MICHELMERSH
Brick Holdings PLC
Britain's Brick Specialists

21 March 2016

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

FINAL RESULTS
Debt Eradicated. Dividend Doubled. Well Positioned for the Future

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 2015, representing a strong performance and continued progress.

Financial Highlights

- Operating profit of £4.7 million (2014: 2.8 million), an improvement of 68%;
- EPS 4.44 pence (2014: 2.72 pence);
- Turnover up 2% to £29.1 million (2014: £28.5 million);
- Cash generated by operations of £6.6 million (2014: £2.6 million);
- Net debt eradicated with a year-end cash balance of £2.9 million against a net debt of £2.1 million at the start of the year; and
- Dividend doubled to 1.0 pence per share payable for the period.

Operational Highlights

- Completion of the expansion project at Freshfield Lane and implementation of packaging robots at Telford;
- Brick production up 3% to 69.5 million (2014: 67.5 million) helping to rebuild stocks to workable levels;
- Average selling prices increased 9% on prior year prices; and
- Strong showing at the BDA awards including the prestigious Chairman's award;

Eric Gadsden, Chairman at Michelmersh Brick Holdings, commented: **"The Group has had a very good year both in terms of reported results but also with the continued development of management and systems, all of which means the Group is well placed to continue its success in the future. The product offering remains targeted at premium sectors and our service levels are wedded to our key customers.**

"MBH occupies a defined sector within the brick industry and the Board is committed to invest in process and people to maximise the returns of the business. Finally, I would like to thank all our shareholders and look forward to a busy period ahead."

CHAIRMAN'S STATEMENT

The Final Results for the year ended 31 December 2015 included in this Annual Report represent a continuation of the excellent performance of the Group. All of the key indicators are positive and represent an improved performance against the previous year. The Group returned a profit before taxation of £4.6 million (2014: £2.6 million). I am particularly pleased that the strong performance of the business allows us to report that the Board is recommending a dividend for the year of 1 pence per share, a 100% increase over the previous payment.

The period under review saw the completion of our expansion project at Freshfield Lane and installation of packaging robots at Blockleys. These developments were achieved for relatively modest outlays but lay capacity and efficiency foundations for future periods, a position from which the Group will continue its stable and proven progress.

The Group continues to closely manage its trading assets. As working capital has fallen, positive cash balances have been achieved, eradicating net debt.

Whilst trading conditions have been favourable, we have made the most of the opportunities that the market has presented. A strong cash balance will enable us to continue exploiting such developments, being able to respond to contingencies as they arise.

Financial Highlights:

	2015	2014
Turnover	**£29.1 m**	£28.5 m
Operating profit	**£4.7 m**	£2.8 m
Basic EPS	**4.44 p**	2.72 p
Dividend per share	**1.0 p**	0.5 p
Net assets	**£49.2 m**	£46.7 m
Net assets per share	**60.6p**	57.5 p
Net cash / (debt)	**£2.9 m**	(£2.1) m
Net cash generated by operating activities	**£6.6 m**	£2.6 m

Turnover was 2% higher than in 2014 on reduced despatch volumes as price increases yielded improved margins and a recovery of brick stocks. Operating profit consequently grew by 68% to £4.7 million (2014: £2.8 million) as a result of much improved margins. Gross margin rose from 30.6% to 38.2% with sales price increases and our controlled management of production costs. We are pleased that considered and successful management policies have resulted in discernible improvements in efficiency, as evidenced in EPS increasing to 4.44 pence, 63.2% higher than in 2014.

Production volumes increased in the year as a result of increased capacity at Freshfield Lane, our largest brick plant, with the completion of the £2.2 million investment at the site in the second quarter of 2015.

Cash and Borrowings

During the year, strong cash flow allowed the Group to repay the £5 million term loan ahead of schedule, and to cancel the borrowing facilities with ABN AMRO. We ended the year with a net cash balance of £2.9 million after starting the year with net debt of £2.1 million. The final payment of £1.5 million under the 2013 land sale was received from Bovis whilst non-operating cash outflows included £1.7 million of capital expenditure and £406,000 in dividends.

