARIES

The following subsidiaries have been included within the consolidated financial statements

Company	**Country of Incorporation**	**Class of Shares held**	**% age of holding**	**Nature of business**
Michelmersh Brick UK Limited	England	Ordinary	100	Manufacture Bricks
Dunton Brothers Limited	England	Ordinary	100	Non trading property holding
Charnwood Forest Brick Limited	England	Ordinary	100	Non trading property holding
Michelmersh Brick and Tile Company Limited	England	Ordinary	100	Non trading property holding
Freshfield Lane Brickworks Limited	England	Ordinary	100	Non trading property holding
New Acres Limited	England	Ordinary	100	Non trading landfill operations

No entities have been excluded from the consolidated financial statements.

13. INVENTORIES

	2016 £'000	**2015 £'000**
Raw materials	2,555	2,532
Work in progress	1,235	1,112
Finished goods	3,403	3,551
	7,193	7,195

The cost of inventories expensed during the year is £17,909,000 (2015: £17,929,000). The inventory cost disclosed above is used for security of previous borrowings as disclosed in note 16.

14. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2016 £'000	2015 £'000
Trade receivables	4,440	4,039
Prepayments and accrued income	612	269
	5,052	4,308

The fair values of the trade and other receivables are approximate to their carrying value. The trade receivables disclosed above are used for security of the overdraft as disclosed in note 17.

Included within trade receivables is £10,000 (2015: £82,000) of receivables past due but not impaired. The Directors do not feel there is any deterioration of credit quality of these receivables. The age analysis of receivables past due but not impaired is as follows.

	2016 £'000	2015 £'000
30 days overdue	4	82
30 – 60 days overdue	–	–
60 – 90 days overdue	6	–
	10	82

The carrying amount of the Group's trade and other receivables are denominated in sterling. The total cash and receivables category comprises trade and other receivables above together with cash of £4,720,000 as shown in the balance sheet, totalling £9,160,000.

During the year no provisions were made against any debtors (2015: nil).

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2016 £'000	2015 £'000
Trade payables	2,137	1,155
Other taxation and social security	709	698
Other payables	149	3
Accruals	1,658	2,256
Pension	49	53
	4,702	4,165

The fair values of trade and other payables are approximate to their carrying value. The total financial liabilities at amortised cost category comprises the above payables excluding other taxation and social security totalling £3,993,000.

Trade payables are not interest bearing and are generally settled within terms. Other payables are non-interest bearing.

16. BORROWINGS

Interest rate risk of financial assets and liabilities
The Group has no borrowings at 31 December 2016 (2015: £nil) and has no hire purchase liabilities (2015: £nil). The Group's financial assets at 31 December 2016 and 31 December 2015 include cash at bank and in hand for which minimal interest is earned.

Borrowing facilities
The Group has undrawn committed borrowing facilities at 31 December 2016 of £4,500,000 (2015: £4,500,000). The facilities are committed until 2018.

The Group currently operates with positive cash reserves. The Group has a £4 million committed Revolving Credit Facility and a £500,000 overdraft facility with Barclays. If utilised, interest is payable on the borrowing facilities at a margin above LIBOR per annum and the Group is subject to a non-utilisation fee. The facilities are secured by a floating charge over all property and assets of the Group both present and future, and a fixed charge on one property, dated 23 March 2006 in favour of Barclays Bank Plc.

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments

As the Group predominantly operates within the United Kingdom, and the majority of overseas sales are conducted in sterling, the directors consider there is minimal exposure to currency risk.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Operations Board under policies approved by the Board of Directors. The Operations Board identifies, evaluates and takes measures to adequately mitigate financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Cash flow and fair value interest rate risk

Given that the Group has no current borrowings, and expects that potential utilisation of facilities will be limited in amount and time periods, the Group's interest rate risk is restricted.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

18. PENSIONS

Defined contribution Scheme

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Group in trustee administered funds. The pension charge for contributions made by the Group to the defined contribution scheme amounted to £340,000 (2015: £328,000). Amounts unpaid at the year end in respect of contributions amounted to £31,000 (2015: £33,000).

19. DEFERRED TAXATION

Deferred tax at 31 December 2016 relates to the following:

	Losses £'000	Property plant and equipment £'000	Other items £'000	Total £'000

Cost				
As at 1 January 2015	(139)	4,684	48	4,593
Recognised in income	17	131	(23)	125
Recognised in other comprehensive income	–	(804)	–	(804)
As at 31 December 2015	(122)	4,011	25	3,914
Recognised in income	9	183	(5)	187
Recognised in other comprehensive income	–	(49)	–	(49)
As at 31 December 2016	(113)	4,145	20	4,052

Deferred tax assets included above are deemed recoverable against future taxable profits in certain Group companies.

