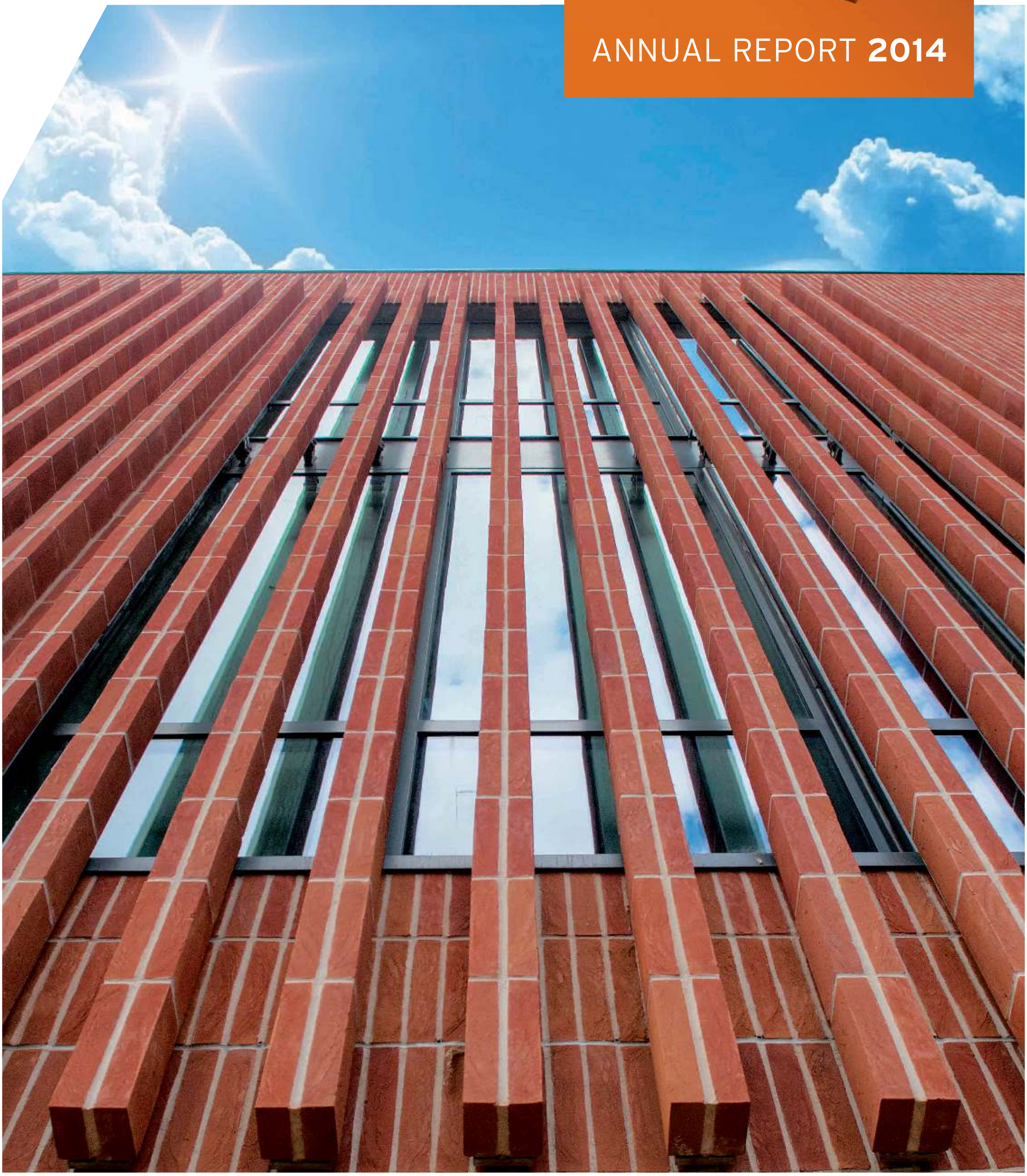
MICHELMERSH
Brick Holdings PLC

ANNUAL REPORT 2014



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Chairman's Statement

I am pleased to report a very good performance for the Group in 2014 having made continued strong progress, building on the foundations laid in the previous period, and in a further improved market place. In addition, I can report to shareholders that the Group is well placed to make further advances in a very promising market.

In the financial period, turnover increased by 10% to £28.5 million (2013: £25.9 million) as average brick selling prices increased by 13.5%. These price increases translated into a profitable outcome for the year and we can anticipate continued progress with the recent completion of the investment at our largest brickworks Freshfield Lane, as the long awaited improvement in industry dynamics continues to play out favourably. I am particularly pleased that our fortunes and prospects are positive enough to be able to reinstate dividend payments.

Financial Highlights:

	2014	2013	+/-
Turnover	£28.5 m	£25.9 m	+10%
Operating profit	£2.8 m	£1.4 m	+100%
Basic EPS	2.72 p	0.18 p	+2.54 p
Net assets	£46.7 m	£45.5 m	+3%
Net assets per share	57.5 p	56.3 p	+2%
Net Debt	£2.1 m	£4.2 m	-£2.1 m

The price recovery in the brick market positively impacted the income statement in 2014 at all levels: as stated above, turnover increased by 10% and improved gross profit by 30% as gross margin increased by 5% to 31%. Operating profit from underlying business amounted to £3.0 million, by far the best result since the business floated in 2004. With low borrowings, the interest burden for the Group is modest and the Profit before taxation of £2.6 million exceeded the equivalent figure in 2013 by 6.4 times.

These positive results were achieved despite a reduction in contribution from the landfill operations, which halved to £130,000 as a result of a combination of external economic conditions and internal decisions to maximise the lifetime assets and income at the Telford site.

The income statement has separated the costs of non-underlying events so that the accounts demonstrate better the true performance of the Group. These non-underlying items in 2014 included set-up costs of the Freshfield Lane expansion project, which is expected to yield benefits in 2015 and beyond.

Cash and Borrowings

The Group ended the year with net debt of £2.1 million (2013: £4.2 million) representing gearing of under 5%. Cash generated by operations of £2.6 million was supplemented by the second of three tranches of the Bovis land sale proceeds of £1.5 million. The Group undertook capital expenditure of just over £2 million in respect of the Freshfield Lane expansion project and completion of the Telford reorganisation.

The Group has used cash resources to repay all borrowings except a Term Loan of £5 million with Barclays and a small residual hire purchase contract and has ceased the ineffective interest rate cap agreement. The Group generates a strong cash flow from operations and along with the final £1.5 million deferred land sale proceeds, is expected to be in a net positive cash position through 2015 which gives flexibility for capital projects and shareholder distributions.

Assets and working Capital

The Group's balance sheet is strongly backed by substantial fixed assets of £42 million. Opportunities afforded by surplus land assets continue to be evaluated and their eventual realisation is closer as time passes. No significant planning or operational events have occurred in the year and prudent valuations have been made by the Directors. Only one asset, the landfill void at Telford, has been subject to a valuation adjustment as a result of a change in the Board's intended timescale of landfill. As the economic benefit has been deferred for some years, the net present value has reduced and as a result, the carrying value has fallen by £1 million. Net asset value at 31 December 2014 stands at 57.5 pence (2013: £56.3 pence) per share.

