MICHELMERSH
Brick Holdings PLC

Annual Report 2013

Contents

Chairman's Statement

I am pleased to report the Group's results for the year ended 31 December 2013; a transformational period for MBH.

Despite a challenging first half of the year, turnover for the 12 months increased by just under 13% to £26 million (2013: £23 million) as activity picked up sharply in the second half of the year.

Other key events during the year included the closure of our smallest plant, Dunton, the sale of surplus land at Telford to Bovis Homes and a successful oversubscribed share placement in November to raise £10 million.

The combined effect of these measures has been to transform the Group's balance sheet, strengthen our shareholder base and position the Group for the changed industry dynamics as national brick stock levels reach an historic low.

Financial Highlights:

	2013	**2012**
Turnover	£25.9m	£23.0m
Operating profit	£1.4m	£1.4m
Basic EPS	0.18p	0.51p
Net assets	£45.5m	£35.5m
Net assets per share	56.3p	61.0p
Net Debt	£4.2m	£18.4m
Net cash generated by operating activities	£3.8m	£1.6m
Net deficit on non-underlying items	£1.5m	–

The Group increased turnover by 12.6% over the period despite a very sluggish construction sector in the first half of the year. This was achieved through the despatch of nearly 7 million additional bricks. The Group was thus able to overcome margin pressure caused by increasing energy costs, generating higher levels of cash from operations. The Group reports an operating profit from **continuing** activities of £1.4 million against a comparable £1.0 million in 2012 if the carbon surplus income of £400,000 under the now ceased phase of EUETS is excluded.

Earnings and Net Assets per share were diluted by the significant additional shares in issue following a successful share placement of 22,544,508 new ordinary shares in November 2013, but the effect on net debt has a significant positive impact on future earnings.

Certain items in the year were not related to the underlying core business of brick manufacturing and have been separated in the income statement to allow a better understanding of the accounts. The principal event in this category is the closure of the Dunton brickworks and the associated (largely non-cash) costs of writing down assets to realisable value and meeting the costs of redundancy. The profit on sale of land (£700,000) is also treated as non-underlying. There were some knock on costs of both of these events as the Group sales administration and Telford operations were reconfigured to reflect the change in sales administration structure and physical operational layout of the remaining brick plant at Telford.

Cash and borrowings

The share placement contributed a net cash inflow of £9.6 million, which added to the net cash generated from operations and proceeds of the land sale to reduce net debt by £14.2 million. At 31 December 2013, the Group had repaid a number of loans leaving a single non-amortising Term Loan of £5 million, some historic asset finance at £0.3 million and cash deposits of £2.2 million. Not only does this reduce the interest burden, but relieves the Group of debt repayments out of future operating cash flow. The Group maintains its overdraft facilities as the seasonal cycle and the capital projects will have cash requirements in the summer months.

Assets and working capital

There have been some movements in the value of some of the Group's land assets through the year with a net increase of £1.5 million. The closure of the Dunton brickworks released the site for landfill use, which increased the value of the previously impaired asset by £1.7 million. The quarry at Charnwood has also appreciated in value as clay extraction is nearing an end, releasing the land for potential residential development resulting in a £1.8 million revaluation surplus. However at Telford, the option on the site held by Persimmon does not look likely to generate asset disposals in the timeframe previously anticipated and the Directors have accordingly adjusted the book valuation downwards by £2 million.

Chairman's Statement
(continued)

The sale of former factory land at Telford (not under option) was achieved in the year and yielded £1.6 million in cash leaving £3 million to flow in over two years being reflected at a net present value of £2.7 million in debtors.

Net operating working capital has fallen by over £4 million through 2013 as brick stocks have reduced and assets and liabilities carefully managed.

Dividend
The Directors are not recommending the payment of a dividend for this financial year but maintain that the return to dividends is a key target as operating cashflows are unencumbered by debt repayment and profitability provides available retained earnings.

Land assets
We completed the sale of the former factory site at Telford in the autumn. The initial consideration of £1.6 million has been received with the remaining £3 million consideration due on the first and second anniversaries respectively.

In the light of reduced production at Telford and increased landfill rates we have very substantial clay reserves available to us and we are comprehensively reviewing our long terms plans at the site with our advisers to ensure that reserves and void space are maximised. This will inform further discussions with Persimmon with regard to available development land.

The Group has received planning consent for our exciting project to expand production at Freshfield Lane. We have for some time been negotiating planning consent for the allocated land at Michelmersh which will yield a further 20 years of clay supply, and expect this to follow shortly. The restoration scheme at our Charnwood Quarry has received consent and we will shortly be submitting a planning application for residential development. Following the closure of our brick operations at Dunton we are in advanced discussions with the Planners and Environment Agency with regard to a landfill restoration scheme.

People
MBH has historically been recognised as a key local employer, with approximately 280 staff across our sites. Although the outlook is now much more settled, 2013 was a challenging year when yet again we had to make redundancies as a result of the closure of the Dunton plant. I thank all our employees for the commitment, dedication and hard work, which has enabled us to get the business into the position it is today.

Outlook
Despite increased demand during the second half of 2013, industry prices remained flat during 2013. Although there are early signs of increases in 2014, industry brick stocks have reduced from 1.1 billion in 2008 to 332 million at the end of January this year demonstrating that industry dynamics have been completely transformed from a position of overstocking to a threat of shortages when construction indicators are now positive. The rebalancing will take time to feed through into a stable market however at this early part of the year prices have firmed up significantly with customers now focusing on securing supply for their projects.

Having commenced work on our project to increase production at our Freshfield Lane plant this project is on track for completion in 2014 with increased output expected from the beginning of 2015.

The Board believes that over time margins will recover and we will benefit from the increased planned production. We will also continue to look at any industry opportunities, which may arise.

The Group is uniquely placed in an industry with high barriers to entry. Our market position, asset base and enhanced shareholder register give me optimism about our future prospects.

Eric Gadsden
Chairman

25 March 2014

Chief Executive's Review

Clay Products
The year was one of the most successful in the Group's history as we took the annual BDA Brick Awards by storm, winning categories such as Best Public Building, Best Education Building and the coveted Supreme Winner with the Ortus, Maudsley Learning Centre in London. Furthermore, deliveries commenced to the Lend Lease Elephant and Castle regeneration project, with further orders being placed for phases of the project well into 2015. The new Synthesis range was specified on several notable projects such as The BBG Academy in Bradford and the new ITV Coronation Street Set in Trafford, whilst the Coleg Cymunedol Y Dderwen project in Bridgend utilised our Blockleys Smooth Charcoal product winning a BREEAM award with an "excellent" rating. Hathern Terra Cotta had another strong year supplying bespoke products to prestigious projects such as Nottingham Railway Station refurbishment and has just received a significant new order for Brighton College.

The Group experienced a sharp increase in demand after a very difficult first four months of the year. Excluding Dunton, which was closed in May, we produced 65.4 million units (2012: 66.1 million) and despatched 71.5 million (2012: 63.9 million) at an average selling price of £348 per thousand (2012: £343 per thousand). However, in the last two months of 2013 we started to benefit from better selling prices as new work at revised prices were despatched and price increases implemented at the beginning of this year have held. Against industry practice for many years, we have not fixed prices forwards in 2014 and believe we are in a position to continue to push margin.

The industry has entered a new phase as national stock levels have reduced. In spite of the low demand, in the past five years, sales this year have exceeded production. This should release downward price pressure and allow the industry to achieve realistic margins against increased energy costs.

The forward order book remains robust across all plants with some key products on a 20-week availability schedule. The strong deliveries seen in Q3 and Q4 of 2013 continue into Q1 of 2014 with our margin recovery slightly ahead of projections.

The Group embarked on and completed a £100,000 investment in our Blockleys plant during the summer replacing the existing brick unloading machine with a PLC controlled robotic system. The project was successfully achieved at a much reduced cost using decommissioned robots from the soft mud plant that was closed in 2010. The robots have increased unloading speed by 25% and operate with 83% less electricity.

In January this year, we commenced a 20% expansion investment at Freshfield Lane. The £2.2 million investment will increase the Group's 2015 output by 6m bricks.

Management Systems
During 2013, following the closure of Dunton, the sales administration structure was reviewed and the Group engaged in the implementation of a fully integrated centralised administration function (CSO) based at the Freshfield Lane Head Office. The Group also carried out a number of other business improvements such as IT cloud hosting and functionality improvements to the BIM site.

The Group's technical team has again strengthened our management systems and the Michelmersh site is now fully operational to ISO 9001 and ISO 14001. An external accreditation process is currently under way across the Group and, when complete, all products will be fully compliant and independently accredited to international standard ISO 9001 Quality Management and ISO 14001 Environmental Management.

We are pleased that once again our Health and Safety external audit scores have improved and we are operating to HSG65 level across all of our manufacturing sites. This level of performance means that the Group meets all statutory requirements and is pro-active in its approach to health and safety.

Staff Development
We are continually developing and upskilling our staff across the Group, with a particular focus on succession planning in key areas of the business such as management and technical skills. The Group has Apprenticeship programmes underway at Charnwood and Freshfield Lane in Business Administration and Electrical Engineering and we are upskilling existing staff with targeted NVQ based qualifications.

Chief Executive's Review
(continued)

Landfill
The Group's landfill operator, New Acres, had a pleasing result from our operations at Telford with turnover of £632,000 (2012: £626,000) on a tonnage of 177,000 (2012: 200,000). This provided a contribution for the year of £261,000 (2012: £253,000). With the improved access arrangements resulting from the site reconfiguration, demand has been strong in the early part of the current year at improved rates.