In addition to the above, the Group has un-provided deferred tax assets of £85,000 (2015: £90,000) in respect of unrelieved tax losses.

20. COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases in respect of vehicles, plant and machinery are set out below:

	2016	**2015**
	£'000	**£'000**
Within one year	601	590
Between two and five years	1,114	517
	1,715	1,107

Under the terms of the lease agreements, no contingent rents are payable.

21. SHARE CAPITAL

	2016	**2016**	**2015**	**2015**
Authorised share capital	**Number**	**£'000**	**Number**	**£'000**
Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000

	2016	**2016**	**2015**	**2015**
Allotted, called up and fully paid:	**Number**	**£'000**	**Number**	**£'000**
Ordinary shares of 20p each	81,471,178	16,294	81,234,656	16,247

There were no unusual rights or restrictions attaching to the Ordinary shares of the company.

22. SHARE BASED PAYMENTS

Share option reserve	**£'000**
As at 1 January 2016	177
Released on maturity	(70)
Charge for the year	212
As at 31 December 2016	319

a) Michelmersh Brick Holdings Plc Group share option schemes

Year of Grant	**Exercise price per share**	**Period of exercise**	**No. of options as at 31 December 2015**	**Options granted**	**Options forfeited/ lapsed in the year**	**No. of options as at 31 December 2016**
2008	96p	February 2011 – February 2018	12,500	-	-	12,500

2014	72.75p	July 2017 – July 2024	164,000	-	-	164,000
2015	nil	May 2020 – June 2025	1,000,000	-	-	1,000,000
2015	nil	December 2018 – December 2025	36,524	-	-	36,524

Vesting conditions under the schemes include a three or five year vesting period. Employees may exercise options after they leave employment if exercised within six months of ceasing to be an employee. The exercise period is seven or five years from the vesting date.

The options granted in the year were made under the “Long Term Incentive Plan” and are subject to performance conditions. The conditions relate to EPS targets in repect of the first grant (see Directors Remuneration Report on page 11) and the second grant to senior management relate to profitability of the brick business.

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	**Exercise price per share**	**Period of exercise**	**No. of options as at 31 December 2015**	**Options granted**	**Options forfeited/ lapsed in the year**	**No. of options as at 31 December 2016**
2011	19p	November 2011 – December 2016	238,416	(238,416)	-	-
2015	66.2p	August 2015 – August 2018	382,609	-	(27,190)	355,419
2015	66.2p	August 2015 – August 2020	39,877	-	-	39,877

Vesting conditions under the scheme include a three or five year vesting period but do not include any performance criteria.

Options were valued using the principles of the Black Scholes Model. This valuation is amortised to the income statement over the vesting period. The charge for the year amounted to £212,000 (2015: £129,000).

The following key inputs have been used in the valuation of the share options using the Black Scholes Model, as deemed applicable at the grant date.

Weighted average share price	£0.821
Expected volatility	30%
Expected dividend yield	1.8%
Risk free rate	5%

Expected volatility is derived from historic share price of the Group.

The weighted average exercise prices for both schemes combined were as set out below:

	2016		**2015**	
	No	**Weighted average exercise price**	**No**	**Weighted average exercise price**
Outstanding as at 1 January	1,873,926	24.3p	440,179	57.0p

Exercised	(238,416)	19p	-	-
Lapsed and forfeited	(27,190)	66.2p	(34,506)	31.6p
Granted	-	-	1,468,253	19.5p
Outstanding as at 31 December	1,608,320	24.4p	1,873,926	24.3p

The weighted average contractual life for the share options outstanding at 31 December 2016 is 7 years (2015: 7 years).

23. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

Share option reserve

The share option reserve relates to the Group Share Option and SAYE Share Option Schemes. Additional details are disclosed in note 22 to the financial statements.

Share premium account

The share premium account relates to the excess of issue price over nominal value of shares issued.

Merger reserve

The merger reserve relates to the premium of fair value of ordinary shares issued on acquisition of a subsidiary over the par value of the shares.

Revaluation reserve

The revaluation reserve relates to revaluation of property as disclosed in note 11.

24. EARNINGS PER SHARE

Earnings	**2016 £'000**	**2015 £'000**
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders from continuing operations	3,559	3,606
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	81,259,280	81,234,656
Number of dilutive shares under option	379,105	389,741
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	81,638,385	81,624,397

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. 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.