MICHELMERSH
Brick Holdings PLC

ANNUAL REPORT **2015**

Contents

Chairman's Statement

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

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

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

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

Financial Highlights:

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

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

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

Cash and Borrowings

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

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

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

Assets and Working Capital

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

Chairman's Statement
(continued)

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

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

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

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

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

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

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

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

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

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

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

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

Eric Gadsden
Chairman

21 March 2016

Chief Executives' Review

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

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

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

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

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

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

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

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

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

Management Systems
The Board is committed to improving energy efficiency and performance through the planning and design of our operations. We monitor and evaluate our energy consumption using a variety of techniques including automatic half hourly data systems that link to production output. The energy efficiency reports that are generated enable us to develop strategies and best practice techniques to continually improve. We are very pleased to report that our commitment to energy management has delivered the successful completion and

Chief Executives' Review
(continued)

independent verification of our ISO 50001 energy management system. The Group and its plants now operate to this international standard that will drive our energy efficiency performance for future periods as well as delivering full compliance to the government Energy Savings Opportunity Scheme known as ESOS.

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

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

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

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

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

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

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

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

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

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

Frank Hanna, Peter Sharp
Joint Chief Executives

21 March 2016

Officers and Professional Advisers

Directors	E J S Gadsden – Chairman M R Warner MSc FRICS – Deputy Chairman F J Hanna – Joint Chief Executive P N Sharp – Joint Chief Executive S H P Morgan BA ACA – Finance Director R W Carlton Porter A R G Hardy *(resigned 1 October 2015)*
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 GG014 Metal Box Factory 30 Great Guildford Street London SE1 0HS
Principal Bankers	Barclays Bank Plc 15 Colmore Row Birmingham B3 2BH

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.

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.

Martin Warner MSc FRICS, Deputy Chairman
Martin Warner formed Michelmersh with Eric Gadsden in 1997 and has served as Chief Executive from that date until 31 December 2015 when he became Deputy Chairman. Martin is a Fellow of the Royal Institute of Chartered Surveyors. Martin is a member of the Audit and Remuneration Committees.

Frank Hanna, Joint Chief Executive
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 and technical director before becoming a shareholder in 2000. He was appointed as a Director of the Company on 30 March 2010 and became Joint Chief Executive on 1 January 2016. Frank has chaired both the Brick Federation and PWP within the Brick Development Association and is currently a main board Director of the Brick Development Association.

Peter Sharp, Joint Chief Executive
Peter Sharp has been in the industry for 32 years including 12 with Michelmersh and 14 years with Ibstock Brick holding various senior management positions. He is a member of the Institute of Directors and the Institute of Materials Minerals and Mining. Peter has a diverse range of skills and qualifications in construction, management and technical matters and has studied business and ceramics at Loughborough, Nottingham and Staffordshire universities. He joined the board in May 2011 and became Joint Chief Executive on 1 January 2016.

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 in November 2010.

Directors' Report

The Directors present their report and consolidated financial statements of the Group for the year ended 31 December 2015.

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, and related products. 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 2015.

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 16 to 41.

The Directors are pleased to recommend the payment of a dividend for the year of 1.0p (2014: 0.5p) per ordinary share payable on 30 June 2016 to shareholders on the register on 27 May 2016.

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 2015 Ordinary Shares of 20p each	**31 December 2014 Ordinary Shares of 20p each**
E J S Gadsden	22,658,274	22,658,274
M R Warner	5,388,732	5,588,732
R W Carlton-Porter	20,000	20,000
F Hanna	1,050,000	1,228,015
A R G Hardy *(resigned 1 October 2015)*	n/a	4,296,474
S H P Morgan	–	–
P N Sharp	–	–

Analysis of Directors' emoluments for the year and their interest in options in share in the Company is shown in the Remuneration Report on page 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 Executives' Review on pages 2 to 5. In addition, note 17 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 cash balances, a revolving credit facility 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 30 days (2014: 28 days). The Group has continued to pay creditors on terms consistent with 2014.