Following the repayment of the Barclays term loan, the Group has entered into a £4 million Revolving Credit Facility ("RCF") with Barclays to provide operating cash headroom, although no drawdowns have been made against this facility to date.

The interest burden in 2015 comprised charges related to the term loan before repayment in June 2015 and charges associated with the early settlement of the ABN AMRO facility and accelerated amortisation of prepaid arrangement fees. Finance charges going forward will be limited to the RCF non-utilisation fee and any facility utilisation.

Assets and Working Capital
Tangible fixed assets, including a substantial land element, form a significant part of the Group's balance sheet at 83% of net assets. Working capital has reduced by 5% over 2015, despite the strategic increase in brick stocks, as debtors and creditors have been carefully managed with a positive impact on cash balances. The Group's net assets per share increased by more than 5%.

Dividend
The Board are intent upon maintaining a sustainable dividend policy that reflects a balance between trading cash flows and long-term reinvestment in capital assets. Accordingly, the Board proposes a dividend of 1.0 pence (2014: 0.5 pence) per share in respect of 2015.

The Board will seek to continue to make dividend payments out of trading cash flow annually to maintain a prudent level of dividend cover.

Land assets
As reported in the 2014 Annual Report, the Group has ceased landfill activities in order to maximise the long-term economic contribution of the Telford site. Contribution from landfill was negligible in the period and will remain discontinued for some years pending development on the site which releases the maximum clay reserves. At this point landfill will recommence.

However, a draft license will shortly be issued for final consultation at our Dunton site. We are making good progress with bringing this forward as an income generator, and other land assets in the Group are continually being assessed to maximise their long-term value in conjunction with, but secondary to, the primary objective to optimize brick manufacturing facilities.

Board realigned
From 1 January 2016, there has been a change in structure and operational function of your Board. Frank Hanna and Peter Sharp have been appointed as Joint Chief Executives and the Group can look forward to the renewed energy and ingenuity that they will bring. Martin Warner has relinquished his previous role as Chief Executive and now serves as executive Deputy Chairman, absorbing some of the responsibilities vacated by Alan Hardy. Alan resigned as Non-executive director in October 2015 to pursue his other interests and we all wish him well.

The new structure retains the experience and expertise required to take the Group forward in the face of new challenges.

Our team
The continued success of the Group depends considerably upon the commitment and diligence of our employees and, on behalf of the Board, I would like to extend to them all my sincere thanks.

Outlook
The Group has had a very good year both in terms of reported results, but also with the continued development of management and systems, all of which means the Group is well placed to continue its success in the future. The product offering remains targeted at premium sectors and our service levels are wedded to our key customers. The Board is committed to continued investment in processes and our staff.

During 2015, Michelmersh was joined in the public markets by one of its historic competitors and may be set to be joined by another. We look forward to the challenge and the greater visibility this brings to our sector.

We believe that demand will remain around current levels going forwards so long as the residential development market remains constrained by the current planning system and unhelpful changes to taxation.

This will impact the industry, which has responded to the product shortages seen in 2013 and 2014. The market will settle down and the level of imports is reducing. Bricks will continue to be supplied from across Europe, particularly in light of the continuing weakness in the marketplace. However, product suitability and currency fluctuations are a notable risk for this sector of the market.

With our well invested and competitive works, key products supplying the RMI sector and strong financial position the business is set to prosper as these factors play out over the medium term.

Eric Gadsden
Chairman
21 March 2016

CHIEF EXECUTIVES' REVIEW

Clay Products

Demand for our products at the start of 2015 followed the trend from the end of 2014 and our first half showed continued sustained increases in activity. Towards the end of the year, activity in the construction sector settled, with demand levelling off as reported in our October market statement. Over the year we despatched 66.4 million bricks, some 4 million less than in 2014. The average selling price over the year of £429 per thousand (2014: £395) maintains our 40% premium over industry averages.