At Dunton, detailed discussions are well advanced with the relevant Authorities to restore the site by landfilling as permitted under our planning consent and commencement of activity is targeted for 2015.

Land Assets
During 2013 we have brought forward plans on all our sites.

At Telford outline planning consent was granted for a 185 dwelling scheme with a favourable S106 Agreement and planning conditions. The land was sold for £4.6 million with phased receipts. The reconfiguration works at the remaining plant have been completed ahead of schedule.

The lapse of detailed planning permission on the 15 acres of land will delay a sale beyond where previously expected but it is clear that the planning obligations can be re-negotiated and may improve the long term potential of the site. We are now nearing the conclusion of a comprehensive review of landfill, clay extraction and development opportunities with our professional team of advisors, which extend beyond the time frame of the option.

At Charnwood we have agreed a closure plan to our quarry, which is separate from the works and with main road frontage, with the Environment Agency. We have also been permitted to revise our restoration scheme to a lower level which will provide a better platform for potential housing development. The site has already been accepted into the SHLAA and we are working on an outline scheme with the same team which successfully obtained consent at Telford.

We have obtained planning consent for our increased production facility at Freshfield Lane.

At Michelmersh, now that land has been designated in the Mineral Plan for potential clay extraction, we are finalising a detailed planning application for local consultation and submission in the next few weeks which will give clay supply together with existing reserves of a further 25 years.

Outlook
After five very difficult years for the business and the industry, 2014 has started positively. The road to recovery will take time but is now firmly moving in the right direction from very low levels.

With pricing and demand improving, increased production at our most efficient plant, and the other initiatives which we are working on, we believe that we will be able to more than hold our own in the future and the fruits of many years of hard work will start to become apparent.

Martin Warner
Chief Executive

25 March 2014

Officers and Professional Advisers

Directors	E J S Gadsden – Chairman M R Warner MSc FRICS – Chief Executive F J Hanna – Commercial Director S H P Morgan BA ACA – Finance Director P N Sharp – Operations Director R W Carlton Porter A R G Hardy
Company Secretary	S H P Morgan
Registered Office	Freshfield Lane Danehill Haywards Heath West Sussex RH17 7HH
Nominated Adviser and Broker	Cenkos Securities PLC 6.7.8 Tokenhouse Yard London EC2R 7AS
Auditors	Nexia Smith and Williamson Audit Limited Chartered Accountants and Statutory Auditor Portwall Place Portwall Lane Bristol BS1 6NA
Solicitors	Burgess Salmon LLP One Glass Wharf Bristol BS2 0ZX
Registrars	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
Financial Public Relations	Yellow Jersey PR Upper Farm Wooton St Lawrence Basingstoke RG23 8PE
Principal Bankers	Barclays Bank plc 15 Colmore Row Birmingham B3 2BH ABN AMRO Commercial Finance plc Sheencroft House 10 – 12 Church Road Haywards Heath West Sussex RH16 3SN

Directors’ Biographies

Eric Gadsden, aged 69, Chairman
In 1997, Eric Gadsden formed the Company with Martin Warner. Eric has spent all his working life in the construction industry and is currently Managing Director of W.E. Black Limited, a Buckinghamshire based construction and property company. Eric is a member of the Audit and Remuneration Committees.

Martin Warner MSc FRICS, aged 60, Managing Director
Martin Warner formed Michelmersh with Eric Gadsden in 1997 and has served as Chief Executive since that date. Martin is a Fellow of the Royal Institute of Chartered Surveyors and is a director of the Brick Development Association.

Frank Hanna, aged 45, Commercial Director
Frank Hanna joined Freshfield Lane Brickworks Limited (“FLB”) in 1991 having formerly worked for Hanson Brick Ltd. Frank was appointed to the Board of FLB in 1996 as sales and technical director before becoming a shareholder in 2000. Frank was appointed as a Director of the Company on 30 March 2010.

Stephen Morgan BA ACA, aged 53, Finance Director
Stephen Morgan is a Chartered Accountant having trained with KPMG. He was previously Finance Director and Company Secretary at an AIM listed property company where he experienced a range of corporate acquisitions and disposals. He joined Michelmersh in August 2010 as Interim Finance Director and Company Secretary and was appointed as Finance Director and Company Secretary on 9th November 2010.

Peter Sharp, aged 46, Group Operations Director
Peter Sharp has more than 25 years experience in the heavy clay and ceramics sector. Following 14 years with Ibstock Brick, Peter Joined the group as Works Manager at Charnwood. He was appointed Group Production Director in 2006 and Group Operations Director in 2009. Peter is a member of the Institute of Materials, Minerals & Mining and holds various qualifications in ceramics, management and building construction. He joined the Board in May 2011.

Bob Carlton-Porter, aged 69, Non-Executive Director
An Associate of the Chartered Institute of Bankers and a Fellow of the Chartered Association of Corporate Treasurers, Bob Carlton-Porter is an international industrialist with over 30 years experience as a financial and commercial director. He was previously Group Finance Director of English China Clays PLC, Chairman of Aram Resources PLC and Newport Holdings PLC, and ROK Property Solutions PLC. Bob is chairman of the Audit and Remuneration Committees.

Alan Hardy, aged 55, Non-Executive Director
Alan Hardy has worked at Freshfield Lane Brickworks Limited (“FLB”) since 1983 apart from a period of time at Redland Bricks Limited in 1985. Alan became a shareholder in FLB in 1983 and he became managing director in 1986. Alan is also a Justice of the Peace for the Sussex Bench, having been appointed in 1992. Alan was appointed as a Director of the Company on 30 March 2010. In October 2010 Alan stepped down to take a Non-Executive Director position. Alan is a member of the Audit and Remuneration Committees.

Directors' Report

The Directors present their report and consolidated financial statements of the Group for the year ended 31 December 2013.

Principal Activities and Business Review
The principal activity of the Company during the year was the management and administration of its subsidiary companies. The principal activity of the main trading subsidiary company was the manufacture of bricks, with another subsidiary operating a landfill site. All other subsidiary companies were non-trading.

The Directors are satisfied with the performance of the Group for the year and with the position of the Group at 31 December 2013.

Trading Results and Dividends
The trading results for the year and the Group's financial position at the end of the year are shown in the financial statements on pages 14 to 44.

The Directors do not recommend the payment of a dividend for the year (2012: £nil).

Directors and their Interests in Shares of the Company

The Directors who served the Company during the year together with their beneficial interests in the shares of the Company were as follows:

	31 December 2013 Ordinary Shares of 20p each	**31 December 2012 Ordinary Shares of 20p each**
E J S Gadsden	22,658,257	22,658,257
M R Warner *	6,588,732	6,588,732
R W Carlton-Porter **	76,628	76,628
F Hanna	1,228,015	1,228,015
A R G Hardy ***	4,296,474	6,559,391
S H P Morgan	–	–
P N Sharp	–	–

* M R Warner is a trustee of a discretionary trust which is the registered owner of 5,338,393 of Ordinary Shares which are included in the above.
** R W Carlton-Porter has a controlling interest in a business which owns 76,628 Ordinary Shares.
*** A R G Hardy is a potential beneficiary of a discretionary trust which holds 4,166,474 Ordinary shares which are included in the above.

Analysis of Directors' emoluments for the year is shown in note 10 of the financial statements.

Corporate Governance
The Company's shares are traded on the AIM Market of the London Stock Exchange and the Company is not therefore required to report on compliance with the Combined Code ("The Code"). However the Board of Directors supports The Code, and also the recommendations of the Quoted Companies Alliance ("QCA") in its bulletin "Corporate Governance Code for Small and Mid-sized entities 2013" (the "QCA Code"). The QCA Code provides a series of recommendations for smaller quoted companies in approaching the question of corporate governance.

Accordingly, the Board has established an Audit Committee and a Remuneration Committee, and complies with The Code in areas where it is felt justified by reference to the QCA comments as being relevant to a business the size of Michelmersh Brick Holdings Plc.

Directors' Report
(continued)

Going Concern
The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Chief Executive's Review on pages 2 to 5. In addition, note 20 to the financial statements includes the company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk. The company meets its funding requirements through a combination of a Term Loan, asset backed finance agreements and overdraft facilities.

The directors have a reasonable expectation that the company 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 the annual financial statements.

Internal Control
The Directors acknowledge their responsibilities for the Group's system of internal control. The Board has continued to review the effectiveness of the systems, and has considered major business and financial risks. The Directors believe that the established systems of internal control are appropriate to the business.

Policy on Payment of Creditors
It is the policy of the Group to pay all creditors promptly. The average credit age for the Group is 23 days (2012: 19 days). The Group has continued to pay creditors on terms consistent with 2012.

Financial Instruments
The Group's policy is to finance working capital through appropriate bank borrowings and retained earnings. The Group is exposed to the usual credit and cash flow risk associated with selling on credit and manages this through credit control procedures. For further details refer to note 20 in the financial statements.

Health and Safety
The Group has established a procedure for works safety inspections, the results of which are reviewed for each location. This programme is supplemented by risk surveys carried out both internally and by external specialist consultants.

In addition to the foregoing, there is regular communication with employees on safety matters. There is an ongoing safety training programme for employees. The induction programme for all new employees emphasises all safety considerations relevant to the Group's operations.

All safety incidents are fully investigated and where appropriate, employees are made aware of the circumstances relating thereto in order to minimise the chances of any recurrence.