Financial Instruments
The Group's policy is to finance working capital through cash balances, appropriate bank facilities 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 17 in the financial statements.

Health and Safety
The group has established a documented health and safety management system with arrangements and procedures based around the Health and Safety Executive guidance HSG65. Workplace health and safety audits and inspections are carried out both internally and external and by external consultants at various levels of the business ranging from our quarries to product delivery. The results of health and safety inspections are reviewed by our management teams and any corrective actions actioned accordingly.

We consult regularly with our employees' on health and safety matters holding quarterly health and safety meetings at each of our locations as well as additional meetings and briefings covering specific health and safety matters. All of our employees are part of an ongoing health and safety training programme that starts with an initial induction programme and expands to include all the relevant training needs required for them to carry out their work safely. We encourage the continual professional development (CPD) of our employees on a range of health and safety subjects across the business from the annual quarry mangers CPD awards to our HGV drivers development programme.

All accidents and near misses are fully investigated and discussed at our health and safety meetings. Where appropriate, changes are made to our processes 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 2015, the Group employed 266 male and 16 female members of staff. None of the females were Directors of the Company and 3 of the Group's 13 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.

Charitable Donations
Supporting industry education and training remains a core policy and the Group continued its supply of free product, resources and seminars to various colleges around the UK. We are building a special relationship with Brooklands Ashford Campus bricklaying department and continue to support the CITB Skillbuild program.

The Group has continued to support community based charities local to our operations. Total donations during the year amounted to £8,000.

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 FRS 102 and have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair review of the state of affairs of the Company and of the Group for that period. In preparing these financial statements the Directors are required to:

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

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

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

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

Signed by order of the Board

M R Warner
Director

Approved by the Directors on 21 March 2016

Michelmersh Brick Holdings Plc

Registered in England and Wales No. 03462378

Directors' Remuneration Report

Remuneration Committee
The Remuneration committee was chaired by Bob Carlton–Porter throughout the year, and comprised at the end of the year the chairman and Eric Gadsden. The role of the Remuneration Committee is to determine the terms of employment of the Directors including remuneration, share options and other benefits.

Group Remuneration Policy
The employees of the Group should be fairly remunerated and be motivated to perform in the best interests of the business. Consideration is given to industry best practice and how best to reward and retain employees. A range of emoluments are in place to achieve these aims including performance related payments, share option schemes, sharesave schemes and other benefits. The non–executive Directors do not participate in any incentive schemes or share options.

Directors' Emoluments
The emoluments of the individual Directors were as follows:

	Basic Salary 2015 £000	Annual Bonus 2015 £000	Other Benefits 2015 £000	Pension 2015 £000	Total Emol-uments 2015 £000	Total Emol-uments 2014 £000
E J S Gadsden	20	–	–	–	**20**	**20**
M R Warner	139	50	20	–	**209**	**181**
R Carlton–Porter	30	–	–	–	**30**	**30**
F J Hanna	134	50	16	–	**200**	**175**
A R G Hardy*	17	–	2	–	**19**	**20**
S H P Morgan	115	50	15	–	**180**	**148**
P N Sharp	111	50	11	8	**180**	**141**
	566	200	64	8	**838**	**715**

Total emoluments including Employer's NI amounted to £942,000 (2014: £805,000)

*Resigned 1 October 2015

The Annual Bonus is awarded when performance targets set by the remuneration committee are met. The performance targets relate to the audited profit before taxation of the Group. The annual bonus is payable on signing of the audit report.

Other benefits include company cars and fuel, medical cover and sundry benefits.

Peter Sharp is a member of the Michelmersh Group Pension Scheme and the company contributes 5% of his salary and bonus.

Directors' Remuneration Report
(continued)

Directors Share options

	SAYE Scheme 2015 No	CSOP 2015 No	LTIP 2015 No	Total Options 2015 No	Total Options 2014 £000
M R Warner	–	41,000	–	**41,000**	**41,000**
F J Hanna	–	41,000	23,333	**64,333**	**41,000**
S H P Morgan	–	41,000	20,000	**61,000**	**41,000**
P N Sharp	63,157	41,000	23,333	**127,490**	**104,157**
	63,157	164,000	66,666	**293,823**	**227,157**

Notes
SAYE Scheme: under the Michelmersh Brick Holdings Plc SAYE Scheme, Peter Sharp can purchase Michelmersh 20p ordinary shares at 19 pence per share in December 2016.