Chairman's Statement
(continued)

Working capital has increased marginally during 2014 as strong late season sales kept debtors unusually high. Stock levels are now at a level that cannot be reduced much further. Overdraft facilities have been maintained and, alongside cash balances, provide healthy headroom for security and allow investment in capital projects.

Dividend

Improved trading, reduced borrowings, strong cash flow and the realisation of revaluation gains have now put the Group in a position where it can recommence dividend payments. The Board are intent upon implementing a sustainable dividend policy that reflects a balance between trading cashflow and long-term reinvestment in capital assets. Accordingly, the Board is proposing a dividend of 0.5 pence per share in respect of the financial year ended 31 December 2014. Net debt is likely to be positive by the end of 2015, and the Board will seek to make dividend payments out of trading cash flow annually to establish and maintain a prudent level of dividend cover.

Land Assets

We have received the second tranche of funds from the sale of the former factory site at Telford with a further £1.5 million due in October this year. We have undertaken a comprehensive review of our clay reserves at this site and based on current production levels believe these will extend in excess of 30 years. In the light of the improved market for brick manufacture our priority is to maximise this asset and we have therefore taken the decision to cease landfill at this site for the foreseeable future.

We have now received detailed consent for an additional 20 years of clay supplies at our Michelmersh site. Our scheme for 200 houses has now been submitted at our quarry site at Charnwood and we continue to progress our application for a landfill licence at our Dunton site.

People

In the past year much work was done to strengthen the business and I would like to thank all our employees for their hard work over the period. We have successfully recruited for our increased capacity at Freshfield Lane and it is satisfying to anticipate a more stable outlook in the future.

Outlook

Two long anticipated events occurred during 2014: firstly brick industry prices increased for the first time in six years and secondly two of the major UK manufacturers have new overseas owners.

A generational oversupply of bricks has come to an end and the market is now reliant on increasing levels of imports. The last big industry investments were in the 1980's and capital will need to be directed to modernise existing works rather than increasing capacity.

The current environment brings a new set of challenges with our stocks, and industry stocks, at an all time low. Bricks are no longer immediately available on demand but we have successfully managed our customers' requirements and our hallmarks of quality and service will continue to serve us well in the future.

Michelmersh Brick Holdings is the only UK owned brick manufacturer and places itself in the top end of the market in terms of quality of products and service to customers. With a strong financial footing, and in a market that seems set for continued prosperity, we can look forward to increasing profits and meaningful shareholder returns. We have had a strong start to 2015 and, with our well-invested plants, feel well positioned for the year ahead.

Eric Gadsden
Chairman

23 March 2015

Chief Executive's Review

Clay Products

Demand for our product was strong during 2014. The Group achieved record forward intake figures throughout the year, ensuring robust deliveries into 2015, with some current products currently on over 24 weeks availability. We sold 70 million bricks in the period (2013: 71.5 million) against production of 67.5 million (2013: 65.4 million) and sales were constrained by capacity for the first time in many years. Average selling prices increased by 13.5% to £395 per '000 (2013: £348) against an industry average increase for the year of 16%. This is a pleasing increase in light of the premium price enjoyed by our products.

We worked hard with our customers to ensure that product delivery schedules during the year were well balanced and in line with production and stock management. The Group achieved a good mix of 'Repair Maintenance and Improvement' ("RMI") projects, specification and new housing work.

There was success for recently launched new products such as Charnwood's I-Line range. The East Ham Customer Service Centre & Library won the coveted 'Best Public Building' at the BDA awards and the completion of the RFU Centre for Athletic Development at Penny Hill Park sparked much positive praise for the new high end product. During 2014 the Group also saw the commencement of other notable schemes such as the contemporary Grosvenor Estates Arts Complex in Southampton and the new junior school complex for St. Swithuns, the leading girls' school in Winchester. Many urban regeneration projects continued with new phases being ordered well into 2015 by developers such as Crest Nicholson's Oak Grove and the Lendlease Elephant & Castle regeneration project. Our close relationship with developers such as Berkeley Group Holdings Plc, Croudace Homes Ltd and Octagon Developments Limited continues, with all delivering much needed high quality housing stock using MBH Group products. The award winning Hill, Ceres CB1 redevelopment in Cambridge also made an impact this year, again delivering unique quality homes.

We continued to support key merchants and distributors with our robust distribution and partnership policy.

Overall 2014 was a quieter period for the Hathern Terra Cotta division, however it finished the year with a strong order intake having completed some intricate high value restoration work for the Jimmy Choo store refurbishment in New Bond St. London, along with Brighton College's stunning new entrance and clock tower.

Exports were positive for both our high value specification bricks and pavers with over 600,000 units going as far a field as Singapore and New York, USA.

The drive for efficiency continued within our Central Sales Office as we reviewed our haulage operations, IT and BIM data. Furthermore, we increased our truck fleet capacity with our rolling programme of vehicle replacement.

As with previous years, 2014 saw the Group continue it's policy of supporting education through supply of free product, resource and seminars to various colleges in the UK and contributing to the CITB Skill build programme.

In January 2014 we commenced our 20% expansion project at Freshfield Lane. The £2.2 million investment extends capacity at the plant by 6 million bricks. We are pleased that the project was completed within budget and on schedule and the plant now has a capability of producing 36 million bricks per annum. The investment encompassed a new clay preparation area, an additional brick making machine, extending drier capacity and the erection of a new 'clamp' for firing the bricks. The product output expansion at Freshfield Lane has meant that we are now able to build upon and increase our strong regional RMI and SME developer relationships, providing much needed extra capacity to new sites.

We scheduled a tunnel kiln shutdown at our Blockleys plant during December to carry out a major maintenance programme. This consisted of lining and ductwork improvements and long-term preventative maintenance of the mechanical systems. The kiln that had been continuously firing bricks for five years was restarted ahead of schedule delivering an increase over our budgeted output for 2015.

Also at Blockleys we have this year commenced a £500,000 capital project to upgrade our fired brick packaging facility. This builds on our kiln unloading investment in 2013 and involves the replacement of the original equipment with a new robotic system and the latest control software. The project will deliver operational cost savings, increased capacity and reduced downtime risk.

Chief Executive's Review
(continued)

Management Systems
Following our successful quality and environmental system review in 2013 we achieved full accreditation to manufacturer's ISO 9001 and ISO 14001 during the period meaning that all of our manufacturing sites operate to these standards. We are now focusing our efforts on expanding our sustainability and energy management systems to achieve BES 6001 and ISO 50001.

Staff Development
During the year we restructured our operations functions following retirement and succession planning. Our Group is now fully integrated with a highly skilled and focused team that are industry leading with succession and development in place to address the future needs of the business.

Following on from our successful apprenticeship programmes at Charnwood and Freshfield Lane we set up a technical engineering programme that started in September 2014 with The Manufacturer's Organisation "EEF". The two apprentices spend their first year at residential college followed by three years at Blockleys and Michelmersh. We are currently recruiting two further apprentices to start the programme in September 2015 for Charnwood and Freshfield Lane.