Employees
The Group's loyal and skilled workforce is essential for its future prosperity. Where appropriate, employees are provided with information on matters of interest and concern to them. The Group encourages contact and interaction between members of staff at all levels.

At 31 December 2013, the Group employed 250 males and 19 female members of staff. None of the females were Directors of the Company and 2 of the Group's 11 senior managers were female.

It is the policy of the Group to give full and fair consideration to the employment of disabled persons in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Where possible, arrangements are made for continuing employment of employees who have become disabled whilst in the Group's employment.

Directors' Report
(continued)

Provision of Information to Auditors
So far as each of the Directors who held office at the date of this Director's Report is aware:

- There is no relevant audit information of which the Company's auditors are unaware: and
- Each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibilities
The Directors are responsible for preparing the Annual Report, the Group and Parent Company financial statements in accordance with the applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements of the parent company in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair review of the state of affairs of the Company and of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and Group and hence take reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Auditors
A resolution to re-appoint Nexia Smith and Williamson Audit Limited as auditor for the ensuing year will be put to the Annual General Meeting.

Signed by order of the Board

M R Warner
Director

Approved by the Directors on 25 March 2014

Michelmersh Brick Holdings Plc

Registered in England and Wales No. 03462378

Strategic Report

Objectives and strategies

The Group's principal activity is as a manufacturer and distributor of clay bricks and tiles used in the construction industry. It also operates a landfill site which generates income and fulfils obligations of restitution of the land following clay extraction used in the manufacturing process. Ultimately, remediated land has alternative use potentially as a development site and the Group seeks to maximise long term shareholder return by ensuring appropriate remediation.

Clay products are produced at four manufacturing plants and are locally distinctive. The products are largely sold to merchants and brick factors who distribute to the construction industry. The Group has a largely fixed capacity of manufacture and seeks to maximise the return for products by ensuring high quality product to meet specified demand.

Trends and Future Developments

The UK brick industry is dominated by three large overseas owned manufacturers who seek to maximise their market share in what has been for several years a depressed construction sector. During 2013 the general economy improved and the government implemented incentives for housebuilders which suggest that the brick manufacturing business should see an increase in activity and a return to normal pricing.

The Group have commenced a project that will increase its capacity for manufacture at one of its sites by 20% by investing £2.2 million in additional plant and equipment. The project will take over a year to complete with the additional production coming on line in early 2015.

The Directors consider the prospects for the Group to be encouraging through increased efficiency as a result of past and ongoing investment, together with current developments in the construction sector.

Principal Risks and Uncertainties

The majority of the Group's products will be used in residential schemes of new housing schemes or repair and maintenance projects which will be affected by general economic conditions and government incentives, and as such the demand for our output will be dependent on these factors. The production process is heavily dependent on gas and electrical energy and profitability will be affected by global energy prices. In the short and medium term, the Group hedges its energy cost so that its financial results are to an extent insulated from unpredictable changes in world energy prices.

Financial and non-financial indicators

The Directors monitor the business predominantly through review of financial results, including revenue, operating profit and cash flow, as well as through quality control indicators such as health and safety reporting, employee welfare and efficiency reviews. The Directors are satisfied that these indicators adequately address the principal business risks faced by the Group which include energy prices, the failure of quality control systems and skill shortages as well as the prevailing economic climate. For further information regarding the business in the year, refer to the Chairman's Statement and the Chief Executive's Review.

The Directors scrutinise closely the average selling price of the range of products sold, the average cost of production and despatch and manufacturing outputs for short term performance. The Board also review prospects through energy indicators and construction trends.

Strategic Report
(continued)

Development and Performance
Manufacturing of clay products and operation of landfill operations are closely regulated by the environmental authorities and the Group has extensive embedded procedures to manage its operations. The Group is committed to the protection of the environment and aims to minimise the impact of its business activities by maintaining a management structure, which ensures effective environmental management and compliance with all relevant legislation. Management will review environmental considerations as part of the decision making process, and strive to improve performance by minimising waste, maximising recycling and optimising the use of energy, water and raw materials. Management will communicate and consult with interested parties on environmental issues, and provide employees with relevant environmental training.

M R Warner
Director

Approved by the Directors on 25 March 2014

Michelmersh Brick Holdings Plc

Registered in England and Wales No. 03462378

Independent Auditors' Report
to the Members of Michelmersh Brick Holdings Plc

We have audited the financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2013 which comprise the Group Income Statement and Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2013.

Ian Cooper
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

25 March 2014

Consolidated Income Statement

Consolidated Income Statement for the year ended 31 December 2013	notes	Underlying 2013 £'000	Non underlying items 2013 £'000	2013 £'000	2012 £'000
Revenue	2	25,929	–	25,929	23,001
Cost of sales		(19,205)	–	(19,205)	(16,513)
Gross profit		6,724	–	6,724	6,488
Administrative expenses		(5,656)	(443)	(6,099)	(5,482)
Other income	3	65	694	759	403
Operating profit		1,133	251	1,384	1,409
Finance costs	4	(977)	–	(977)	(986)
Profit before taxation	5	156	251	407	423
Taxation	12	(86)	(216)	(302)	(133)
Profit for the financial year from continuing operations		70	35	105	290
Loss for the period from discontinued operations	6	(117)	(1,536)	(1,653)	(281)
(Loss)/profit for the financial year		(47)	(1,501)	(1,548)	9
Basic earnings per share from continuing operations	27			0.18p	0.51p
Basic loss per share from discontinued operations	27			(2.80p)	(0.48p)
Basic (loss)/earnings per share attributable to the equity holders of the company	27			(2.62p)	0.02p
Diluted earnings per share from continuing operations	27			0.17p	0.49p
Diluted loss per share from discontinued operations	27			(2.80p)	(0.48p)
Diluted (loss)/earnings per share attributable to the equity holders of the company	27			(2.62p)	0.01p

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

The accounting policies and notes on pages 19 to 44 form part of these financial statements.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013	**notes**	**2013 £'000**	**2012 £'000**
(Loss)/profit for the financial year		(1,548)	9
Other comprehensive income:			
Items which will not subsequently be reclassified to profit or loss			
Revaluation surplus of property, plant and equipment	14	3,500	800
Revaluation deficit of property, plant and equipment	14	(2,000)	(800)
Deferred tax on revaluation movement	22	415	764
		1,915	764
Total comprehensive income for the year		367	773

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

The accounting policies and notes on pages 19 to 44 form part of these financial statements.

Consolidated Balance Sheet

Consolidated Balance Sheet as at 31 December 2013	notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Intangible assets	13	2,438	2,468
Property, plant and equipment	14	41,831	41,538
		44,269	44,006
Amounts falling due after one year			
Other receivables	17	1,267	–
Derivatives	19	91	165
Total non-current assets		45,627	44,171
Current assets			
Assets held for sale		–	3,350
Inventories	16	6,307	9,132
Trade and other receivables	17	6,361	4,743
Investments		46	74
Cash and cash equivalents		2,170	70
Total current assets		14,884	17,369
Total assets		60,511	61,540
Liabilities			
Current liabilities			
Trade and other payables	18	3,900	2,572
Provisions	7	337	–
Corporation tax payable	12	–	47
Interest bearing borrowings	19	1,212	7,461
Total current liabilities		5,449	10,080
Non-current liabilities			
Deferred tax liabilities	22	4,434	4,935
Interest bearing borrowings	19	5,125	10,991
		9,559	15,926
Total liabilities		15,008	26,006
Net assets		45,503	35,534
Equity attributable to equity holders			
Share capital	24	16,162	11,645
Share premium account		11,495	6,440
Reserves		20,930	19,103
Retained earnings		(3,084)	(1,654)
Total equity		45,503	35,534

These financial statements were approved by the Directors and authorised for issue on 25 March 2014 and are signed on their behalf by

M R WARNER
Director

The accounting policies and notes on pages 19 to 44 form part of these financial statements.

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 2012	11,645	186	979	6,440	17,278	(1,797)	34,731
Profit for the year	–	–	–	–	–	9	9
Revaluation surplus	–	–	–	–	800	–	800
Revaluation deficit					(800)	–	(800)
Deferred taxation on revaluation	–	–	–	–	764	–	764
Total comprehensive income	–	–	–	–	764	9	773
Share based payment	–	30	–	–	–	–	30
Transfer to retained earnings	–	–	–	–	(134)	134	–
As at 31 December 2012	11,645	216	979	6,440	17,908	(1,654)	35,534
Loss for the year	–	–	–	–	–	(1,548)	(1,548)
Revaluation surplus	–	–	–	–	3,500	–	3,500
Revaluation deficit					(2,000)	–	(2,000)
Deferred taxation on revaluation	–	–	–	–	415	–	415
Total comprehensive income	–	–	–	–	1,915	(1,548)	367
Share based payment	–	30	–	–	–	–	30
Shares issued during the year	4,517	–	–	5,055	–	–	9,572
Transfer to retained earnings	–	–	–	–	(118)	118	–
As at 31 December 2013	**16,162**	**246**	**979**	**11,495**	**19,705**	**(3,084)**	**45,503**

The accounting policies and notes on pages 19 to 44 form part of these financial statements

