21 July 2014

**Michelmersh Brick Holdings Plc**

**(“MBH”, the “Company”, or the “Group”)**

**Half Year Results for the six months ended 30 June 2014**

**Well positioned in the market with strong financials and growth potential**

Michelmersh Brick Holdings Plc (AIM:MBH), the specialist brick, land development and landfill company, today announces its unaudited interim results for the 6 months ended 30 June 2014.

**Financial Highlights**

|  |  |
| --- | --- |
| • | Operating profit of £1.4 million (H1 2013: £0.1 million) |
| • | Group turnover increased 8% to £13.6 million (H1 2013: £12.6 million) |
| • | Net debt at 30 June 2014 of £5.3 million (30 June 2013: £18.7 million) |
| • | Earnings per share of 1.24 p (H1 2013: loss of 0.38 p on continuing activities) |
| • | Net asset value of 57.6p per share (31 December 2013: 56.3p)  |

Operational Highlights

|  |  |
| --- | --- |
| • | Manufactured 33.7 million bricks (2013: 33.4 million) |
| • | Despatched 34.0 million bricks (2013: 35.2 million) at average selling prices 12.8% ahead of 2013 |
| • | Supplied products to prestigious projects across the country including Nottingham Railway Station, Lend Lease regeneration of Elephant and Castle and the ITV Media City, Salford Quays  |
| • | Completed the re-structuring of the Telford site following the land sale to Bovis Homes  |
| • | Project to increase capacity at Freshfield Lane (“FLB”) well under way  |

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

“The brick industry is benefiting from recovering demand and we have now seen for the first time since 2008 signs of increased national brick prices with stocks at their lowest level in living memory. Michelmersh continues to provide quality products with high service levels to our strategic partners and our product range is being developed to ensure that we maximise the contribution from our premium offering**.** The Group is well positioned to prosper from improved industry dynamics, particularly as our additional production comes on stream and we progress our various asset opportunities.

In the first half of 2014, the Group has achieved average price increases of 12.8 % over the equivalent period in 2013. If we maintain this performance, which seems likely in the current construction climate, the profit before taxation for the year to 31 December 2014 will exceed current market expectations.”

Enquiries:

|  |  |
| --- | --- |
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**Chairman’s Statement**

I am pleased to report the Group’s results for the six months ended 30 June 2014 in which the Group has made substantial progress over the weather affected first six months ended 30 June 2014.

The Group reports an operating profit of £1.4 million (2013: £0.1 million) and, with much reduced finance costs, the profit before taxation is £1.3 million, an improvement of £1.6 million over the first half of 2013. Turnover for the first six months of 2014 was 8% greater than the equivalent period in 2013 but on reduced volumes of bricks sold (2014: 34 million and 2013: 35 million) as the Group secured an increase in average selling prices of 12.8% over the first six months of 2013.

Cost of production increased only marginally as cost inflation, particularly in respect of energy, has been relatively benign. As a result, the gross profit margin increased by 8% to 33% for the period. Administration costs included a high level of professional and planning costs incurred in the development of land and mineral assets.

The Group’s landfill strategy has developed through 2014. Landfill income started 2014 strongly but for the six months being reported, was marginally behind the first half of 2013 as volumes tailed off after rates were increased to almost double that achieved in 2013. As a result, contribution at £109,000 was 22% greater than that in the first half of 2013.

The Group’s Balance Sheet is strong and, following the share issue in late 2013, net debt at the half year of £5.3 million (H1 2013: £18.7 million) is very comfortable. The interest charge in the first half included a charge to settle a redundant interest rate CAP which further reduces the interest burden going forward. Cash flow in the first half of 2014 included a one-off payment of VAT on the sale of the Telford property, investment in the project to expand production at Freshfield Lane and also reflects the seasonal increase in working capital. This should unwind in the second half and the receipt of £1.5 million deferred land sale proceeds is scheduled for October.

**Dividend**

The Board is not proposing the payment of an interim dividend. The former factory land sale at Telford has released revaluation surpluses to revenue reserves. With continued trading profits, it is anticipated that the Group will be in a position to recommence dividends within the foreseeable future, provided cash reserves are not utilised for profit generating investments.