In February this year we added a sustainability manager to our operations team and expanded the existing team roles to include a specific focus on training needs and staff development.

Landfill and Land Assets
Activity at our Telford operations was reduced with turnover of £400,000 (2013: £632,000) on a tonnage of 63,000 (2013: 200,000) at significantly higher rates. However we have undertaken a comprehensive review of our reserves and now have a robust plan to maximise these. During this process it became apparent that it would not be possible to continue landfilling at previous rates during the life of the quarry. In these circumstances and in light of improved brick trading it was decided to shut the landfill at this site for the foreseeable future.

We are planning limited landfill at our Charnwood site to restore the quarry to a land form suitable for development later this year. Our application for 200 houses was submitted at the end of 2014 and is now being considered by the Planning Authority.

We are close to finalising all documentation for a landfill licence in discussion with the Environment Agency at our Dunton site and will consider options to maximise this asset during the course of the year.

Finally we have received detailed planning consent for additional clay extraction at our Michelmersh site which secures many years of reserves at the site and allows us to consider investment in plant and processes to increase efficiency and reduce risks of breakdown.

Outlook
With house building recovering from low levels and a continued need for new housing the business is now set to make further progress.

Over the course of the next few months we will start to see the benefit of improved production, pricing structures and market dynamics benefit our business.

Although we are well invested there will be opportunities to further enhance and future proof our facilities and with our strong cash position we are looking to continue to make marginal improvements wherever possible.

We continue to strengthen our market position in a highly capital intensive industry with huge barriers to entry. Increased reliance on imports underlines brick as the material of choice for owners, developers and lenders.

It is to be hoped that we are now in a period where the true worth of this product for its appearance, longevity, sustainability, flexibility in use and low maintenance requirement will be properly valued.

Martin Warner
Chief Executive

23 March 2015

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	Burges 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, 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, 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, Commercial Director
Frank Hanna has over 24 years of brick industry experience. Frank joined Freshfield Lane Brickworks Limited ("FLB") in 1991 having formerly worked for Lesser D&B and Hanson Brick Ltd. Frank was appointed to the Board of FLB in 1996 as Sales & Technical Director before becoming a shareholder in 2000. He was appointed Director of the Company on 30 March 2010. Frank has chaired both the Brick Federation and PWP within the Brick Development Association (BDA).

Stephen Morgan BA ACA, 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 9 November 2010.

Peter Sharp, Group Operations Director
Qualified through the Institute of Directors, Peter has been in the industry for 30 years including 10 with Michelmersh and 14 with Ibstock Brick. He studied business and ceramics at Loughborough and Staffordshire universities and has a diverse range of skills and qualifications in construction, management and technical matters. He joined the main board as Operations Director in May 2011.

Bob Carlton-Porter, Non-Executive Director
An Associate of the Chartered Institute of Bankers, a Fellow of the Association of Corporate Treasurers and a Fellow of the Chartered Institute of Marketing, Bob is an international industrialist with over 40 years' experience as a financial and commercial director. Following positions in banking, the food and commodity industry he joined Hoechst AG in finance and treasury, leaving to join English China Clays PLC as Group Finance Director. Over the past years he has Chaired listed companies in the property sector latterly Newport Holdings PLC, Aram Resources PLC and ROK plc. Bob is chairman of the Audit and Remuneration Committees.

Alan Hardy, 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 1994. Alan was appointed as a Director of the Company on 30 March 2010 and currently serves as Non-Executive Director. 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 2014.

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 2014.

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 are pleased to recommend the payment of a dividend for the year of 0.5 pence per ordinary share payable on 30 June 2015 to shareholders on the register on 29 May 2015 (2013: £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 2014 Ordinary Shares of 20p each	31 December 2013 Ordinary Shares of 20p each
E J S Gadsden	22,658,274	22,658,274
M R Warner *	5,588,732	6,588,732
R W Carlton-Porter **	20,000	20,000
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 20,000 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.
**** P N Sharp is a member of the Michelmersh Brick Holdings Plc SAYE scheme and has the entitlement to purchase 63,157 Ordinary shares at 19 pence in December 2016.

The Executive Directors M R Warner, F Hanna, S H P Morgan and P N Sharp have each been awarded options on 41,000 Ordinary Shares under the Michelmersh Brick Holdings plc 2014 Schedule 4 Company Share Option Plan. The options are exercisable between July 2017 and July 2024 at an exercise price of 72.75 pence.

Analysis of Directors' emoluments for the year is shown in note 11 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.

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 28 days (2013: 23 days). The Group has continued to pay creditors on terms consistent with 2013.

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 2014, the Group employed 264 male 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 view 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; and
- 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 23 March 2015

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 has also operated a landfill site which generates income and fulfils obligations of restitution of the land following clay extraction used in the manufacturing process. Landfill operations have now ceased in order to protect mineral resources and hence maximise the long-term life of the brickworks. Landfill operations are expected to commence at the former Dunton brickworks site in 2016 to fulfil remediation obligations and to generate an economic return. 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. Sales are largely to merchants and brick factors who distribute to the construction industry. The Group has a largely fixed capacity of manufacture from existing plant at each of its current brickworks although that has been increased during 2014 through the expansion program at Freshfield Lane. The Company seeks to maximise return by manufacturing high quality product to meet specified demand and investment to improve yields and reduce input costs.

Trends and Future Developments
The UK brick industry has been 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. In 2015, ownership of two of these businesses is set to change hands through acquisition by overseas investment companies. The impact of these changes on the Michelmersh Group is as yet uncertain but unlikely to be negative. The general recovery of the economy and fundamental demand for housing against a backdrop of low start numbers suggests that the brick manufacturing business should see continued healthy activity and a return to normal pricing over time.

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 developments 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, the Chief Executive's Review and the Directors' Report.

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 23 March 2015

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 2014 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, the General Information and Accounting Policies 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/apb/scope/private.cfm.

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 2014 and of the group's profit 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 2014.