In the second half of the year, we concentrated on rebuilding our stocks and increasing margins. These decisions were enacted against the background of a brick manufacturing industry in a state of rapid growth, where plants were de-mothballed to meet a demand that was being filled by European imports. This was aided by a currency exchange advantage and fuelled by poor local demand. Industry stocks have subsequently recovered, and a period of relative stability has been achieved, although the Group starts 2016 with a strong and balanced order book.

The Group's production performance has been enhanced during 2015 with the completion of the project to increase capacity at Freshfield Lane. Output rose by 3% to 69.5 million from 67.5 million bricks, with 2016 set to exceed this again. A £500,000 investment in a robotic packaging plant at Blockleys will increase efficiency and allow further expansion of output in due course. Cost of production per unit increased by a modest 3% in 2015 over 2014 as a result of wage increases and accelerated depreciation ahead of further plant upgrades in 2016. Energy costs continue to fall and have helped to limit cost inflation in 2015. Forward hedging mechanisms suggest that energy will continue to have a dampening effect on cost inflation over coming years.

The Group continued the important strategy of a 'well balanced' market approach to distribution. Working hard in conjunction with our retail partners we delivered an optimum product mix, thus enabling a margin-focused result. Our key delivery sectors were new housing, urban regeneration, commercial specification and the all the important Repair, Maintenance and Improvement ("RMI") market. We continued our strong support of merchants and distributors with our robust distribution and partnership policy. We also experienced a notable increase in projects utilising our bespoke Select Order Process as a way of improving site planning and project delivery.

Michelmersh had tremendous success at the 2015 brick awards, winning categories such as the Best Public and Education Building, the Best Housing Design Award and the Best Refurbishment Project. Eight Artillery Row, London, won the prestigious BDA Chairman's Award. The awards were testament to the Group's high quality products, customer service and attention to detail. Other notable projects during 2015 included the RIBA London Award winning Brentford Lock West Development by Duggan Morris and the Watkin Jones Student Accommodation, Glasgow as well as Octagon's Long Walk Villas in Windsor.

We continue to be at the forefront of delivering much needed high quality housing and community regeneration with companies such as Crest, Croudace, Countryside properties, Cala Homes, Keepmoat and the Berkeley Group.

Hathern Terra Cotta had a strong 2015, increasing turnover by 40% and quadrupling contribution. We supplied bespoke terra cotta to a number of prestigious projects such as Brighton College, the V&A Museum, Plaistow Hospital and the stunning Victoria Quarter in Leeds.

A program of haulage fleet improvement and review saw our fleet continue to grow, offering greater flexibility for the northern region.

The Group successfully concluded the BIMBrick project in readiness for the 2016 launch deadline. Acting rapidly on the Government's Construction Strategy published in May 2011, MBH PLC responded with its first range of clay products files. As the first brick manufacturer to introduce Building Information Modelling ("BIM") files in the UK, we are now delighted to see a surge in Industry support, acceptance and participation. The Group is committed to upgrading files alongside the latest BIM software developments and has therefore released 'V2' files earlier this year. The files include bricks, pavers and roof tile products.

Management Systems

The Board is committed to improving energy efficiency and performance through the planning and design of our operations. We monitor and evaluate our energy consumption using a variety of techniques including automatic half hourly data systems that link to production output. The energy efficiency reports that are generated enable us to develop strategies and best practice techniques to continually improve. We are very pleased to report that our commitment to energy management has delivered the successful completion and independent verification of our ISO 50001 energy management system. The Group and its plants now operate to this international standard that will drive our energy efficiency performance for future periods as well as delivering full compliance to the government Energy Savings Opportunity Scheme known as ESOS.

During the period we also enhanced our sustainability performance by achieving verification to BES 6001 the standard for responsible sourcing of construction products. All of our brick, paver, tile and terra cotta products now meet this standard with a good performance rating.