**Assets**

The project to increase capacity at FLB by 20% is well under way and is half way through the installation programme. To date, the Group has made payments of £0.8 million and the remaining £1.4 million is scheduled for the next few months. The project is still on target to be completed on time and within budgeted costs. The increased production will come on stream in late 2014 delivering an additional capacity of 6 million units for sale in 2015.

The restructuring of the Telford site following the sale of land to Bovis in October 2013 is now complete and the plant is operating from the more compact facility. The reconfigured site gives excellent all-weather access to landfill, thus enabling vehicles to turn quickly. This adds value to customers and has enabled us to increase rates, maintain profitability and increase the length of life of the asset.

We are continuing to evaluate the Telford site in the light of the above and improved brick market conditions. There are a number of options open to us and we are mindful of the long-term potential of the site primarily for brick making, but also for residential development and landfill. At Dunton we have appointed consultants to prepare the necessary Environmental Permits to commence landfill operations under the terms of our planning permission.

Having obtained consent for a low-level restoration scheme at our Charnwood Quarry and agreed a closure plan with the Environment Agency we have now started a consultation process to bring forward a scheme of around 200 houses with the aim of making an outline planning application as soon as possible.

We have now submitted a detailed planning application to extract minerals from the land designated in the Hampshire Mineral Plan which will give 20 years supply of clay in addition to current reserves at our Michelmersh plant.

**Operational Review**

During the period, the Group sold 34.0 million bricks (H1 continuing activities 2013: 35.2 million), at an average selling price of £387 per thousand (H1 continuing activities 2013: £343), maintaining the Group’s premium over industry prices. The Group produced 33.7 million units (H1 2013: 33.4 million) at a cost per thousand similar to 2013. Increasing global energy costs over the past few years have driven margins down, however gas costs have stabilised and are forecast to fall slightly. The Group have fixed a significant element of gas usage through to 2016 to de-risk an element of production costs.

The first six months of 2014 have been extremely positive in terms of product distribution and sales. Group order intake was ahead of budget by 16% with orders received totalling over 43 million units, thus securing robust deliveries well into the final quarter of 2014. The strong demand and order intake translated into the Group dispatching every brick produced. Each of the operating plants were ahead of budget in dispatches and average selling price during this financial period.

The national construction output landscape has improved. In the first half of last year the focus was very much on London and the South East, and whilst this remains an important long-term market for us, we have seen a spread of new work and RMI sector improvements at a national level. In addition we are continuing to gain quality new orders in Scotland and grow our market position there.

This year careful logistic planning by the Group administration functions has ensured smooth dispatches to site during the busy period, the team working closely with distributors and end users alike.

Deliveries have started in earnest to new projects such as the Lend Lease Elephant and Castle regeneration scheme, Taylor Wimpey's Queen Elizabeth Olympic Park project, Countryside Properties plc Leopold Estate and Crest Homes Oak Grove Milton Keynes. The Group is proud to have supplied product to some iconic designs this year such as the East Ham Civic Centre, the Somerstown Community Hub Portsmouth and the ITV Media City Salford Quays.

Our Hathern Terra Cotta division has a host of potential new enquiries for the remainder of the year. Renovation of Nottingham Railway Station was successfully completed to critical acclaim and deliveries have begun on the new Brighton College project.

**Outlook**

Michelmersh continues to provide quality products with high service levels to our strategic partners and our product range is being developed to ensure that we maximise the contribution from our premium offering.

The UK construction industry continues to recover from very low activity levels as the economy slowly heals, but more importantly we believe cross party political impetus for new housing will be maintained. The Brick industry is benefiting from rising demand and we have now seen for the first time since 2008 signs of increased national brick prices with stocks at their lowest level in living memory. In the first five months of the year industry average selling prices were 13% over the equivalent period last year.

In the first half of 2014, the Group has achieved average price increases of 12.8 % over the equivalent period in 2013. If we maintain this performance, which seems likely in the current construction climate, the profit before taxation for the year to 31 December 2014 will exceed current market expectations.