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

Portwall Place
Portwall Lane
Bristol
BS1 6NA

23 March 2015

Consolidated Income Statement
for the year ended 31 December 2014

	notes	Underlying 2014 £'000	Non-underlying items 2014 £'000	2014 £'000	Underlying 2013 £'000	Non-underlying items 2013 £'000	2013 £'000
Revenue	2	28,476	–	**28,476**	25,929	–	**25,929**
Cost of sales		(19,631)	(119)	**(19,750)**	(19,205)	–	**(19,205)**
Gross profit		8,845	(119)	**8,726**	6,724	–	**6,724**
Administrative expenses		(5,946)	(140)	**(6,086)**	(5,656)	(443)	**(6,099)**
Other income	3	161	–	**161**	65	694	**759**
Operating profit/(loss)		3,060	(259)	**2,801**	1,133	251	**1,384**
Finance costs	4	(199)	–	**(199)**	(977)	–	**(977)**
Profit/(loss) before taxation	5	2,861	(259)	**2,602**	156	251	**407**
Taxation	12	(457)	56	**(401)**	(86)	(216)	**(302)**
Profit/(loss) for the financial year from continuing operations		2,404	(203)	**2,201**	70	35	**105**
Loss for the period from discontinued operations	6	–	–	**–**	(117)	(1,536)	**(1,653)**
Profit/(loss) for the financial year		2,404	(203)	**2,201**	(47)	(1,501)	**(1,548)**
Basic earnings per share from continuing operations	27			2.72p			0.18p
Basic loss per share from discontinued operations	27			–			(2.80p)
Basic earnings/(loss) per share attributable to the equity holders of the company	27			2.72p			(2.62p)
Diluted earnings per share from continuing operations	27			2.72p			0.17p
Diluted loss per share from discontinued operations	27			–			(2.80p)
Diluted earnings/(loss) per share attributable to the equity holders of the company	27			2.72p			(2.62p)

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
For the year ended 31 December 2014

	notes	2014 £'000	2013 £'000
Profit/(loss) for the financial year		2,201	(1,548)
Other comprehensive income:			
Items which will not subsequently be reclassified to profit or loss			
Revaluation surplus of property, plant and equipment	14	–	3,500
Revaluation deficit of property, plant and equipment	14	(1,000)	(2,000)
Deferred tax on revaluation movement	22	(128)	415
		(1,128)	1,915
Total comprehensive income for the year		1,073	367

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
as at 31 December 2014

	notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Intangible assets	13	2,476	2,438
Property, plant and equipment	14	41,899	41,831
		44,375	44,269
Amounts falling due after one year			
Other receivables	17	–	1,267
Derivatives	19	–	91
Total non-current assets		44,375	45,627
Current assets			
Inventories	16	6,084	6,307
Trade and other receivables	17	7,346	6,361
Investments		30	46
Cash and cash equivalents		2,809	2,170
Total current assets		16,269	14,884
Total assets		60,644	60,511
Liabilities			
Current liabilities			
Trade and other payables	18	3,940	3,900
Provisions		112	337
Corporation tax payable	12	370	–
Interest bearing borrowings	19	19	1,212
Total current liabilities		4,441	5,449
Non-current liabilities			
Deferred tax liabilities	22	4,593	4,434
Interest bearing borrowings	19	4,916	5,125
		9,509	9,559
Total liabilities		13,950	15,008
Net assets		46,694	45,503
Equity attributable to equity holders			
Share capital	24	16,247	16,162
Share premium account		11,495	11,495
Reserves		17,530	20,930
Retained earnings		1,422	(3,084)
Total equity	26	46,694	45,503

These financial statements were approved by the Directors and authorised for issue on 23 March 2015 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 2013	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
Profit for the year	–	–	–	–	-	2,201	2,201
Revaluation deficit	–	–	–	–	(1,000)	-	(1,000)
Deferred taxation on revaluation	–	–	–	–	(128)	-	(128)
Total comprehensive income	–	–	–	–	(1,128)	2,201	1,073
Share based payment	–	33	–	–	–	–	33
Shares issued during the year	85	–	–	–	–	–	85
Transfer to retained earnings	–	(231)	–	–	(42)	273	–
Reclassification*	–	–	–	–	(2,032)	2,032	–
At 31 December 2014	**16,247**	**48**	**979**	**11,495**	**16,503**	**1,422**	**46,694**

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

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 2014**	**2014** **£'000**	**2013** **£'000**
Cash flows from operating activities		
Profit before taxation	2,602	407
Loss from discontinued activities	–	(152)
Profit on sale of fixed assets	(2)	(724)
Profit on sale of investments	(15)	–
Finance costs	199	977
Depreciation	973	916
Amortisation	2	2
Provision for impairment of investments	–	28
Market value adjustment of Intangible assets	(40)	28
Share based payment charge	33	30
Cash flows from operations before changes in working capital	3,752	1,512
Decrease in inventories	250	2,151
Increase in receivables	(1,219)	(232)
(Decrease)/increase in payables	(177)	1,340
Net cash generated by operations	2,606	4,771
Taxation paid	–	(35)
Interest paid	(206)	(986)
Net cash generated by operating activities	2,400	3,750
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,069)	(927)
Proceeds of sale of investments	31	–
Proceeds of sale of land	1,500	1,600
Proceeds of disposal of property, plant and equipment	4	145
Net cash (used in)/generated by investing activities	(534)	818
Cash flows from financing activities		
Repayment of interest bearing borrowings	(155)	(10,348)
Proceeds of share issue	85	9,572
Repayment of hire purchase and finance lease obligations	(5)	(19)
Net cash used in financing activities	(75)	(795)
Net increase in cash and cash equivalents	1,791	3,773
Cash and cash equivalents at the beginning of the year	1,004	(2,769)
Cash and cash equivalents at the end of the year	2,795	1,004
Cash and cash equivalents comprise:		
Cash at bank and in hand	2,809	2,170
Bank overdraft	(14)	(1,166)
	2,795	1,004

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 2014, with comparative figures for the year 1 January to 31 December 2013.

The principal companies within the Group during the financial year ended 31 December 2014 are disclosed in note 15.

Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), IFRS Interpretations Committee interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements for the financial years ended 31 December 2014 and 31 December 2013 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 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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

- 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.

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group
There are a number of standards that have been drafted, primarily as a result of the IASB improvement programme, that have yet to be endorsed by the EU. These are not listed here as they have not yet been endorsed by the EU or are not expected to have a material impact on the financial statements. The Directors have reviewed these standards and do not believe that the impact on the Group's financial statements is, or will be, material.

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.

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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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.

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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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.

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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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.

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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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

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

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

Notes to Financial Statements
Year ended 31 December 2014

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 2014. 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
- Freshfield Lane – based in Danehill, West Sussex
- Michelmersh – based in Romsey, Hampshire

Landfill:
Engagement in landfill operations:

- New Acres Limited – based in Telford, Shropshire

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

Notes to Financial Statements (continued)
Year ended 31 December 2014

2. SEGMENTAL REPORTING (continued)

Continuing Activities	2014 Segmental Revenue £'000	2014 PBT £'000	2013 Segmental Revenue £'000	2013 PBT £'000
Building materials				
Blockleys	7,490	1,058	7,121	1,103
Charnwood	3,450	594	2,968	206
Michelmersh	6,386	1,356	5,922	678
Freshfield Lane	11,187	4,032	9,658	2,711
Less rebates	(431)	(431)	(361)	(361)
	28,082	6,609	25,308	4,337
Landfill				
New Acres	400	131	632	261
	28,482	6,740	25,940	4,598
Inter-segmental revenue and unallocated costs*	(6)	(3,879)	(11)	(4,442)
	28,476	2,861	25,929	156
Non-underlying items	–	(259)	–	251
Profit before taxation	28,476	2,602	25,929	407
Discontinued Activities				
Dunton	–	–	580	(152)

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

2. SEGMENTAL REPORTING (continued)
Other segmental disclosure

	2014			2013		
	Property, plant and Equipment		Intangible fixed assets	Property, plant and Equipment		Intangible fixed assets
	Additions £'000	Depreciation £'000	Amortisation £'000	Additions £'000	Depreciation £'000	Amortisation £'000
Building materials						
Blockleys	488	425	–	645	304	–
Charnwood	–	60	–	13	48	–
Michelmersh	51	279	–	77	265	–
Freshfield Lane	1,418	167	–	192	129	–
	1,957	931	–	927	746	–
Landfill						
New Acres	–	42	2	–	118	2
Discontinued						
Dunton	–	–	–	–	52	–
	1,957	973	2	927	916	2

Revenue by geographical destination

	2014 £'000	2013 £'000
United Kingdom	28,258	25,797
Europe	68	74
Rest of the World	150	58
	28,476	25,929

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

Sales of £4,296,000 (2013: £4,300,000) were made to a single customer of the Group.