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December 2013	**2013 £'000**	**2012 £'000**
Cash flows from operating activities		
Profit before taxation	407	423
Loss from discontinued activities	(152)	(372)
Loss on disposal plant and machinery	–	53
Profit on sale of fixed assets	(724)	(11)
Finance costs	977	986
Depreciation	916	1,017
Amortisation	2	3
Provision for impairment of investments	28	–
Market value adjustment of intangible assets	28	–
Usage of carbon emissions quota	–	402
Grant of carbon emissions quota	–	(533)
Share based payment charge	30	30
Cash flows from operations before changes in working capital	1,512	1,998
Decrease in inventories	2,151	455
(Increase)/decrease in receivables	(232)	489
Increase/(decrease) in payables	1,340	(362)
Net cash generated by operations	4,771	2,580
Taxation paid	(35)	–
Interest paid	(986)	(994)
Net cash generated by operating activities	3,750	1,586
Cash flows from investing activities		
Purchase of property, plant and equipment	(927)	(248)
Proceeds of sale of land	1,600	–
Proceeds of disposal of property, plant and equipment	145	11
Net cash generated by/(used in) investing activities	818	(237)
Cash flows from financing activities		
Repayment of interest bearing borrowings	(10,348)	(3,198)
Proceeds of interest bearing borrowings	–	2,000
Proceeds of share issue	9,572	–
Repayment of hire purchase and finance lease obligations	(19)	(23)
Net cash used in financing activities	(795)	(1,221)
Net increase in cash and cash equivalents	3,773	128
Cash and cash equivalents at the beginning of the year	(2,769)	(2,897)
Cash and cash equivalents at the end of the year	1,004	(2,769)
Cash and cash equivalents comprise:		
Cash at bank and in hand	2,170	70
Bank overdraft	(1,166)	(2,839)
	1,004	(2,769)

The accounting policies and notes on pages 19 to 44 form part of these financial statements.

General Information and Accounting Policies

General Information

Introduction

Michelmersh Brick Holdings Plc ("the Company") is a public limited company 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, with another subsidiary operating a landfill site. All other subsidiary companies were non trading.

These financial statements cover the financial year from 1 January to 31 December 2013, with comparative figures for the year 1 January to 31 December 2012.

The principal companies within the Group during the financial year ended 31 December 2013 are disclosed in note 15.

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 2013 and 31 December 2012 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 and its subsidiary undertakings are prepared to the same reporting date under UK GAAP. 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

Accounting standards and interpretations adopted during the year

The following standards, amendments or interpretations became effective or were adopted during the current year.

- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013. The adoption of this standard did not affect the valuations in the Financial Statements, but additional disclosures are provided in Note 14.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Group
At the date of authorisation of these Financial Statements, the following standards, amendments to existing standards and interpretations, which have not been applied in these consolidated Financial Statements, were in issue but not yet effective:

- IFRS 9 Financial Instruments. The standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement.
- IFRS 10 Consolidated Financial Statements effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint arrangements, effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2014.
- IAS 27 (Amendment), Separate Financial Statements, effective for annual periods beginning on or after 1 January 2014.
- IAS 28 (Amendment), Investments in Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2014.
- IAS 32 (Amendment), Financial Instruments: Presentation, effective for annual periods beginning on or after 1 January 2014.

The Directors are currently assessing the impact of these but they are not expected to have a material impact on the Group's results, assets or liabilities. The Directors do not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

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 Executive's Review.

The Group meets its day-to-day working capital requirements principally through inventory and receivables discounting facilities provided by ABN AMRO Commercial Finance Plc, together with 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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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 13 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 14 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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Property, plant and equipment (continued)

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 relating to finance lease obligations 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.

Other interest bearing liabilities are recognised initially at fair value and subsequently measured at amortised cost.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Financial Instruments (continued)

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.

Derivative financial instruments
Financial assets and liabilities, whose value changes in response to changes in its underlying components and are settled at a future date are designated as derivative financial instruments. Derivatives are used by the Company to mitigate financial risks, such as changes in interest rates. Such instruments are initially recognised at cost or premium paid and subsequently carried at fair value determined by reference to a quoted market price. Gains and losses arising from changes in fair value are recognised in the income statement.

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 substantially 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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Taxation (continued)

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 assets is realised based on tax rates enacted or substantially 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

Individual subsidiary companies operate 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.

The asset and liability at the end of the year are offset and recorded as a single line item in the Income Statement, offset against any disposals (or purchases) of excess quotas in the year.

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 shareholders.

Notes to Financial Statements
Year ended 31 December 2013

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ACCOUNTING UNCERTAINTY

The critical accounting judgements and key sources of accounting 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 12).
- 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 25.

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 2013. Segment information has been prepared in accordance with the accounting policies of the Group as set out on pages 19 to 44.

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
- Dunton – based in Chesham, Buckinghamshire (ceased operations in May 2013)
- Freshfield Lane – based in Danehill, West Sussex
- Michelmersh – based in Romsey, Hampshire

2. SEGMENTAL REPORTING (continued)
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.

	2013		2012	
Continuing Activities	**Segmental Revenue £'000**	**PBT £'000**	**Segmental Revenue £'000**	**PBT £'000**
Building materials				
Blockleys	7,121	1,103	5,653	1,097
Charnwood	2,968	206	2,700	421
Michelmersh	5,922	678	5,268	665
Freshfield Lane	9,658	2,711	9,125	2,599
Less rebates	(361)	(361)	(326)	(326)
	25,308	4,337	22,420	4,456
Landfill				
New Acres	632	261	626	253
	25,940	4,598	23,046	4,709
Inter-segmental revenue and unallocated costs*	(11)	(4,528)	(45)	(4,286)
	25,929	70	23,001	423
Discontinued Activities				
Dunton	580	(152)	1,509	(372)

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

2. SEGMENTAL REPORTING (continued)
Other segmental disclosure

	2013			2012		
	Property, plant and Equipment Additions £'000	Property, plant and Equipment Depreciation £'000	Intangible fixed assets Amortisation £'000	Property, plant and Equipment Additions £'000	Property, plant and Equipment Depreciation £'000	Intangible fixed assets Amortisation £'000
Building materials						
Blockleys	645	304	–	191	280	–
Charnwood	13	48	–	2	70	–
Michelmersh	77	265	–	14	293	–
Freshfield Lane	192	129	–	41	86	–
	927	746	–	248	729	–
Landfill						
New Acres	–	118	2	–	134	3
Discontinued						
Dunton	–	52	–	–	154	–
	927	916	2	248	1,017	3

Revenue by geographical destination

	2013 £'000	2012 £'000
United Kingdom	25,797	22,801
Europe	74	91
Rest of the World	58	109
	25,929	23,001

Total assets including property, plant and equipment and intangible assets are all held in the UK.

Sales of £4,300,000 (2012: £3,800,000) were made to a single customer of the Group.

Total Group revenue made to the top five customers amounted to £11,130,000 (2012: £10,549,000). No other customers were individually material in revenue value.

3. OTHER INCOME

	2013 £'000	2012 £'000
Rents receivable	41	34
Excess of carbon emission allowance over usage	–	345
Profit on sale of fixed assets	703	11
Other	15	13
	759	403

4. FINANCE COSTS

	2013 £'000	2012 £'000
Interest expense	926	934
Derivatives	49	49
Charges in respect of hire purchase agreements	2	3
	977	986

5. PROFIT BEFORE TAXATION

		2013 £'000	2012 £'000
Profit before taxation is stated after charging:			
Amortisation	– other	2	3
Depreciation	– owned assets	907	1,002
	– assets held under hire purchase agreements	9	15
Operating lease costs	– plant and machinery	426	329
	– motor vehicles	366	454

6. DISCONTINUED OPERATIONS

In May 2013, brick making operations ceased at the Dunton plant. Trading results up to the date of closure were as follows:

	2013 £'000	2012 £'000
Revenue	580	1,509
Cost of sales	(636)	(1,635)
Gross loss	(56)	(126)
Administrative expenses	(117)	(246)
Other income	21	–
Operating loss	(152)	(372)
Finance costs	–	–
Underlying loss before taxation for the financial year from discontinued operations	(152)	(372)
Taxation	35	91
Underlying loss after taxation for the financial year from discontinued operations	(117)	(281)
Non-underlying loss before taxation for the financial year from discontinued operations (note 7)	(1,901)	–
Taxation	365	–
Non-underlying loss after taxation for the financial year from discontinued operations (note 7)	(1,536)	–

Net cash outflow in respect of the non-underling loss during the period amounted to £255,000.

7. NON UNDERLYING ITEMS

	notes	Cost of sales £'000	Administration expenses £'000	Other income £'000	Total £'000
Reconstruction costs					
Write down of assets and inventories	(i)	(1,367)	–	–	(1,367)
Redundancy payments		(140)	(50)	–	(190)
Other costs of closure		–	(344)	–	(344)
		(1,507)	(394)	–	(1,901)
Taxation					365
Loss for the period from discontinued operations					(1,536)
Others					
Profit on sale of land	(ii)	–	–	694	694
Stock adjustment at Telford	(iii)	–	(200)	–	(200)
Write off legal expenses on aborted sale of land	(iv)	–	(132)	–	(132)
Restructured sales administration		–	(57)	–	(57)
Fee for early repayment of bank loans		–	(54)	–	(54)
		–	(443)	694	251

At 31 December 2013 provisions relating to redundancy and other costs of closure yet to be settled amounted to £337,000. All of these provisions are expected to be utilised in 2014.

(i) As a result of the decision to cease brick manufacturing at the Dunton site, the value of plant and machinery and inventories were written down to their estimated realisable values.

(ii) Former factory land categorised as a Current Asset at 31 December 2012 was sold in 2013 which generated a profit on sale net of associated disposal costs.

(iii) The disposal of land at Telford has resulted in a reconfiguration of the remaining brickwork site including the construction of a new entrance way and new stock yard. The new stock yard is somewhat smaller than the old yard and restricted the range of special brick accessories that could be retained. A number of these products were scrapped and the cost written off.