Capacity in the industry is largely fixed and can only be increased through significant investment and the availability of appropriate consented mineral reserves, which requires long term planning. Margins are still not at a level where the industry is enjoying normalised levels of return on capital such that there is adequate return for new investment in this vital industry. Brick manufacturing in the UK is in a state of flux as a result of the forces created by the long awaited reduction in national stocks, now at historic low levels, and improvement in demand against the backdrop of long-term under investment in the industry.

The Group is well positioned to prosper from improved industry dynamics, particularly as our additional production comes on stream and we progress our various asset opportunities. At the same time, we continue to monitor opportunities in our market place and are ready to take advantage of any that may arise.

**Eric Gadsden**

**Chairman**

**21July 2014**

**Consolidated Income Statement**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Unaudited** | Unaudited | Unaudited |
|  |  | **6 months** | 6 months | 6 months |
|  |  | **ended 30** | ended 30 | ended 30 |
|  |  | **June 2014** | June 2013 | June 2012 |
|  |  | **£000** | £000 | £000 |
| Revenue |  | **13,581** | 12,555 | 25,929 |
| Cost of sales |  | **(9,055)** | (9,424) | (19,205) |
|  |  |  |  |  |
| Gross profit |  | **4,526** | 3,131 | 6,724 |
|  |  |  |  |  |
| Administration expenses |  | **(3,162)** | (2,786) | (5,656) |
| Restructuring costs |  | **-** | (262) | (443) |
| Other income |  | **48** | 31 | 759 |
|  |  |  |  |  |
|  |  |  |  |  |
| Operating profit |  | **1,412** | 114 | 1,384 |
|  |  |  |  |  |
| Finance costs |  | **(133)** | (454) | (977) |
|  |  |  |  |  |
| Profit/(loss) before taxation |  | **1,279** | (340) | 407 |
| Taxation |  | **(275)** | 117 | (302) |
| Profit/(loss) for the period from continuing operations |  | **1,004** | (223) | 105 |
| Loss for the period from discontinued operations |  | **-** | (1,613) | (1,653) |
| **Profit/(loss) for the period** |  | **1,004** | **(1,836)** | **(1,548)** |
| Basic earnings/(loss) per share |  | **1.24 p** | (3.15 p) | (2.62 p) |
| Diluted earnings/(loss) per share |  | **1.23 p** | (3.15 p) | (2.62 p) |
| Basic earnings/(loss) per share on continuing activities |  | **1.24 p** | (0.38 p) | 0.18 p |

**Consolidated Statement of Comprehensive Income**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months | 6 months | 12 months |
|  | **ended 30 June** **2014** | ended 30 June 2013 | ended 31 December 2013 |
|  | **£’000** | £’000 | £’000 |
|  |  |  |  |
|  | **Unaudited** | Unaudited | Audited |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Profit/(loss) for the financial period** | **1,004**  | (1,836)  | (1,548) |
|  |  |  |  |
| **Other comprehensive income**Items that will not be reclassified subsequently to profit or loss |  |  |  |
| Revaluation surplus of property, plant & equipment | - | 1,700 | 3,500 |
| Revaluation deficit of property, plant & equipment | - | - | (2,000) |
| Deferred tax on revaluation | - | (357) | 415 |
|  |  |  |  |
| Net income recognised directly in equity | - | 1,343 | 1,915 |
|  |  |  |  |
| **Total comprehensive income/(expense) for**  |  |  |  |
| **the financial period** | **1,004** | (493) | 367 |
|  |  |  |  |