Total Group revenue made to the top five customers amounted to £11,824,000 (2013: £11,130,000). No other customers were individually material in revenue value.

3. OTHER INCOME

	2014 £'000	2013 £'000
Rents receivable	34	41
Profit on sale of fixed assets	17	703
Market value adjustment to intangible asset	40	–
Other	70	15
	161	759

Notes to Financial Statements (continued)
Year ended 31 December 2014

4. FINANCE COSTS

	2014 £'000	2013 £'000
Interest expense	354	926
Derivatives	75	49
Charges in respect of hire purchase agreements	1	2
less		
Release of interest adjustment on deferred proceeds of land sale	(231)	–
	199	977

5. PROFIT BEFORE TAXATION

		2014 £'000	2013 £'000
Profit before taxation is stated after charging:			
Amortisation	– other	2	2
Depreciation	– owned assets	970	907
	– assets held under hire purchase agreements	3	9
Operating lease costs	– plant and machinery	421	426
	– motor vehicles	426	366

6. DISCONTINUED OPERATIONS

In May 2013, brick making operations ceased at the Dunton plant. Trading results up to the date of closure in 2013 are displayed below Profit for the financial year from continuing operations.

	2013 £'000
Revenue	580
Operating loss	(152)
Underlying loss after taxation for the financial year from discontinued operations	(117)
Non-underlying loss before taxation for the financial year from discontinued operations	(1,901)
Non-underlying loss after taxation for the financial year from discontinued operations	(1,536)

Net cash outflow in respect of the non-underling loss during 2013 amounted to £255,000

7. NON UNDERLYING ITEMS

	Cost of sales £'000	Administration expenses £'000	2014 Total £'000
Set up costs – Freshfield expansion project			
Labour costs	(78)	(30)	(108)
Accelerated depreciation	(41)	–	(41)
Other costs	–	(2)	(2)
	(119)	(32)	(151)
Others			
Professional fees expended in connection with an aborted acquisition	–	(108)	(108)
	(119)	(140)	(259)

Set up costs – Freshfield expansion project

During the year, a project was undertaken to increase the production capacity at Freshfield Lane brickworks. In advance of the commencement of the resulting output in 2015, certain costs were expensed as follows:

- the labour force was increased to undertake on the job training
- engineering staff from elsewhere in the Group were seconded to the Freshfield project.
- as a result of reconfiguration of the factory to accommodate the new brick making machine, certain items of plant had to be removed and depreciation was accelerated to write them down to nil value.

These costs have been recognised as non-underlying to the core business and have been displayed separately.

NON UNDERLYING ITEMS

	Cost of Sales £'000	Administration expenses £'000	Other income £'000	2013 Total £'000
Reconstruction costs				
Write down of assets and inventories	(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	–	–	694	694
less stock adjustment at Telford	–	(200)	–	(200)
Write off legal expenses on aborted sale of land	–	(132)	–	(132)
Restructured sales administration	–	(57)	–	(57)
Fee for early repayment of bank loans	–	(54)	–	(54)
	–	**(443)**	**694**	**251**

8. DIVIDEND

The Board has proposed a dividend of 0.5 pence per share payable on 30 June 2015 to shareholders on the register on 29 May 2015. The dividend will amount to a total payment of £406,000.

9. AUDITORS REMUNERATION

	2014 £'000	2013 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	19	23
Fees payable to the Group's auditor and its associates for other services:		
– the audit of the Group's subsidiaries, pursuant to legislation	25	32
– tax compliance services	33	13
– corporate finance services	–	18

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.

10 PARTICULARS OF EMPLOYEES

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

	2014	2013
Manufacture and supply of bricks	245	245
Administration	33	34
	278	279

	2014 £'000	2013 £'000
Wages and salaries	7,970	7,915
Social security costs	816	778
Other pension costs	288	197
	9,074	8,890

11. DIRECTORS' EMOLUMENTS

The emoluments of the individual Directors were as follows:

	Basic Salary 2014 £'000	Bonus 2014 £'000	Pension 2014 £'000	Total emolu-ments 2014 £'000	Total emolu-ments 2013 £'000
E J S Gadsden	20	–	–	20	20
M R Warner	133	30	–	163	153
R W Carlton-Porter	30	–	–	30	26
F J Hanna	127	30	–	157	140
A R G Hardy	20	–	–	20	20
S H P Morgan	106	30	–	136	121
P Sharp	95	30	6	131	99
	531	120	6	657	579

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

Under IFRS, additional disclosure is required as follows:

	2014 £'000	2013 £'000
Short-term benefits including the above	805	685

One Director (2013: one) is a member of the defined contribution pension scheme run by the Group.

12. TAXATION

a) Recognised in the income statement

	2014 £'000	2013 £'000
Current tax expense		
Current year	370	–
Prior year	–	(12)
	370	(12)
Deferred tax		
Origination and reversal of temporary differences:	31	314
Total income tax charge in the income statement	401	302

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2013: higher) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below.

	2014 £'000	2013 £'000
Factors affecting the tax charge for the current year		
Reconciliation of effective tax rate		
Profit before taxation	2,602	407
Income tax using the domestic corporation tax rate	559	95
Effects of:		
Expenses disallowed	34	75
Share option expense not taxable	(31)	–
Depreciation in excess of capital allowances	29	65
Change to prior year estimate	(201)	23
Profit on sale	(53)	115
Rate changes	–	(39)
Other timing differences	64	(32)
	401	302

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 21%, which has applied from 1 April 2014 to 20%. 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 2014, the Group had tax losses carried forward of approximately £1,198,000 (2013: £1,264,000).