CSOP: under the Michelmersh Brick Holdings plc 2014 Schedule 4 Company Share Option Plan the options may be exercised at 72.75 pence between July 2017 and July 2024. There are no performance targets associated with the options.

LTIP: nil cost options have been granted under the Michelmersh Brick Holdings Plc Long Term Incentive Plan which accrue in incremental annual tranches over 5 years provided EPS targets are achieved. The options disclosed relate to the vested options arising in respect of the year ended 31 December 2015 where targets have been met. The options are exercisable after publication of the financial statements in respect of the year ended 31 December 2019.

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 relating to Directors amounted to £104,000 (2014: £7,000).

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 although 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. The products are largely sold to merchants and brick factors who distribute to the construction industry. The Group has a largely fixed capacity of manufacture from existing plant at each of its current brickworks although that has been increased during 2015 through the expansion program at Freshfield Lane. The Company seeks to maximise the return for products by ensuring high quality output to meet specified demand and investment to improve yields and reduce input costs.

Trends and Future Developments
Generally economic conditions in the UK are positive, although there are short term and sector specific concerns, with further uncertainty over the Brexit proposal. All political parties are in support of residential development and the current government continues to provide incentives for housebuilders. In general, commentators suggest housebuilding will continue at the higher levels reported recently and as a consequence, brick manufacturing businesses should see continued healthy activity. Energy cost stability assists in the attempts to keep inflation on input cost at low levels. The increased levels of brick imports have had an impact on pricing and availability, but are still considered as a short term feature while currency and poor economic conditions in the local exporting areas persist. Transport costs and service levels mean that brick imports should be uncompetitive over the long term.

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
General Economy and fiscal environment: The majority of the Group's products will be used in residential schemes of new housing schemes or repair and maintenance projects which will be affected by general economic conditions and government incentives and tax policies, and as such the demand for our output will be dependent on these factors. The Board monitors events that may impact on the business

Business Interruption: The production process is most efficient when in continuous operation and any disruption impacts on output and efficiency. The Group attempts to mitigate the risk by assiduous maintenance programs and back-up facilities. Business interruption planning and appropriate insurance are in place to anticipate and mitigate any potential interruption.

Input prices: Energy and labour are the most significant input costs. Supply agreements with hedging of costs is undertaken to ensure that short and medium term effects of global energy costs have less impact on the business. Staff are highly valued and remunerated in a reward structure that promotes efficiency and retention.

Quality: Product specification and quality are keenly monitored to ensure that output meets the market demand.

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

Strategic Report
(continued)

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. Other production indicators include absenteeism, yield, energy usage and health and safety statistics. The Board also review prospects through energy indicators and construction trends.

Development and Performance

Manufacturing of clay products and operation of landfill sites are closely regulated by the environmental authorities and the Group has extensive embedded procedures to manage its activities. 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 21 March 2016

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 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2015 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 2015.

Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

21 March 2016

Consolidated Income Statement
for the year ended 31 December 2015

	notes	2015 £'000	2014 £'000
Revenue	2	29,071	28,476
Cost of sales		(17,961)	(19,750)
Gross profit		11,110	8,726
Administrative expenses		(6,468)	(6,086)
Other income	3	68	161
Operating profit		4,710	2,801
Finance costs	4	(153)	(199)
Profit before taxation	5	4,557	2,602
Taxation	9	(951)	(401)
Profit for the financial year		3,606	2,201
Basic earnings per share attributable to the equity holders of the company	24	4.44 p	2.72 p
Diluted earnings per share attributable to the equity holders of the company	24	4.42 p	2.72 p

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

The accounting policies and notes on pages 21 to 41 form part of these financial statements.