**Consolidated Statement of Financial Position**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | As at | As at | As at |
|  |  |  **30 June 2014** |  30 June 2013 |  31 December 2013 |
|  |  | **£’000** | £’000 | £’000 |
|  |  | **Unaudited** | Unaudited | Audited |
| **Assets** |  |  |  |  |
| **Non-current assets** |  |  |  |  |
| Intangible assets |  | **2,436** | 2,466 | 2,438 |
| Property, plant and equipment  |  | **42,611** | 42,096 | 41,831 |
|  |  |  |  |  |
|  |  | **45,047** | 44,562 | 44,269 |
| **Amounts falling due after one year** |  |  |  |  |
| Other receivables |  | **1,397** | - | 1,267 |
| Derivative |  | **-** | 126 | 91 |
| **Total non-current assets** |  | **46,444** | 44,688 | 45,627 |
|  |  |  |  |  |
| **Current assets**  |  |  |  |  |
| Assets held for resale |  | **-** | 3,350 | - |
| Inventories  |  | **6,536** | 7,531 | 6,307 |
| Trade and other receivables |  | **7,598** | 6,615 | 6,361 |
| Investments  |  | **31** | 74 | 46 |
| Cash and cash equivalents  |  | **62** | 22 | 2,170 |
|  |  |  |  |  |
| **Total current assets**  |  | **14,227** | 17,592 | 14,884 |
|  |  |  |  |  |
| **Total assets** |  | **60,671** | 62,280 | 60,511 |
| **Liabilities**  |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Trade and other payables |  | **3,762** | 3,310 | 3,900 |
| Provisions |  | **288** | 444 | 337 |
| Interest bearing borrowings  |  | **215** | 9,572 | 1,212 |
| Corporation tax payable |  | **275** | - | - |
|  |  | **4,540** | 13,326 | 5,449 |
| **Non-current liabilities**  |  |  |  |  |
| Deferred tax liabilities |  | **4,434** | 4,750 | 4,434 |
| Interest bearing borrowings  |  | **5,171** | 9,163 | 5,125 |
|  |  |  |  |  |
|  |  | **9,605** | 13,913 | 9,559 |
|  |  |  |  |  |
| **Total liabilities** |  | **14,145** | 27,239 | 15,008 |
|  |  |  |  |  |
| **Net assets**  |  | **46,526** | 35,041 | 45,503 |
|  |  |  |  |  |
| **Equity attributable to equity holders** |  |  |  |  |
| Share capital |   | **16,166** | 11,645 | 16,162 |
| Share premium account |  | **11,495** | 6,440 | 11,495 |
| Reserves  |  | **18,883** | 20,391 | 20,930 |
| Retained earnings |  | **(18)** | (3,435) | (3,084) |
|  |  |  |  |  |
| **Total equity** |  | **46,526** | 35,041 | 45,503 |
|  |  |  |  |  |

**Consolidated Statement of Changes in Equity**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Share** | **Share**  | **Merger** | **Share** | **Revaluation** | **Retained** | **Total** |
|  | **Capital**  | **Option** | **Reserve** | **Premium** | **Reserve** | **Earnings** | **Equity** |
|  |  | **Reserve** |  |  |  |  |  |
|  | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** |
|  |  |  |  |  |  |  |  |
| **As at 1 January 2013** | 11,645  | 216  | 979  | 6,440 | 17,908  | (1,654) | 35,534 |
|  |  |  |  |  |  |  |  |
| Loss for the period  | - | - | - | - | - | (1,836) | (84) |
| Revaluation surplus | - | - | - | - | 1,700 | - | 1,700 |
| Deferred taxation on revaluation | - | - | - | - | (357) | - | (357) |
| Total comprehensive income/(expense)  | - | - | - | - | 1,343 | (1,836) | (493) |
| Transfer to retained earnings | - | - | - | - | (55) | 55 | - |
|  |  |  |  |  |  |  |  |
| **As at 30 June 2013**  | 11,645 | 216 | 979 | 6,440 | 19,196 | (3,435) | 35,041 |
|  |  |  |  |  |  |  |  |
| Profit for the period  | - | - | - | - | -  | 288 | 288 |
| Revaluation surplus  | - | - | - | - | 1,800 | - | 1,800 |
| Revaluation deficit | - | - | - | - | (2,000) | - | (2,000) |
| Deferred tax on revaluation | - | - | - | - | 772 | - | 722 |
| Total comprehensive income  | - | - | - | - | 572  | 288 | 860 |
| Share based payment | - | 30 | - | - | - | - | 30 |
| Shares issued | 4,517 | - | - | 5,055 | - | - | 9,572 |
| Transfer to retained earnings | - | - | - | - | (63) | 63 | -  |
|  |  |  |  |  |  |  |   |
| **As at 31 December 2013** | 16,162  | 246  | 979  | 11,495 | 19,705 | (3,084) | 45,503 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **1,004** | **1,004** |
| Total comprehensive income  | **-** | **-** | **-** | **-** | **-** | **1,004** | **1,004** |
| Share based payment | **-** | **15** | **-** | **-** | **-** | **-** | **15** |
| Shares issued | **4** | **-** | **-** | **-** | **-** | **-** | **4** |
| Transfer to retained earnings | **-** | **-** | **-** | **-** | **(30)** | **30** | **-** |
| **Reclassification \*** | **-** | **-** | **-** | **-** | **(2,032)** | **2,032** | **-** |
|  |  |  |  |  |  |  |  |
| **As at 30 June 2014** | **16,166** | **261** | **979** | **11,495** | **17,643** | **(18)** | **46,526** |
|  |  |  |  |  |  |  |  |