A deferred tax asset has not been recognised in respect of £503,000 (2013: £503,000) 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 2013	2,280	75	131	2,486
Revaluation adjustment	–	–	(28)	(28)
As at 31 December 2013	2,280	75	103	2,458
Revaluation adjustment	–	–	40	40
As at 31 December 2014	2,280	75	143	2,498
Amortisation				
As at 1 January 2013	–	18	–	18
Charge for the year	–	2	–	2
As at 31 December 2013	–	20	–	20
Charge for the year	–	2	–	2
As at 31 December 2014	–	22	–	22
Net book value				
At 31 December 2014	2,280	53	143	2,476
At 31 December 2013	2,280	55	103	2,438

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 2014, 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% (2013: 10%) and revenue and cost growth rates of 3% (2013: 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 (2013: £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 2013	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)
As at 31 December 2013	34,584	739	27	23,511	656	263	59,780
Additions	112	466	2	1,489	–	–	2,069
Transfer between categories	–	(1,003)	–	1,003	–	–	–
Transfers to inventories	(25)	–	–	–	–	–	(25)
Disposals	–	–	(2)	(526)	(656)	(263)	(1,447)
Revaluation deficit	(1,000)	–	–	–	–	–	(1,000)
At 31 December 2014	33,671	202	27	25,477	–	–	59,377
Amortisation							
As at 1 January 2013	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)
As at 31 December 2013	1,545	46	24	15,467	619	248	17,949
Charge for the year	121	–	5	795	37	15	973
Disposals	–	–	(2)	(523)	(656)	(263)	(1,444)
At 31 December 2014	1,666	46	27	15,739	–	–	17,478
Net book value							
At 31 December 2014	32,005	156	–	9,738	–	–	41,899
At 31 December 2013	33,039	693	3	8,044	37	15	41,831

Included within the net book value of £41,899,000 is £8,000 (2013: £11,000) 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 £3,000 (2013: £3,000).

The Group's freehold land and buildings were valued by M. Warner (F.R.I.C.S.) a qualified Chartered Surveyor, a Director of the Company at £32,005,000 at 31 December 2014 (2013: £33,039,000), resulting in a net decrease in the revaluation reserve of £1,000,000 (2013: £1,500,000). Deferred tax liabilities were decreased by £200,000 (2013: £300,000) and have been credited to the revaluation reserve.

The revaluation deficit in the year ended 31 December 2014 relates to the landfill asset at Telford which arose as a result of a change in the Directors intentions over the site. Landfill operations have ceased and although the total available void is unchanged, the net present value of the landfill income has reduced as revenues have a longer time profile.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2014 £'000	2013 £'000
Historical cost		
At 1 January	15,321	15,317
Additions	112	31
Transfer to inventories	(25)	(27)
At 31 December	15,408	15,321

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 £32,005,000 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.

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.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	2014 £'000	2013 £'000
Fair value of Land and Buildings at 1 January	33,039	31,732
Transferred to inventories	(25)	(27)
Charged to the Income Statement in cost of sales	(121)	(197)
Expenditure on assets	112	31
Net loss recognised in Other Comprehensive Income	(1,000)	–
Net gains recognised in Other Comprehensive Income	–	1,500
Fair value of Land and Buildings at 31 December	32,005	33,039

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

	2014 £'000	2013 £'000
Raw materials	2,826	2,905
Work in progress	979	1,043
Finished goods	2,279	2,359
	6,084	6,307

The cost of inventories expensed during the year is £19,546,000 (2013: £19,568,000). The inventory cost disclosed above is used for security of the overdraft as disclosed in note 19.

During the year, the Group re-purchased bricks to a value of £1.5 million from WE Black Limited that had been sold under a floating stock arrangement in 2009. The repayment included an uplift in value reflecting the increase in brick industry prices amounting to £197,000. WE Black Limited is deemed a related party as it is under the control of Eric Gadsden, a director of the Company.

17. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2014 £'000	2013 £'000
Trade receivables	5,593	4,761
Other receivables	1,384	1,396
Prepayments and accrued income	369	204
	7,346	6,361
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 £233,000 (2013: £409,000) 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.

	2014 £'000	2013 £'000
30 days overdue	143	383
30 – 60 days overdue	64	16
60 – 90 days overdue	26	10
	233	409

The carrying amount of the Group's trade and other receivables are denominated in sterling. The total cash and receivables category comprises trade and other receivables above together with cash of £2,809,000 as shown in the balance sheet, totalling £9,786,000.

During the year no provisions were made against any debtors (2013: nil).

18. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2014 £'000	2013 £'000
Trade payables	1,262	1,046
Other taxation and social security	879	1,535
Other payables	5	4
Accruals and deferred income	1,743	1,292
Pension	51	23
	3,940	3,900

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 £4,930,000 as shown in note 19, totalling £7,992,000.

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 £4,930,000 (2013: £6,327,000), 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 £5,000 (2013: £10,000) which have a set finance charge. The Group's financial assets at 31 December 2014 and 31 December 2013 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 2014 of £5,300,000 (2013: £4,901,000). The facilities are subject to periodic review.

Interest bearing liabilities

Obligations under hire purchase and finance lease agreements

	2014			2013		
	Minimum lease payment £'000	Interest £'000	Principal £'000	Minimum lease payment £'000	Interest £'000	Principal £'000
Less than one year	6	1	5	6	1	5
Between 1 – 2 years	–	–	–	6	1	5
	6	1	5	12	2	10

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:

	2014 £'000	2013 £'000
Bank overdraft (on demand)	14	1,166
In one year or less	–	41
Between one and two years	4,916	43
Between two and five years	–	5,077
	4,930	6,327

The Group operates a Term Loan facility with Barclays and the Loan balance stood at £5,000,000 at 31 December 2014 and will expire at 31 December 2016. No further amortisation is required. Interest is charged on the bank loan at 4.0% above LIBOR per annum. 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. BORROWINGS (continued)

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. The interest rate cap was surrendered during the year as borrowings to which it related had reduced substantially.

	2014 £'000	2013 £'000
	–	91

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 entered into an interest rate cap agreement which limited the exposure to interest charges in respect of the Barclays term loan to a LIBOR rate of 2%. The agreement was ended during 2014 as the cap was an ineffective instrument following repayment of borrowings.

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.

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

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.

At 31 December 2014	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings including overdrafts	14	5,225	–	–
Hire purchase and finance lease obligations	5	–	–	–
Trade and other payables	4,346	–	–	–

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	–	–	–

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 2014 and 2013 were as follows:

	2014 £'000	2013 £'000
Total borrowings excluding bank overdrafts	4,921	5,171
Add: cash and cash equivalents including bank overdrafts	(2,795)	(1,004)
Net debt	2,126	4,167
Total equity	46,694	45,503
Gearing ratio	5%	9%

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

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.

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.

	2014 £'000	2013 £'000
1% increase/(decrease) in sterling interest rates	22	40

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 £288,000 (2013: £197,000). Amounts unpaid at the year end in respect of contributions amounted to £23,000 (2013: £23,000).

22. DEFERRED TAXATION

Deferred tax at 31 December 2014 relates to the following:

	Losses £'000	Property plant and equipment £'000	Other items £'000	Total £'000
Cost				
As at 1 January 2013	(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
Recognised in income	13	2	16	31
Recognised in equity	–	128	–	128
As at 31 December 2014	(139)	4,684	48	4,593

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 (2013: £100,000) 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:

	2014 £'000	2013 £'000
Operating leases which expire		
Within one year	632	772
Between two and five years	862	1,509
	1,494	2,281

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

24. SHARE CAPITAL

Authorised share capital	2014 Number	2014 £'000	2013 Number	2013 £'000
Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000

Allotted, called up and fully paid:	2014 Number	2014 £'000	2013 Number	2013 £'000
Ordinary shares of 20p each	81,234,656	16,247	80,809,477	16,162

During the year, options were exercised on 425,179 ordinary shares under the Group Sharesave 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 2014	246
Transfer to revenue reserves	(231)
Charge for the year	33
As at 31 December 2014	48

Components of the Share Option Reserve that relate to historic options that have been exercised or have lapsed have been released to revenue reserves during the year. The balance at 31 December 2014 relates solely to current options.