(iv) A plot of land under option to Persimmon Homes was the subject of an expert determination to establish the value under the terms of the option agreement. Since to the determination of the price, the option has not been exercised and the planning permission on the site expired in January 2014. The Directors now consider the disposal unlikely in the near future and have decided not to carry forward the costs of that determination and they have been expensed in the period.

8. AUDITORS REMUNERATION

	2013 £'000	2012 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	23	23
Fees payable to the Group's auditor and its associates for other services:		
– the audit of the Group's subsidiaries, pursuant to legislation	32	25
– tax compliance services	13	13
– corporate finance services	18	3

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.

9. PARTICULARS OF EMPLOYEES

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

	2013	2012
Manufacture and supply of bricks	245	247
Administration	34	32
	279	279

	2013 £'000	2012 £'000
Wages and salaries	7,915	7,407
Social security costs	778	761
Other pension costs	197	199
	8,890	8,367

10. DIRECTORS' EMOLUMENTS

The emoluments of the individual Directors were as follows:

	Basic Salary 2013 £'000	Discre-tionary Bonus 2013 £'000	Pension 2013 £'000	Total emolu-ments 2013 £'000	Total emolu-ments 2012 £'000
E J S Gadsden	20	–	–	20	20
M R Warner	138	15	–	153	138
R W Carlton-Porter	26	–	–	26	27
F J Hanna	125	15	–	140	120
A R G Hardy	20	–	–	20	20
S H P Morgan	106	15	–	121	100
P Sharp	80	15	4	99	83
	515	60	4	579	508

The above Directors are considered to be the only key management personnel in the Group.

Under IFRS, additional disclosure is required as follows:

	2013 £'000	2012 £'000
Short-term benefits including the above	685	602

11. TRANSACTIONS WITH DIRECTORS

During the year the company made sales to WE Black Limited of £28,000 (2012: £69,000) a related party by virtue of common directorship. At 31 December 2013 the company was owed £nil (2012: £12,000) by W E Black Limited.

An amount of £26,000 (2012: £27,000) was paid to Lansdown Consultants Limited in respect of the services of RW Carlton-Porter as non-executive Director and is included within the above emoluments.

An amount of £20,000 (2012: £20,000) was paid to Wallands Consultancy Limited in respect of the services of ARG Hardy as non-executive Director and is included within the above emoluments.

11. TRANSACTIONS WITH DIRECTORS (continued)

No share options were exercised by any of the Directors during the year. One Director held an option over 12,500 shares at 95 pence under the Group Share Option scheme at 31 December 2013. That Director also held an option over 63,157 shares in the Group SAYE scheme at an option price of 19 pence.

One Director (2012: one) is a member of the defined contribution pension scheme run by the Group.

12. TAXATION

a) Recognised in the income statement

	2013 £'000	2012 £'000
Current tax expense		
Current year	–	–
Prior year	(12)	47
	(12)	47
Deferred tax		
Origination and reversal of temporary differences:	314	86
Total income tax charge in the income statement	302	133

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2012 higher) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below.

	2013 £'000	2012 £'000
Factors affecting the tax charge for the current year		
Reconciliation of effective tax rate		
Profit before taxation	407	423
Income tax using the domestic corporation tax rate	95	104
Effects of:		
Expenses disallowed	75	26
Depreciation in excess of capital allowances	65	10
Change to prior year estimate	23	2
Profit on sale	115	–
Rate changes	(39)	(19)
Other timing differences	(32)	10
	302	133

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 23%, which has applied from 1 April 2013, to 20%, via a series of annual reductions. The reduction in the corporation tax rate to 20% from 1 April 2015 was enacted on 2 July 2013. 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 2013, the Group had tax losses carried forward of approximately £1,264,000 (2012: £2,024,000).

A deferred tax asset has not been recognised in respect of £503,000 (2012: £1,186,000) of these tax losses, as the Directors do not consider their recovery to be sufficiently certain in the near future.

13. INTANGIBLE ASSETS

	Goodwill £'000	PPC license £'000	Carbon emissions quota £'000	Total £'000
Cost or valuation				
As at 1 January 2012	2,280	75	–	2,355
Allowances received during the year	–	–	533	533
Offset against liability	–	–	(402)	(402)
As at 31 December 2012	2,280	75	131	2,486
Revaluation adjustment	–	–	(28)	(28)
As at 31 December 2013	2,280	75	103	2,458
Amortisation				
As at 1 January 2012	–	15	–	15
Charge for the year	–	3	–	3
As at 31 December 2012	–	18	–	18
Charge for the year	–	2	–	2
As at 31 December 2013	–	20	–	20
Net book value				
At 31 December 2013	2,280	55	103	2,438
At 31 December 2012	2,280	57	131	2,468

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 2013, 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% (2012: 7%) and revenue and cost growth rates of 3% (2012: 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 (2012: £nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Site develop-ment £'000	Motor vehicles £'000	Plant and machin-ery £'000	Equip-ment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation							
As at 1 January 2012	36,446	234	192	25,789	919	393	63,973
Additions	9	170	8	61	–	–	248
Transfers to inventories	(25)	–	–	–	–	–	(25)
Transfer to assets held for resale	(3,350)	–	–	–	–	–	(3,350)
Disposals	–	–	(122)	(696)	(263)	(130)	(1,211)
Revaluation surplus	800	–	–	–	–	–	800
Revaluation deficit	(800)	–	–	–	–	–	(800)
As at 31 December 2012	33,080	404	78	25,154	656	263	59,635
Additions	31	626	–	270	–	–	927
Transfers to inventories	(27)	–	–	–	–	–	(27)
Disposals	–	(291)	(51)	(188)	–	–	(530)
Closure of plant	–	–	–	(1,725)	–	–	(1,725)
Revaluation surplus	3,500	–	–	–	–	–	3,500
Revaluation deficit	(2,000)	–	–	–	–	–	(2,000)
At 31 December 2013	34,584	739	27	23,511	656	263	59,780
Amortisation							
As at 1 January 2012	1,133	46	149	15,746	789	373	18,236
Charge for the year	215	–	16	733	47	6	1,017
Disposals	–	–	(122)	(641)	(257)	(136)	(1,156)
As at 31 December 2012	1,348	46	43	15,838	579	243	18,097
Charge for the year	197	–	11	663	40	5	916
Closure of plant	–	–	–	(858)	–	–	(858)
Disposals	–	–	(30)	(176)	–	–	(206)
At 31 December 2013	1,545	46	24	15,467	619	248	17,949
Net book value							
At 31 December 2013	33,039	693	3	8,044	37	15	41,831
At 31 December 2012	31,732	358	35	9,316	77	20	41,538

Included within the net book value of £41,831,000 is £10,000 (2012: £44,000) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such leases amounted to £1,000 (2012: £15,000).

The Group's freehold land and buildings were valued by the Directors at £33,039,000 at 31 December 2013 (2012: £31,732,000), resulting in a net increase in the revaluation reserve of £1,500,000 (2012: nil). Deferred tax liabilities were decreased by £300,000 (2012: £184,000) and have been credited to the revaluation reserve.

The revaluation surplus of £3,500,000 in the year ended 31 December 2013 is in respect of the Dunton and Charnwood sites. Following the cessation of brick manufacturing at Dunton, the optimum alternative use is as a landfill site and the Directors have assessed the fair value of the asset based on future net operational cash flows. The Charnwood quarry is nearing depletion and the best alternative use is as a residential development site which the Directors have valued on the basis of equivalent market values less planning risk and costs, which would equate to open market value.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The revaluation deficit in the year ended 31 December 2013 relates to the investment land under option at Telford arose as a result of a change in the Directors assessment of market value following the lapse of planning permission on a 15 acre plot that had been the subject of an expert determination of price under the option agreement.

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

	2013 £'000	2012 £'000
Historical cost		
At 1 January	15,317	15,665
Additions	31	9
Transfer to inventories	(27)	(25)
Transfer to assets held for sale	–	(332)
At 31 December	15,321	15,317

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

The freehold land and property disclosed above is used for security for the overdraft and loans as disclosed in note 19.

IFRS13 Under IFRS13 companies must now 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.

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 £33,039,000 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. Mineral reserves were assessed during 2011 and the volumes of 3.9 million tonnes and market rate less extraction costs have been reviewed 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.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Other property comprises surplus 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 based on a market approach using an estimated price per acre and updated them where they consider conditions have changed in the interim period.

	2013 £'000	2012 £'000
Fair value of Land and Buildings at 1 January	31,732	35,313
Transferred to inventories	(27)	(25)
Charged to the Income Statement in cost of sales	(197)	(215)
Transfer to current assets	–	(3,350)
Expenditure on assets	31	9
Net gains recognised in Other Comprehensive Income	1,500	–
Fair value of Land and Buildings at 31 December	33,039	31,732

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.

15. 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	Landfill operations

No entities have been excluded from the consolidated financial statements.

16. INVENTORIES

	2013 £'000	2012 £'000
Raw materials	1,704	3,175
Work in progress	1,043	934
Finished goods	3,560	5,023
	6,307	9,132

The cost of inventories expensed during the year is £19,568,000 (2012: £17,857,000). The inventory cost disclosed above is used for security of the overdraft as disclosed in note 19.

17. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2013 £'000	2012 £'000
Trade receivables	4,761	4,438
Other receivables	1,396	–
Prepayments and accrued income	204	305
	6,361	4,743
Amounts falling due after one year		
Other receivables	1,267	–

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 19. Within other receivables are deferred sums due in relation to the sale of factory land at Telford which have been included at net present value.