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

	notes	2015 £'000	2014 £'000
Profit for the financial year		3,606	2,201
Other comprehensive income/(expense)			
Items which will not subsequently be reclassified to profit or loss			
Revaluation surplus of property, plant and equipment	11	1,163	–
Revaluation deficit of property, plant and equipment	11	(2,771)	(1,000)
Deferred tax on revaluation movement	19	804	(128)
		(804)	(1,128)
Total comprehensive income for the year		2,802	1,073

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 21 to 41 form part of these financial statements.

Consolidated Balance Sheet
as at 31 December 2015

	notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets	10	2,476	2,476
Property, plant and equipment	11	40,810	41,899
		43,286	44,375
Current assets			
Inventories	13	7,195	6,084
Trade and other receivables	14	4,308	7,346
Investments		30	30
Cash and cash equivalents		2,935	2,809
Total current assets		14,468	16,269
Total assets		57,754	60,644
Liabilities			
Current liabilities			
Trade and other payables	15	4,165	3,940
Provisions		–	112
Corporation tax payable		456	370
Interest bearing borrowings	16	–	19
Total current liabilities		4,621	4,441
Non–current liabilities			
Deferred tax liabilities	19	3,914	4,593
Interest bearing borrowings	16	–	4,916
		3,914	9,509
Total liabilities		8,535	13,950
Net assets		49,219	46,694
Equity attributable to equity holders			
Share capital	21	16,247	16,247
Share premium account		11,495	11,495
Reserves		16,850	17,530
Retained earnings		4,627	1,422
Total equity	23	49,219	46,694

These financial statements were approved by the Directors and authorised for issue on 21 March 2016 and are signed on their behalf by

M R Warner
Director

The accounting policies and notes on pages 21 to 41 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 2014	16,162	246	979	11,495	19,705	(3,084)	45,503
Profit for the year	–	–	–	–	–	2,201	2,201
Revaluation deficit	–	–	–	–	(1,000)	–	(1,000)
Deferred taxation on revaluation	–	–	–	–	(128)	–	(128)
Total comprehensive income	–	–	–	–	(1,128)	2,201	1,073
Share based payment	–	33	–	–	–	–	33
Shares issued during the year	85	–	–	–	–	–	85
Transfer to retained earnings	–	(231)	–	–	(42)	273	–
Reclassification	–	–	–	–	(2,032)	2,032	–
As at 31 December 2014	16,247	48	979	11,495	16,503	1,422	46,694
Profit for the year	–	–	–	–	–	3,606	3,606
Revaluation surplus	–	–	–	–	1,163	–	1,163
Revaluation deficit	–	–	–	–	(2,771)	–	(2,771)
Deferred taxation on revaluation	–	–	–	–	804	–	804
Total comprehensive income	–	–	–	–	(804)	3,606	2,802
Share based payment	–	129	–	–	–	–	129
Transfer to retained earnings	–	–	–	–	(5)	5	–
Dividend paid	–	–	–	–	–	(406)	(406)
As at 31 December 2015	**16,247**	**177**	**979**	**11,495**	**15,694**	**4,627**	**49,219**

The accounting policies and notes on pages 21 to 41 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2015

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

The accounting policies and notes on pages 21 to 41 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 for a part of the year. All other subsidiary companies were non trading.

These financial statements cover the financial year from 1 January to 31 December 2015, with comparative figures for the year 1 January to 31 December 2014.

The principal companies within the Group during the financial year ended 31 December 2015 are disclosed in note 12.

Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. The consolidated financial statements for the financial years ended 31 December 2015 and 31 December 2014 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.

Accounting standards and interpretations adopted during the year

There were a number of minor Amendments to Standards, but none of these had a material impact on the Group in the current period.

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group

IFRS 9, Financial Instruments, IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases are in issue but are not yet effective so the Group has not adopted these standards in these Accounts.

A number of Amendments and Improvements have also been issued but are not yet effective, including dealing with presentation of revalued assets, acceptable methods of depreciation and consideration of material disclosures. The directors are currently assessing the impact of these new Standards, Improvements and Amendments on the Group's Accounts.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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

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

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

The Group meets its day-to-day working capital requirements principally through cash balances and an overdraft facility provided by Barclays Bank Plc.