Staff Development

Following the change in Board responsibilities, the management structure below the Joint Chief Executives has been reorganised to allow us to oversee the management of the operations whilst adopting our new responsibilities. A sub-board of Associate Directors made up of key production and sales managers has been established to co-ordinate operational matters and provide an environment for succession planning. These associate directors have all been in the Group for some time and we expect them to develop individually and as a team for the benefit of the Group.

We have strengthened our technical team at the beginning of the year with the addition of a sustainability and improvement manager to develop and maintain the performance of our management systems. We also strengthened our engineering team and extended our successful engineering apprenticeship programme to the Charnwood factory. The group has a good demographic mix and sustainable technical skills base in the important area of electrical and mechanical engineering.

Landfill and Land Assets

As mentioned by the Chairman above, landfill activity was minimal and restricted to the start of the year.

Recently our plans to develop the quarry at Charnwood have been reviewed in light of the significantly improved operating performance of this site over the past two years. We are now able to economically extract additional mineral reserves in our quarry, giving us 12 year's supply of manufacturing materials. This period has potential to be extended significantly if mixed with other minerals in the locality. It became clear that the brickmaking operations should be optimised by the most cost effective clay option, allowing development potential to be realised in the future.

The Environment Agency will shortly issue a draft landfill license for the former Dunton brickworks site at Chesham. Subject to further local consultation, the site will soon be ready to be brought forward as an income-generating asset in the coming months. The landfill site will operate for six years and will then be remediated as amenity land.

The extensive planning process at Michelmersh has been completed and an option agreement secured for the extraction of mineral adjacent to the brickworks. The site now has reserves to support operations to secure the business and employment for over 20 years.

Outlook

Industry activity continues at a level higher than in recent history fuelled by government incentives to housebuilders and stronger economic conditions. With the frenzy removed from the market, and with some difficult weather conditions over the winter period, the indications are that the construction sector will continue to grow at a healthy level for the medium term.

Whilst the high end housing and London apartment market are suffering from slowing demand we have adapted our market sector strategy and product mix for the RMI, commercial, self-build and mid-range housing market where the Group continues to enjoy strong demand and value added.

The Group occupies a defined sector within the brick industry and the Board is committed to invest in process and people to maximise the returns of the business.

Frank Hanna, Peter Sharp
Joint Chief Executives
21 March 2016

Consolidated Income Statement
For the year ended 31 December 2015

	2015	2014
	£'000	**£'000**
Revenue	**29,071**	28,476
Cost of sales	**(17,961)**	(19,750)
Gross profit	**11,110**	8,726
Administrative expenses	**(6,468)**	(6,086)
Other income	**68**	161
Operating profit	**4,710**	2,801
Finance costs	**(153)**	(199)
Profit before taxation	**4,557**	2,602
Taxation	**(951)**	(401)
Profit for the financial year	**3,606**	2,201
Basic earnings per share	4.44 p	2.72 p
Diluted earnings per share	4.42 p	2.72 p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015	2014
	£'000	**£'000**
Profit for the financial year	**3,606**	2,201
Other comprehensive income		
Items which will not subsequently be classified to profit and loss		
Revaluation surplus of property, plant and equipment	**1,163**	-
Revaluation deficit of property, plant and equipment	**(2,771)**	(1,000)
Deferred tax on movement	**804**	(128)
	(804)	(1,128)
Total comprehensive income for the year	**2,802**	1,073