25. SHARE BASED PAYMENTS (continued)

a) Michelmersh Brick Holdings Plc Group share option schemes

Year of Grant	Subscription price per share	Vesting period	No. of options as at 31 December 2013	Options granted	Options forfeited/ lapsed in the year	No. of options as at 31 December 2014
2004	70p	August 2007 – August 2014	133,972	–	(133,972)	–
2005	95p	November 2008 – November 2015	12,500	–	(12,500)	–
2008	96p	February 2011 – February 2018	12,500	–	–	12,500
2014	72.75p	July 2017 – July 2024	–	164,000	–	164,000

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

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	Subscription price per share	Vesting period	No. of options as at 31 December 2013	Options exercised in the year	Options forfeited in the year	No. of options as at 31 December 2014
2011	19p	November 2011 – December 2014	433,864	(425,179)	(8,685)	–
2011	19p	November 2011 – December 2016	342,626	–	(78,947)	263,679

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 £33,000 (2013: £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.

25. SHARE BASED PAYMENTS (continued)

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

	2014		2013	
	No	Weighted average exercise price	No	Weighted average exercise price
Outstanding as at 1 January	935,462	28.3p	1,166,564	28.5p
Exercised	(425,179)	19.0p	(37,815)	19.0p
Lapsed and forfeited	(234,104)	49.8p	(193,287)	31.1p
	164,000	72.7p	–	–
Outstanding as at 31 December	440,179	57.0p	935,462	28.3p

The weighted average contractual life for the share options outstanding at 31 December 2014 is 5 years (2013: 2 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

Earnings for the purposes of basic and diluted earnings per share being net profit/(loss) attributable to equity shareholders

	2014 £'000	2013 £'000
– continuing operations	2,201	105
– discontinued operations	–	(1,653)
– continuing and discontinued operations	2,201	(1,548)

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	80,861,273	59,098,895
Number of dilutive shares under option	192,616	384,501
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	81,053,889	59,483,396

	2014	2013
Earnings per share from discontinued operations		
Basic	–	(2.80)p
Diluted	–	(2.80)p

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.

Michelmersh Brick Holdings Plc

Parent Company Financial Statements

Year ended 31 December 2014

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 2014 which comprise the parent company Balance Sheet, the Accounting Policies and the related notes 1 to 10. 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 FRCS's website at **www.frc.org.uk/apb/scope/private.cfm**

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 2014;
- 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 2014.

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

Portwall Place
Portwall Lane
Bristol
BS1 6NA

23 March 2015

Company Balance Sheet

Company Balance Sheet as at 31 December 2014	notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	1	11,394	13,075
Investments	2	10,245	10,260
Intangible assets	3	143	103
Total fixed assets		21,782	23,438
Debtors – amounts falling due after more than one year		–	1,267
Total non-current assets		21,782	24,705
Current assets			
Cash at bank and in hand		2,185	1,288
Debtors – amounts falling due within one year	4	17,633	16,054
Total current assets		19,818	17,342
Creditors: Amounts falling due within one year	5	(378)	(5,990)
Net current assets		19,440	11,352
Total assets less current liabilities		41,222	36,057
Creditors: Amounts falling due after more than one year	6	(4,916)	(4,741)
Provisions for liabilities			
Deferred taxation	7	(202)	(168)
Net assets		36,104	31,148
Capital and Reserves			
Share capital	9	16,247	16,162
Share premium account	9	11,495	11,495
Merger reserve	9	979	979
Revaluation reserve	9	4,618	7,692
Share option reserve	9	48	246
Profit and loss account	9	2,717	(5,426)
Equity shareholders' funds		36,104	31,148

These financial statements were approved by the Directors on 23 March 2015 and are signed on their behalf by:

M R WARNER
Director

The accounting policies and notes on pages 48 to 54 form part of these financial statements

Accounting Policies
Year ended 31 December 2014

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 profit after tax for the Company was £5,838,000 (2013: loss £633,000). 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.

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.

Notes to Company Financial Statements
For the year ended 31 December 2014

1. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Equipment £'000	Motor vehicles £'000	Site development £'000	Total £'000
Cost or valuation					
As at 1 January 2013	18,788	295	44	325	19,452
Additions	–	–	–	625	625
Revaluation deficit	(2,000)	–	–	–	(2,000)
Disposals	(3,350)	–	(44)	(258)	(3,652)
As at 31 December 2013	13,438	295	–	692	14,425
Additions	–	–	–	466	466
Revaluation deficit	(1,000)	–	–	–	(1,000)
Transfers	–	–	–	(1,003)	(1,003)
Disposal	–	(295)	–	–	(295)
At 31 December 2014	12,438	–	–	155	12,593
Amortisation					
As at 1 January 2013	920	220	15	–	1,155
Charge for the year	178	32	8	–	218
Disposals	–	––	(23)	–	(23)
As at 31 December 2013	1,098	252	–	–	1,350
Charge for the year	101	43	–	–	144
Disposals	–	(295)	–	–	(295)
At 31 December 2014	1,199	–	–	–	1,199
Net book value					
At 31 December 2014	11,239	–	–	155	11,394
At 31 December 2013	12,340	42	-	692	13,075

Revaluation of fixed assets

The Company's freehold property was valued by M. Warner (F.R.I.C.S.) a qualified Chartered Surveyor, a director of the Company on 31 December 2014, on a depreciated replacement cost basis for brickwork properties, and an existing use basis 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 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 in the year ended 31 December 2014 relates to the landfill asset at Telford which arose as a result of a change in the Directors intentions over the site. Landfill operations have been suspended and although the total available void is unchanged, the net present value of the landfill income has reduced as revenues have a longer time profile.

Notes to Company Financial Statements (continued)
For the year ended 31 December 2014

1. TANGIBLE FIXED ASSETS (continued)

The Company's freehold land and buildings were valued at £11,240,000 at 31 December 2014. In respect of the freehold property stated at a valuation, the comparable historic cost and depreciation values are as follows:

	2014 £'000	2013 £'000
Historical cost		
At 1 January 31 December 2013 and 2014	8,112	8,112

	2014 £'000	2013 £'000
Historical cost depreciation		
At 1 January 31 December 2013 and 2014	–	–

2. INVESTMENTS – UNLISTED

	2014 £'000	2013 £'000
Cost		
At 1 January	10,260	10,288
Disposal	(15)	–
Impairment	–	(28)
At 31 December	10,245	10,260

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
Michelmersh Brick and Tile Company Limited	England	Ordinary	100	Non-trading
Michelmersh Brick UK Limited	England	Ordinary	100	Manufacturer – Bricks
New Acres Limited	England	Ordinary	100	Landfill operation
Charnwood Forest Brick Limited	England	Ordinary	100	Non-trading
Freshfield Lane Brickworks Limited	England	Ordinary	100	Non-trading

3. INTANGIBLE ASSETS

The intangible asset relates to carbon allowances.