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

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

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

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

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

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

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

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

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

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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

Freehold buildings are revalued annually.

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

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

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

Site development costs are capitalised. These costs are written off over the operational life of the site as and when the void space created as a result of this expenditure is consumed. Provision for site restoration costs is made and capitalised once the Group creates a legal or constructive obligation in respect of restoration work on landfill sites. This is deemed to be a cost of disposal and is recognised in the income statement within profit or loss on disposal when disposal occurs. Provision is made, where material, for the net present value of the Group's estimated unavoidable costs in relation to the restoration and aftercare of landfill sites operated by the Group. Provision is not made where no significant cost is expected, or where costs are not deemed reliably measurable.

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

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

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

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

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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

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

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

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

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

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 defined 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.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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.

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 2015

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 9).
- Freehold land and buildings are valued by the Directors, after taking into account external professional advice, and incorporate certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and landfill facilities.
- Useful life of property, plant and equipment is estimated and reviewed at each financial year end. The Group also tests for impairment whenever a trigger event occurs. Impairment test assumptions include cash flows based on trading forecasts generated from current performance of each of the cash generating units. Cash generating units are deemed to be each integrated trading site, due to the integrated business model adopted by the Group. Discounting is applied based on weighted average cost of capital.
- The fair value of share based payments is calculated using the appropriate fair value model with the estimated level of vesting being reviewed annually by management. The key assumptions of this model are set out in note 22.

2. **SEGMENTAL REPORTING**
Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31 December 2015. Segment information has been prepared in accordance with the accounting policies of the Group as set out on pages 21 to 25.

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

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

The Group comprises the following segments:

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

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

Landfill:
Engagement in landfill operations:

- New Acres Limited - based in Telford, Shropshire

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

2. SEGMENTAL REPORTING (continued)

	2015		2014	
Continuing Activities	Segmental Revenue £'000	PBT £'000	Segmental Revenue £'000	PBT £'000
Building materials				
Blockleys	7,464	2,113	7,490	1,058
Charnwood	3,491	991	3,450	594
Michelmersh	6,057	1,377	6,386	1,356
Freshfield Lane	12,475	5,215	11,187	4,032
Less rebates	(461)	(461)	(431)	(431)
	29,026	9,235	28,082	6,609
Landfill				
New Acres	50	4	400	131
	29,076	9,239	28,482	6,740
Inter-segmental revenue and unallocated costs*	(5)	(4,682)	(6)	(4,138)
	29,071	4,557	28,476	2,602

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

Other segmental disclosure

	2015			2014		
	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	560	258	–	488	425	–
Charnwood	265	55	–	–	60	–
Michelmersh	185	380	–	51	279	–
Freshfield Lane	655	396	–	1,418	167	–
	1,665	1,089	–	1,957	931	–
Landfill						
New Acres	–	–	3	–	42	2
Dunton	68	–	–	–	–	–
	1,733	1,089	3	1,957	973	2

Revenue by geographical destination

	2015 £'000	2014 £'000
United Kingdom	29,017	28,258
Europe	37	68
Rest of the World	17	150
	29,071	28,476

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.

Notes to Financial Statements (continued)
Year ended 31 December 2015

3. OTHER INCOME

	2015 £'000	2014 £'000
Rents receivable	19	34
Profit on sale of fixed assets	7	17
Market value adjustment to intangible asset	3	40
Other	39	70
	68	161

4. FINANCE COSTS

	2015 £'000	2014 £'000
Interest expense	82	354
Charges in respect of early termination and new facilities	188	–
Derivatives	–	75
Charges in respect of hire purchase agreements	1	1
Release of interest adjustment on deferred proceeds of land sale	(118)	(231)
	153	199

5. PROFIT BEFORE TAXATION

		2015 £'000	2014 £'000
Profit before taxation is stated after charging:			
Amortisation	– other	3	2
Depreciation	– owned assets	1,171	970
	– assets held under hire purchase agreements	3	3
Operating lease costs	– plant and machinery	281	421
	– motor vehicles	449	426

6. DIVIDEND

On 30 June 2015, a dividend was paid of 0.5 pence per share, amounting in total to £406,000.