\* Reclassification relates to the revalued element of the land sold in October 2013 which is deemed to have completed in 2014 and is now transferred to realised reserves. **Consolidated Statement of Cash Flows**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **6 months** | 6 months | 12 months  |
|  | **to 30 June** **2014** | to 30 June 2013 |  to 31 December 2013 |
|  | **£’000** | £’000 | £’000 |
|  |  |  |  |
|  | **Unaudited** | Unaudited | Audited |
|  |  |  |  |
|  |  |  |  |
| **Net cash (used in)/generated by operating activities** | **(40)** | (222) | 3,750 |
|  |  |  |  |
| Cash flows from investing activities |  |  |  |
| Purchase of property, plant and equipment  | **(1,157)** | (170) | (927) |
| Proceeds from sale of investment | **31** | - | - |
| Proceeds from sale of land | **-** | - | 1,600 |
| Proceeds on disposal of property, plant and equipment | **8** | 37 | 145 |
|  |  |  |  |
| **Net cash (used in)/generated by investing activities**  | **(1,118)** | (133) | 818 |
|  |  |  |  |
| Cash flows from financing activities |  |  |  |
| Repayment of interest bearing borrowings  | **-** | (748) | (10,348) |
| Proceeds of share issue | **4** | - | 9,572 |
| Repayment of finance lease obligations | **(3)** | (5) | (19) |
|  |  |  |  |
| **Net cash generated by /(used in)** |  |  |  |
|  **financing activities**  | **1** | (753) | (795) |
|  |  |  |  |
|  |  |  |  |
| **Net (decrease)/increase in cash and cash equivalents** | **(1,157)** | (1,108) | 3,773 |
|  |  |  |  |
| Cash and cash equivalents at beginning of period  | **1,004** | (2,769) | (2,769) |
|  |  |  |  |
| **Cash and cash equivalents at end of period** | **(153)** | (3,877) | 1,004 |
|  |  |  |  |
| **Cash and cash equivalents comprise:** |  |  |  |
| Cash at bank and in hand | **62** | 22 | 2,170 |
| Bank overdraft | **(215)** | (3,899) | (1,166) |
|  |  |  |  |
|  | **(153)** | (3,877) | 1,004 |
|  |  |  |  |

**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).

1. **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 2014.

**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 2013 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 2014 and 30 June 2013 is unaudited.

1. **EARNINGS PER SHARE**

The calculation of earnings per share is based on a profit of £1,004,000 (six months to 30 June 2013 – loss of £1,836,000; 12 months to 31 December 2013 – loss of £1,548,000) and 80,818,963 (H1 2013: 58,227,154, full Year 2013:59,098,895) being the weighted average number of ordinary shares in issue.

The calculation of earnings per share from continuing activities is based on a profit of £1,004,000 (six months to 30 June 2013 – loss of £223,000; 12 months to 31 December 2013 – profit of £105,000) and 80,818,963 (H1 2013: 58,227,154, full Year 2013:59,098,895) being the weighted average number of ordinary shares in issue.

 **Diluted**

 At 30 June 2014 there were a total of 25,000 share options held by employees which are not considered dilutive (30 June 2013 – 187,000; 31 December 2013 – 159,000).

At 30 June 2014 there were 568,038 dilutive shares under option leading to 81,380,700 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.