Included within trade receivables is £409,000 (2012: £710,000) 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.

	2013 £'000	2012 £'000
30 days overdue	383	607
30 – 60 days overdue	16	60
60 – 90 days overdue	10	43
	409	710

The carrying amount of the Group's trade and other receivables are denominated in sterling. The total loans and receivables category comprises trade and other receivables above together with cash of £2,170,000 as shown in the balance sheet, totalling £9,594,000.

During the year no provisions were made against any debtors (2012: £54,000).

18. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2013 £'000	2012 £'000
Trade payables	1,046	760
Other taxation and social security	1,535	660
Other payables	4	4
Accruals and deferred income	1,292	1,124
Pension	23	24
	3,900	2,572

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 and including borrowings of £6,337,000 as shown in note 19, totalling £8,702,000.

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

19. BORROWINGS

Interest rate risk of financial assets and liabilities

The Group has floating rate borrowings of £6,327,000 (2012: £17,287,000), which consist of bank loans and overdrafts and bear interest linked to the bank base rate and LIBOR. It also has hire purchase liabilities of £10,000 (2012: £29,000) and other loans which have a set finance charge. The Group's financial assets at 31 December 2013 and 31 December 2012 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 2013 of £4,901,000 (2012: £743,000). The facilities are subject to periodic review.

Interest bearing liabilities

Obligations under hire purchase and finance lease agreements

	2013			2012		
	Minimum lease payment £'000	Interest £'000	Principal £'000	Minimum lease payment £'000	Interest £'000	Principal £'000
Less than one year	6	1	5	8	3	5
Between 1 – 2 years	6	1	5	8	3	5
Between 2 – 5 years	–	–	–	24	5	19
	12	2	10	40	11	29

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

Obligations under agreements are secured on the relevant assets.

The Group's policies and objectives in respect of financial risk relating to the adequacy of funding, interest rate fluctuations and currency exposure are explained in note 20.

Bank loans and overdrafts

Bank loans and overdrafts in the balance sheet are due for repayment as follows:

	2013 £'000	2012 £'000
Bank overdraft (on demand)	1,166	2,839
In one year or less	41	4,481
Between one and two years	43	1,256
Between two and five years	5,077	3,711
Over five years	–	5,000
	6,327	17,287

The Group operates two Term Loan facilities. The Barclays Loan balance stood at £5,000,000 at 31 December 2013 and will expire at 31 December 2016. No further amortisation is required following early repayment of £6,270,000 in December 2013. Interest is charged on the bank loan at 4.0% above LIBOR per annum in addition to a base rate linked formula dependent upon Barclays Bank Plc's borrowing ratios ("Mandatory Cost Rate"). The bank loan is secured by a fixed and floating charge over all property and assets of the Group, both present and future, dated 23 March 2006, in favour of Barclays Bank Plc.

19. BORROWING (continued)

The Group entered into a Term Loan facility with ABN AMRO in April 2012 for an amount of £2,000,000 for a term of 5 years. The loan was repayable in monthly instalments of £20,000 rising to £24,000 in March 2013 and with a final repayment of £608,000 in April 2017. Interest was charged on the bank loan at 2.75% above bank base rate. The remaining balance of the loan was repaid early in December 2013.

Other borrowings

		2013 £'000	2012 £'000
Vendor Loans	In one year or less	–	136
	Between one and two years	–	500
Shareholder loan	Between one and two years	–	500
		–	1,136

The Vendor loan arose on acquisition of Freshfield Lane Brickworks Limited and formed part of the consideration, and was originally repayable in full on 6 April 2012. The Loan Note holders agreed to amend the repayment terms to £1 million on 6 April 2012, followed by 11 monthly instalments of £45,454 with the remaining balance of £500,000 to be paid in March 2014 with an additional payment of £50,000 to be paid on completion of the repayment of the loan.

The Shareholder Loan was granted by Mr. Eric Gadsden in March 2010 to provide funds for the acquisition of Freshfield Lane Brickworks Limited and was repayable in full on 25 February 2011. Subsequently, it was agreed that repayment will be made in 12 equal instalments commencing in March 2011. The repayments were halted by agreement after 9 instalments, with the remaining balance to be repaid in March 2014 with an additional payment of £50,000 to be paid on completion of the repayment of the loan.

Interest was payable on both the Vendor and Shareholder loans at 4.25% on the balance of the loan outstanding and paid 6 monthly in arrears.

In December 2013, the remaining balances of the Vendor and Shareholder loans were repaid in full out of the proceeds of the share issue (see note 24).

The other borrowings are stated at fair value.

Derivative

In December 2011, the Company entered into an interest rate cap arrangement with Barclays Bank Plc. The terms of the cap are outlined in note 20. The present value of future payments in respect of the cap have been recognised as a liability and the market value recognised as an asset. The asset value has reduced during the period classed as fair value through the income statement. The interest rate cap is categorised as a level 2 in the fair value hierarchy.

	2013 £'000	2012 £'000
	91	165

20. 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.

The Group's principal financial instruments comprise bank loans, overdrafts and hire purchase and finance lease facilities. The purpose of these is to provide finance for the Group's operations.

The Group has entered into an interest rate cap agreement which limits the exposure to interest charges in respect of the Barclays term loan to a LIBOR rate of 2%. The agreement is in respect of the reducing balance on the whole of the loan for the five year term of the loan.

There is no material difference between the book values and fair values of the Group's financial instruments.

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 Operational Board under policies approved by the Board of Directors. The Operating 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

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contract maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

At 31 December 2013	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings including overdrafts	1,383	45	5,316	–
Hire purchase and finance lease obligations	6	6	–	–
Trade and other payables	3,900	–	–	–

At 31 December 2012	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings including overdrafts	7,751	2,355	3,866	5,235
Hire purchase and finance lease obligations	8	8	24	–
Trade and other payables	2,572	–	–	–

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 £'000	2012 £'000
Total borrowings excluding bank overdrafts	5,171	15,613
Add: cash and cash equivalents including bank overdrafts	(1,004)	2,769
Net debt	4,167	18,382
Total equity	45,503	35,534
Gearing ratio	9%	52%

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.

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

Sensitivity analysis

Interest rate sensitivity

The table below shows the Group's sensitivity to interest rates on its floating rate financial instruments. The Group has concluded that a 1% increase is a reasonable benchmark. Debt with a maturity of less than one year is floating rate for this calculation. A 1% movement in interest rate is deemed to have an equal effect on equity.

	2013 £'000	2012 £'000
1% increase/(decrease) in sterling interest rates	40	167

Interest rate movements on obligations under hire purchase and finance leases, trade payables, trade receivables and other financial instruments not in net debt do not present a material exposure to the Group's balance sheet based on a 1% increase or decrease in these interest rates.

21. 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 £197,000 (2012: £199,000). Amounts unpaid at the year end in respect of contributions amounted to £23,000 (2012: £24,000).

22. DEFERRED TAXATION

Deferred tax at 31 December 2013 relates to the following:

	Losses £'000	Property plant and equipment £'000	Other items £'000	Total £'000
Cost				
As at 1 January 2012	(139)	5,734	109	5,704
Recognised in income	(54)	67	(18)	(5)
Recognised in equity	–	(764)	–	(764)
As at 31 December 2012	(193)	5,037	91	4,935
Recognised in income	41	(68)	(59)	(86)
Recognised in equity	–	(415)	–	(415)
As at 31 December 2013	(152)	4,554	32	4,434

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 £100,000 (2012: £273,000) in respect of unrelieved tax losses.

23. COMMITMENTS UNDER OPERATING LEASES

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

	2013 £'000	2012 £'000
Operating leases which expire		
Within one year	772	614
Between two and five years	1,509	1,570
	2,281	2,184

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

24. SHARE CAPITAL

Authorised share capital	2013 Number	2013 £'000	2012 Number	2012 £'000
Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000

Allotted, called up and fully paid:	2013 Number	2013 £'000	2012 Number	2012 £'000
Ordinary shares of 20p each	80,809,477	16,162	58,227,154	11,645

In December 2013 22,544,508 new ordinary shares were issued to raise cash funds for the expansion of production facilities at Freshfield Lane and to reduce group indebtedness. Net of expenses associated with the share issue, cash proceeds of £9,565,000 were received and used to reduce group borrowings.

During the year, options were exercised on 37,815 ordinary shares under the Group SAYE scheme.

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

25. SHARE BASED PAYMENTS

Share option reserve	£'000
As at 1 January 2013	216
Charge for the year	30
As at 31 December 2013	246

a) Michelmersh Brick Holdings Plc Group share option scheme

Year of Grant	Subscription price per share	Period of exercise	No. of options as at 31 December 2012	Options forfeited/ lapsed in the year	No. of options as at 31 December 2013
2004	70p	August 2007 – August 2014	141,115	(7,143)	133,972
2005	95p	November 2008 – November 2015	12,500	–	12,500
2007	118p	April 2010 – April 2017	10,000	(10,000)	–
2008	96p	February 2011 – February 2018	12,500	–	12,500

Vesting conditions under the scheme include a three year vesting period. The options are also subject to performance criteria set when the options were granted. Employees may exercise options after they leave employment if exercised within six months of ceasing to be an employee. The exercise period is seven years from the vesting date.