Consolidated Balance Sheet
As at 31 December 2015

	2015 £'000	2014 £'000
Assets		
Non-current assets		
Intangible assets	**2,476**	2,476
Property, plant and equipment	**40,810**	41,899
	43,286	44,375
Current assets		
Inventories	**7,195**	6,084
Trade and other receivables	**4,308**	7,346
Investments	**30**	30
Cash and cash equivalents	**2,935**	2,809
Total current assets	**14,468**	16,269
Total assets	**57,754**	60,644
Liabilities		
Current liabilities		
Trade and other payables	**4,165**	3,940
Provisions	**-**	112
Corporation tax payable	**456**	370
Interest bearing liabilities	**-**	19
Total current liabilities	**4,621**	4,441
Non-current liabilities		
Deferred tax liabilities	**3,914**	4,593
Interest bearing liabilities	**-**	4,916
	3,914	9,509
Total liabilities	**8,535**	13,950
Net assets	**49,219**	46,694
Equity attributable to equity holders		
Share capital	**16,247**	16,247
Share premium account	**11,495**	11,495
Reserves	**16,850**	17,530
Retained earnings	**4,627**	1,422
Total equity	**49,219**	46,694

Consolidated Statement of changes in equity
For the year ended 31 December 2015

	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 2014	16,162	246	979	11,495	19,705	(3,084)	**45,503**
Profit for the year	-	-	-	-	-	2,201	**2,201**
Revaluation deficit	-	-	-	-	(1,000)	-	**(1,000)**
Deferred taxation on revaluation	-	-	-	-	(128)	-	**(128)**
Total comprehensive income	-	-	-	-	(1,128)	2,201	**1,073**
Share based payment	-	33	-	-	-	-	**33**
Shares issued during the year	85	-	-	-	-	-	**85**
Transfer to retained earnings	-	(231)	-	-	(42)	273	**-**
Reclassification	-	-	-	-	(2,032)	2,032	**-**
At 31 December 2014	**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)**
At 31 December 2015	**16,247**	**177**	**979**	**11,495**	**15,694**	**4,627**	**49,219**

Consolidated Statement of cash flows
For the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit before taxation	**4,557**	2,602
Profit on sale of fixed assets	**(7)**	(2)
Profit on sale of investments	**-**	(15)
Finance costs	**153**	199
Depreciation	**1,174**	973
Amortisation	**3**	2
Market value adjustment on intangible assets	**(3)**	(40)
Share based payment charge	**129**	33
Cash flow from operations before changes in working capital	**6,006**	3,752
(Increase)/decrease in inventories	**(1,070)**	250
Decrease/(increase) in receivables	**1,489**	(1,219)
Increase/(decrease) in payables	**197**	(177)
Net cash generated by operations	**6,622**	2,606
Taxation paid	**(740)**	-
Interest paid	**(104)**	(206)
Net cash generated by operating activities	**5,778**	2,400
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,734)**	(2,069)
Proceeds of sale of investments	**-**	31
Proceeds of sale of land	**1,500**	1,500
Proceeds of disposal of property, plant and equipment	**7**	4
Net cash used in investing activities	**(227)**	(534)
Cash flows from financing activities		
Repayment of interest bearing borrowings	**(5,000)**	(155)
Proceeds of share issue	**-**	85
Dividend paid	**(406)**	-
Repayment of hire purchase and finance obligations	**(5)**	(5)
Net cash used in financing activities	**(5,411)**	(75)
Net increase in cash and cash equivalents	**140**	1,791
Cash and cash equivalents at the beginning of the year	**2,795**	1,004
Cash and cash equivalents at the end of the year	**2,935**	2,795
Cash and cash equivalents comprise:		
Cash at bank and in hand	**2,935**	2,809
Bank overdraft	**-**	(14)
	2,935	2,795

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs as adopted by the EU"), IFRS Interpretations Committee interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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 2015 or 2014. The financial information has been extracted from the Group's statutory financial statements for the years ended 31 December 2015 and 2014. 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 2014 have been delivered to the Registrar of Companies, whereas those for the year ended 31 December 2015 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 from continuing operations based upon the profit for the year of £3,606,000 (2014: £2,201,000) and 81,234,656 (2014: 80,861,273) weighted average number of ordinary shares.

Diluted

The calculation of diluted earnings per share from continuing operations based upon the profit for the year of £3,606,000 (2014: £2,201,000) and 81,624,397 (2014: 81,053,889) weighted average number of ordinary shares.

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.