	2014 £'000	2013 £'000
Cost		
At 1 January	103	131
Revaluation	40	(28)
At 31 December	143	103

Notes to Company Financial Statements (continued)

For the year ended 31 December 2014

4. DEBTORS

Amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed by Group undertakings	16,009	14,576
Other debtors	1,384	1,385
Prepayments and accrued income	240	93
	17,633	16,054
Debtors – Amounts Falling Due After One Year		
Other debtors	–	1,267

5. CREDITORS: Amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed by Group undertakings	–	5,734
Bank loans and overdraft due within one year	14	–
Accruals and deferred income	364	256
	378	5,990

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

	2014 £'000	2013 £'000
Bank loans payable between one and two years	4,916	–
Bank loans payable between two and five years	–	4,741
	4,916	4,741

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 bank loan at 4% above Barclays Bank PLC LIBOR per annum.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.

7. PROVISIONS FOR LIABILITIES

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

	2014 £'000	2013 £'000
At 1 January	168	99
Increase in provision	34	69
At 31 December	202	168

The provision for deferred taxation consists of the tax effect of timing differences in respect of excess of taxation allowances over depreciation on fixed assets.

Amounts unprovided at the year end are as follows:

	2014 £'000	2013 £'000
Revalued properties	899	750

The balance of unprovided deferred tax of £899,000 (2013: £750,000) 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 2014 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 the building agreements are signed. Deferred tax assets in respect of other timing difference and tax losses available amounting to £100,000 (2013: £100,000) 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 2014

8. 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.

9. 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
At 1 January 2013	11,645	216	6,440	979	9,810	(4,911)	24,179
Loss for the year	–	–	–	–	–	(633)	(633)
Share based payment	–	30	–	–	–	–	30
Revaluation deficit	–	–	–	–	(2,000)	–	(2,000)
Shares issued in the year	4,517	–	5,055	–	–	–	9,572
Transfer to profit and loss account	–	–	–	–	(118)	118	––
At 31 December 2013	16,162	246	11,495	979	7,692	(5,426)	31,148
Profit for the year	–	–	–	–	–	5,838	5,838
Revaluation deficit	–	–	–	–	(1,000)	–	(1,000)
Share based payment	–	33	–	–	–	–	33
Shares issued during the year	85	–	–	–	–	–	85
Transfer to retained earnings	–	(231)	–	–	(2,074)	2,305	–
At 31 December 2014	16,247	48	11,495	979	4,618	2,717	36,104

The accounting policies and notes on pages 48 to 54 form part of these financial statements

10. CONTINGENCIES

The bank holds a cross guarantee between the Company and its subsidiaries dated 30 December 2006. At the end of the year total Group bank borrowings were £4,931,000 (2013: £6,327,000).

Michelmersh Brick Holdings Plc

(the “Company”)

Notice of Annual General Meeting

This year’s annual general meeting will be held at 10.30 a.m. on 20 May 2015 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 2014.

2 To reappoint Eric Gadsden who retires by rotation and who, being eligible, offers himself for reappointment as a director.

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

4 To declare a final dividend for the year ended 31 December 2014 of 0.5 pence per Ordinary Share to be paid on 30 June 2015 to members on the register on 29 May 2015.

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 £5,415,643.

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 £812,346 being approximately 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:

Notice of Annual General Meeting
(continued)

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 8,123,465 (representing approximately 10 per cent. of the Company's issued ordinary share capital);

(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 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.

23 March 2015

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)

PART III

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 and 3: 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 4: Declaration of Dividend
A final dividend for the financial year 31 December 2014 of 0.5 pence per Ordinary Share is recommended by the Directors. In accordance with the Company's Articles of Association, a final dividend can only be paid after it has been declared by the shareholders at a general meeting. It is proposed that the shareholders declare the dividend by passing resolution 4. If so declared the final dividend of 0.5 pence per Ordinary Share will be paid on 30 June 2015 to members who were on the register of members of the Company on 29 May 2015.

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 £5,415,643, 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 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 £812,346 (being approximately 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.

Notice of Annual General Meeting
(continued)

Resolution 8: Authority to purchase Company shares
This resolution renews the Company's general authority to repurchase up to 8,123,465 of its own shares in the market (being approximately 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.

Resolution 9: Adopting new articles of association
Under resolution 9, it is proposed to adopt new Articles of Association (the "**New Articles**") with immediate effect to update the Company's current Articles of Association (the "**Current Articles**") primarily to bring them in line with the Companies (Shareholders' Rights) Regulations 2009 (the "**Shareholders' Rights Regulations**"), the Companies Act 2006 and amendments to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the New Articles are set out below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006, the Shareholders' Rights Regulations or the Uncertificated Securities Regulations 2001, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills, have not been noted.

A copy of the New Articles and a copy of the Current Articles marked to show changes being proposed are available for inspection as noted above.

1 ARTICLES WHICH DUPLICATE STATUTORY PROVISIONS
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles or amended to align with the Companies Act 2006.

2 CHANGE OF NAME
Previously, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name. The Company has no current intention to change its name.

3 REDEEMABLE SHARES
Previously if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

4 AUTHORITY TO PURCHASE OWN SHARES, CONSOLIDATE AND SUB-DIVIDE SHARES, AND REDUCE SHARE CAPITAL
Previously a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006, while a company will still require shareholder authority to do any of these things, it is no longer necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

Notice of Annual General Meeting
(continued)

5 VOTING BY PROXIES ON A SHOW OF HANDS

The Shareholders' Rights Regulations amended the Companies Act 2006 so that it provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

6 VOTING BY CORPORATE REPRESENTATIVES

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and on a poll. The New Articles contain provisions which reflect these amendments.

7 CHAIRMAN'S CASTING VOTE

The New Articles remove the provision giving the chairman a casting vote in the event of equality of votes as this is inconsistent with the Companies Act 2006.

8 VACATION OF OFFICE BY DIRECTORS

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

9 DIRECTORS' CONFLICTS OF INTERESTS

The Companies Act 2006 sets out directors' general duties which largely codified the previous law but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The changes made in the New Articles reflect the provisions of the Companies Act 2006.

10 USE OF SEALS

Previously a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006 such authority is no longer required. Accordingly the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one director in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

Notice of Annual General Meeting
(continued)

11 DISTRIBUTION OF ASSETS OTHERWISE THAN IN CASH

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

12 REGISTRATION OF SHARE TRANSFERS

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

The Current Articles permit the Directors to refuse to register transfers of shares in certain circumstances and do not require them to give reasons for such refusal. The New Articles now provide for the Directors to provide reasons for such refusal and such other information as the transferee reasonably requests.

13 FORM OF RESOLUTION

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

14 VARIATION OF CLASS RIGHTS

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

15 GENERAL

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

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