25. SHARE BASED PAYMENTS (continued)

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	Subscription price per share	Vesting period	No. of options as at 31 December 2012	Options exercised in the year 2013	Options forfeited in the year 2013	No. of options as at 31 December 2013
2007	102p	November 2007 – December 2012	11,858	–	(11,858)	–
2011	19p	November 2011 – December 2014	585,439	(29,815)	(121,760)	433,864
2011	19p	November 2011 – December 2016	393,152	(8,000)	(42,526)	342,626

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 £30,000 (2012: £30,000).

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

Weighted average share price	£0.868
Expected volatility	30%
Expected dividend yield	1%
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:

	2013		2012	
	No	Weighted average exercise price	No	Weighted average exercise price
Outstanding as at 1 January 2013	1,166,564	28.5p	1,258,576	29.9p
Exercised	(37,815)	19.0p	–	–
Lapsed and forfeited	(193,287)	31.1p	(92,012)	47.1p
Outstanding as at 31 December 2013	935,462	28.3p	1,166,564	28.5p

The weighted average contractual life for the share options outstanding at 31 December 2013 is 2 years (2012: 4 years).

26. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

Share option reserve
The share option reserve relates to the Executive Approved Share Option and SAYE Share Option Schemes. Additional details are disclosed in note 25 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 14.

27. EARNINGS PER SHARE

Basic
The calculation of earnings per share from continuing operations is based upon the profit for the year of £105,000 (2012: £290,000) and 59,098,895 (2012: 58,227,154) weighted average number of ordinary shares.

The calculation of earnings per share from discontinued operations is based upon the loss for the year of £1,653,000 (2012: £281,000) and 59,098,895 (2012: 58,227,154) weighted average number of ordinary shares.

The calculation of earnings per share attributable to the equity holders of the company is based upon the loss for the year of £1,548,000 (2012: profit £9,000) and 59,098,895 (2012: 58,227,154) weighted average number of ordinary shares.

Diluted
At 31 December 2013 there were 159,000 (2012: 187,000) existing options which are under water and are not included in the diluted figures for 2013.

Michelmersh Brick Holdings Plc

Parent Company Financial Statements

Year ended 31 December 2013

Independent Auditors' Report to the Shareholders

We have audited the parent company financial statements of Michelmersh Brick Holdings PLC for the year ended 31 December 2013 which comprise the parent company Balance Sheet, the Accounting Policies and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate**

Opinion on financial statements

In our opinion the parent company financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2013;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2013.

Ian Cooper
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

25 March 2014

Company Balance Sheet

Company Balance Sheet as at 31 December 2013	notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	1	13,075	18,297
Investments	2	10,260	10,288
Intangible assets	3	103	131
Total fixed assets		23,438	28,716
Debtors – due after more than one year	4	1,267	–
Total non-current assets		24,705	28,716
Current assets			
Cash at bank and in hand		1,288	–
Debtors – due within one year	4	16,054	9,168
Total current assets		17,342	9,168
Creditors: Amounts falling due within one year	5	(5,990)	(4,577)
Net current assets		11,352	4,591
Total assets less current liabilities		36,057	33,307
Creditors: Amounts falling due after more than one year	6	(4,741)	(9,029)
Provisions for liabilities			
Deferred taxation	8	(168)	(99)
Net assets		31,148	24,179
Capital and reserves			
Share capital	10	16,162	11,645
Share premium account	10	11,495	6,440
Merger reserve	10	979	979
Revaluation reserve	10	7,692	9,810
Share option reserve	10	246	216
Profit and loss account	10	(5,426)	(4,911)
Equity shareholders' funds		31,148	24,179

These financial statements were approved by the Directors on 25 March 2014 and are signed on their behalf by:

M R WARNER
Director

Accounting Policies
Year ended 31 December 2013

Basis of preparation
The Company financial statements have been prepared in accordance with UK GAAP under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The loss after tax for the Company was £633,000 (2012: £948,000). There are no other recognised gains or losses in either year.

Investments
Investments held as fixed assets are stated at cost less any provision for impairment in value.

Depreciation
Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Land and buildings are carried at appropriate valuation for the land and buildings concerned.

Freehold land and buildings are revalued on an annual basis.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value over the useful economic life of the asset as follows:

Freehold buildings	–	life of brickworks site straight line
Equipment	–	3% - 25% straight line

Freehold land used in landfill activities is amortised over the life of the site 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 Company 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 profit and loss account 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 Company. Provision is not made where no significant cost is expected, or where costs are not deemed reliably measurable.

Mineral reserves are included within freehold land and buildings and are amortised on a usage basis.

An annual amount equal to the excess of the annual depreciated charge on certain revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

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 their fair value at the date of 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 Company 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 risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Accounting Policies (continued)
Year ended 31 December 2013

Deferred taxation
Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that their recovery is considered more likely than not.

Pension costs
The Company operates a defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Company. Contributions are charged to the profit and loss account in the year in which they are incurred.

Carbon emissions allowances
Unused and acquired carbon emissions 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 profit and loss account.

The asset and liability at the end of the year are offset and recorded as a single line item in the income statement, offset against any disposals (or purchases) of excess quotas in the year.

Dividends
Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

1. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Equipment £'000	Motor vehicles £'000	Site development £'000	Total £'000
Cost or valuation					
At 1 January 2013	18,788	295	44	325	19,452
Additions	–	–	–	625	625
Revaluation	(2,000)	–	–	–	(2,000)
Disposals	(3,350)	–	(44)	(258)	(3,652)
At 31 December 2013	13,438	295	–	692	14,425
Depreciation					
At 1 January 2013	920	220	15	–	1,155
Charge for the year	178	32	8	–	218
Disposals	–	–	(23)	–	(23)
At 31 December 2013	1,098	252	–	–	1,350
Net book value					
At 31 December 2013	12,340	43	–	692	13,075
At 31 December 2012	17,868	75	29	325	18,297

Revaluation of fixed assets

The Company's freehold property was valued by the directors on 31 December 2013, on a depreciated replacement cost basis for brickwork properties, and an existing use value for the land used for mineral extraction or waste disposal. Other property surplus to requirements has been valued at open market value. These valuations incorporated certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and landfill facilities. The directors adjusted these valuations in respect of the land used for mineral extraction or waste disposal where appropriate to do so.

The revaluation deficit of £2,000,000 in the year ended 31 December 2013 is in respect of the former factory land at Telford. The Directors have assessed the value at market value less costs associated with disposal.

1. TANGIBLE FIXED ASSETS (continued)

The Company's freehold land and buildings were valued at £12,340,000 at 31 December 2013. In respect of the freehold property stated at a valuation, the comparable historical cost and depreciation values are as follows:

	2013 £'000	2012 £'000
Historical cost		
At 1 January	8,112	8,112
Additions	–	–
At 31 December	8,112	8,112

	2013 £'000	2012 £'000
Historical cost depreciation		
At 1 January	–	–
Charge for the year	–	–
At 31 December	–	–

2. INVESTMENTS – UNLISTED

	2013 £'000	2012 £'000
Cost		
At 1 January	10,288	10,288
Impairment	(28)	–
At 31 December	10,260	10,288

The company's investment in the ordinary share capital of unlisted companies at the balance sheet date include the following:

Company	Country of incorporation	Class of shares held	Percentage holding	Nature of business
Dunton Brothers Limited	England	Ordinary	100	Non trading
Michelmersh Brick & Tile Company Limited	England	Ordinary	100	Non trading
Michelmersh Brick UK Limited	England	Ordinary	100	Manufacture of bricks and clay products
New Acres Limited	England	Ordinary	100	Landfill operations
Charnwood Forest Brick Limited	England	Ordinary	100	Non trading
Freshfield Lane Brickworks Limited	England	Ordinary	100	Non trading

Notes to Company Financial Statements (continued)
For the year ended 31 December 2013

3. INTANGIBLE ASSETS

The intangible asset relates to carbon allowances.

	2013 £'000	2012 £'000
Cost		
At 1 January	131	–
Revaluation	(28)	–
Additions	–	131
At 31 December	103	131

4. DEBTORS

Amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	14,576	8,977
Other debtors	1,385	–
Prepayments and accrued income	93	191
	16,054	9,168
Amounts falling due after one year		
Other debtors	1,267	–

5. CREDITORS: Amounts falling due within one year

	2013 £'000	2012 £'000
Bank loans due within one year	–	4,231
Amounts due to Group undertakings	5,734	–
Other loans	–	136
Accruals and deferred income	256	205
Hire Purchase	–	5
	5,990	4,577

6. CREDITORS: Amounts falling due after more than one year

	2013 £'000	2012 £'000
Bank loans	4,741	8,005
Hire Purchase	–	24
Other Loans	–	1,000
	4,741	9,029

7. CREDITORS – CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2013 £'000	2012 £'000
In one year or less, or on demand	–	4,235
Between one and two years	–	915
Between two and five years	4,741	3,000
Over five years	–	4,115
	4,741	12,265

The bank overdraft is secured by debentures given by all Group companies and a charge over the freehold land and buildings. All Group companies have provided a cross guarantee in respect of the borrowings.

Interest is charged on the Barclays Bank PLC bank loan at 4% above Barclays Bank PLC LIBOR per annum in addition to a base rate linked formula dependent upon Barclays Bank Plc's borrowing ratios ("Mandatory Cost Rate"). The loan is repayable in full on 31 December 2016. The bank loan is secured by a fixed and floating charge over all property and assets of the Group, both present and future, dated 23 March 2006 in favour of Barclays Bank plc.

8. PROVISIONS FOR LIABILITIES

The movement in the deferred taxation provision during the year was:

	2013 £'000	2012 £'000
At 1 January	99	45
Increase in provision	69	54
At 31 December	168	99

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2013 £'000	2012 £'000
Excess of taxation allowances over depreciation on fixed assets	168	99

Amounts unprovided at the year end are as follows:

	2013 £'000	2012 £'000
Revalued properties	750	1,434

The balance of unprovided deferred tax of £750,000 (2012: £1,434,000) relating to revalued properties represents the tax on the deferred capital gain on the revaluation of the freehold property. It is the Directors' intention to keep the trading property for use in the business, and as such the gain is unlikely to crystallise and therefore the deferred tax liability has not been recognised, in accordance with Financial Reporting Standard 19 'Deferred Tax'. The deferred tax on the element of the gain in respect of land subject to an option to sell for residential development in the future has not been provided at 31 December 2013 as the Company has not yet entered into a binding agreement to sell the land. Provisions will be made on a phased basis as and when building agreements are signed. Deferred tax assets in respect of other timing differences and tax losses available amounting to £100,000 (2012: £121,000) have not been provided, as the Directors do not consider their recovery to be sufficiently certain in the near future.

Notes to Company Financial Statements (continued)
For the year ended 31 December 2013

9. RELATED PARTY TRANSACTIONS

The Company has taken the exemption in FRS 8 not to disclose transactions with other Group companies. Transactions with Directors are disclosed in Note 11 of the Group Financial Statements.

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	Share option reserve £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total share-holders' funds £'000
Balance at 1 January 2012	11,645	186	6,440	979	9,144	(4,097)	24,297
Loss for the year	–	–	–	–	–	(948)	(948)
Share save option	–	30	–	–	–	–	30
Revaluation of freehold land and buildings	–	–	–	–	800	–	800
Transfer to profit and loss	–	–	–	–	(134)	134	–
Balance at 31 December 2012	11,645	216	6,440	979	9,810	(4,911)	24,179
Loss for the year	–	–	–	–	–	(633)	(633)
Share save option	–	30	–	–	–	–	30
Revaluation of freehold land and buildings	–	–	–	–	(2,000)	–	(2,000)
Shares issued in the year	4,517	–	5,055	–	–	–	9,572
Transfer to profit and loss	–	–	–	–	(118)	118	–
Balance at 31 December 2013	16,162	246	11,495	979	7,692	(5,426)	31,148

11. CONTINGENCIES

The bank holds a cross guarantee between the Company and its subsidiaries dated 30 December 2012. At the year end the total Group bank borrowings were £6,327,000 (2012: £17,287,000).

Notice of Annual General Meeting

This year's annual general meeting will be held at 10.30 a.m. on 21 May 2014 at 6 New Street Square, London EC4A 3BF. You will be asked to consider and pass the resolutions below. Resolutions 7, 8 and 9 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary Business

1 To receive the Company's Accounts and Reports of the directors and the auditors for the financial year ended 31 December 2013.

2 To reappoint Bob Carlton-Porter who retires by rotation and who, being eligible, offers himself for reappointment as a director.

3 To reappoint Stephen Morgan who retires by rotation and who, being eligible, offers himself for reappointment as a director.

4 To reappoint Peter Sharp who retires by rotation and who, being eligible, offers himself for reappointment as a director.

5 To reappoint Nexia Smith & Williamson Audit Limited as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to fix their remuneration.

Special Business

6 That the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the 2006 Act) of £5,388,614.

7 That, subject to the passing of resolution 6, the directors of the Company be and they are hereby empowered pursuant to sections 570 of the Companies Act 2006 (the "**2006 Act**") to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority conferred by resolution 6 as if section 561 of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash:

(a) in connection with or pursuant to an offer or invitation in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates, or legal, regulatory or practical problems which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or otherwise howsoever; and

(b) in the case of the authority granted under resolution 6, and otherwise than pursuant to paragraph (a) of this resolution, for cash up to an aggregate nominal amount of £808,292 being 5% of the Company's issued ordinary share capital as at the date of this Notice.

This power shall expire at the conclusion of the next Annual General Meeting, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry.

8 That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "**2006 Act**") to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of fully paid ordinary shares of 20p each in the capital of the Company provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 8,082,921 (representing 10% of the Company's issued ordinary share capital);

Notice of Annual General Meeting
(continued)

(b) the minimum price (exclusive of expenses) which may be paid for each ordinary share shall be the nominal value;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share shall not be more than 5% above the average of the middle market quotations for an ordinary share, as derived from the AIM section of the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

(d) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the Company's next Annual General Meeting; and

(e) the Company may make a contract or contracts to purchase ordinary shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

9 That with immediate effect:

(a) the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's articles of association; and

(b) the articles of association produced to the meeting and initialled by the chairman of the meeting for purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

25 March 2014

By order of the Board

Stephen Morgan
Company Secretary

Registered Office:
Freshfield Lane
Danehill
Haywards heath
RH17 7HH

Notice of Annual General Meeting
(continued)

Notes

1 To be entitled to attend and vote at the meeting or any adjournment (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company 48 hours before the time appointed for holding the meeting or adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.

3 To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the office of the Company's registrars no later than 48 hours before the time appointed for holding the meeting.

4 The return of a completed proxy form will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.

5 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

6 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

7 Copies of the service contracts of the directors of the Company or any of its subsidiary undertakings and a clean and comparison version of the articles of association are available for inspection at the registered office of the Company during normal business hours (excluding weekends and public holidays) from the date of this notice until the conclusion of the AGM, and will also be available for inspection at the place of the AGM from 15 minutes before it is held until its conclusion.

Notice of Annual General Meeting
(continued)

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notes on this page give an explanation of the proposed resolutions.

Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 7 to 9 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolutions 2, 3 and 4: Reappointment of directors
In accordance with the Company's Articles of Association any Director newly appointed by the Board is required to retire and submit himself for re-appointment at the first Annual General Meeting following his appointment. In addition at every Annual General Meeting a certain number of Directors must retire by rotation.

Resolution 6: Authority to allot shares
This resolution proposes that the Directors' authority to allot shares be renewed. The authority previously given to the Directors at the last AGM of the Company will expire at this year's AGM. Under the Companies Act 2006, the Directors of the Company may only allot shares or grant rights to subscribe for or convert into shares if authorised to do so.

Resolution 6 will allow the Directors to allot new shares or grant rights up to an aggregate nominal value of £5,388,614, which is equal to approximately one third of the total issued ordinary share capital of the Company as at the date of this Notice.

If passed the authority given by this resolution will expire at the conclusion of the Company's next Annual General Meeting. The Directors have no present intention to allot new shares or grant rights, however, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

Resolution 7: Disapplication of pre-emption rights
Under the Companies Act 2006, if the Directors wish to allot shares for cash (other than in connection with an employee share scheme) they must first offer them to existing shareholders in proportion to their holdings ("**a pre-emption offer**"). There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emption offer to existing shareholders.

This resolution seeks to renew the Directors' power to allot equity securities in certain limited circumstances otherwise than to in relation to pre-emption offers. The power granted at the last AGM is due to expire at this year's AGM. Apart from pre-emption offers, the power is limited to the allotment of equity securities for cash up to an aggregate nominal value of £808,292 (being 5% of the issued ordinary share capital as at the date of this Notice. If given, this power will expire at the conclusion of the next AGM.

The Board does not intend to issue more than 7.5% of the issued share capital of the Company on a non pre-emptive basis in any rolling three-year period. This is in line with corporate governance guidelines.

Resolution 8: Authority to purchase Company shares
This resolution renews the Company's general authority to repurchase up to 8,082,921 of its own shares in the market (being 10% of the Company's issued share capital as at the date of this notice), at or between the maximum and minimum prices specified in the resolution giving the authority.

Current legislation allows companies to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. The Directors may use the authority to purchase shares and hold them in treasury (and subsequently sell or transfer them out of treasury as permitted in accordance with legislation) rather than cancel them, subject to institutional guidelines applicable at the time. Shares will only be purchased if to do so would result in an increase in earnings per share and is in the best interests of shareholders generally.

Notice of Annual General Meeting
(continued)

Resolution 9: Amendment of articles of association
Below is a brief explanation of the main changes proposed to be made to the Company's articles of association. A copy of the current articles of association marked to show changes being proposed will be available for inspection at the AGM.

Company's objects
The provisions regulating the operations of the Company are set out in the Company's articles of association. Certain provision were historically also contained in the memorandum of association such as the objects clause which sets out the scope of the activities the Company is authorised to undertake. This was drafted to give a wide scope.

The Companies Act 2006 significantly reduced the constitutional significance of the memorandum and provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the Company. Under the Companies Act 2006 the objects clause and all other provisions contained in the memorandum are deemed to be incorporated into the articles of association, however, these provisions may be removed by special resolution.

The Companies Act 2006 states that unless its articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have an objects clause. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association. Resolution 9(a) confirms the removal of these provisions. As the effect of this resolution will be to remove the statement currently in the Company's memorandum regarding limited liability, a new article is proposed to be included containing an express statement regarding the limited liability of the shareholders.

Authorised share capital
The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the Company is therefore proposing to remove its authorised share capital and deleting any reference to such concept in the articles of association. The directors will still be limited as to the number of shares they can at any time allot as allotment authority continues to be required under the Companies Act 2006.

Notice of general meeting
The Companies Act 2006 only requires a minimum of 14 days' notice for general meetings and the Company proposes to amend the articles of association to reflect such minimum period of notice.

Perivan Financial Print 231431

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Brick Holdings PLC

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Haywards Heath
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