The Board has proposed a dividend of 1.0 pence per share payable on 30 June 2016 to shareholders on the register on 27 May 2016. The dividend will amount to a total payment of £812,000.

7. AUDITORS REMUNERATION

	2015 £'000	2014 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	20	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	26	23
– corporate finance services	7	–

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

8. PARTICULARS OF EMPLOYEES

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

	2015	2014
Manufacture and supply of bricks	257	245
Administration	32	33
	289	278

	2015 £'000	2014 £'000
Wages and salaries	8,597	7,970
Social security costs	844	816
Other pension costs	330	288
	9,771	9,074

Key management personnel are considered to be the Board of Directors.

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

9. TAXATION

a) Recognised in the income statement

	2015 £'000	2014 £'000
Current tax expense		
Current year	876	370
Prior year	(50)	–
	826	370
Deferred tax		
Origination and reversal of temporary differences	125	31
Total income tax charge in the income statement	951	401

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2014 lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

	2015 £'000	2014 £'000
Factors affecting the tax charge for the current year		
Reconciliation of effective tax rate		
Profit before taxation	4,557	2,602
Income tax using the domestic corporation tax rate	923	559
Effects of :		
Expenses disallowed	53	34
Share option expense not taxable	–	(31)
Depreciation in excess of capital allowances	44	29
Change to prior year estimate	(4)	(201)
Profit on sale	(25)	(53)
Rate changes	(55)	–
Other timing differences	15	64
	951	401

9. TAXATION (continued)

c) Factors affecting future tax charges

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 20%, which has applied from 1 April 2015 to 17%. The reduction in the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 was enacted on 18 November 2015. 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 2015, the Group had tax losses carried forward of approximately £1,181,000 (2014: £1,198,000).

A deferred tax asset has not been recognised in respect of £503,000 (2014: £503,000) of these tax losses, as the Directors do not consider their recovery to be sufficiently certain in the near future.

10. INTANGIBLE ASSETS

	Goodwill £'000	PPC license £'000	Carbon emissions quota £'000	Total £'000
Cost or valuation				
As at 1 January 2014	2,280	75	103	2,458
Revaluation adjustment	–	–	40	40
As at 31 December 2014	2,280	75	143	2,498
Revaluation adjustment	–	–	3	3
As at 31 December 2015	2,280	75	146	2,501
Amortisation				
As at 1 January 2014	–	20	–	20
Charge for the year	–	2	–	2
As at 31 December 2014	–	22	–	22
Charge for the year	–	3	–	3
As at 31 December 2015	–	25	–	25
Net book value				
At 31 December 2015	2,280	50	146	2,476
At 31 December 2014	2,280	53	143	2,476

GOODWILL

The goodwill relates exclusively to the acquisition of Freshfield Lane Brickworks Limited in 2010. In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 31 December 2015, 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% (2014: 10%) and revenue and cost growth rates of 3% (2014: 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 (2014: £nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Site develop-ment £'000	Motor vehicles £'000	Plant and machinery £'000	Equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation							
As at 1 January 2014	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)
As at 31 December 2014	33,671	202	27	25,477	–	–	59,377
Additions	1,338	–	–	396	–	–	1,734
Transfers to inventories	(41)	–	–	–	–	–	(41)
Disposals	–	–	–	(72)	–	–	(72)
Revaluation surplus	1,163	–	–	–	–	–	1,163
Revaluation deficit	(2,771)	–	–	–	–	–	(2,771)
At 31 December 2015	33,360	202	27	25,801	–	–	59,390
Depreciation							
As at 1 January 2014	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)
As at 31 December 2014	1,666	46	27	15,739	–	–	17,478
Charge for the year	132	–	–	1,042	–	–	1,174
Disposals	–	–	–	(72)	–	–	(72)
At 31 December 2015	1,798	46	27	16,709	–	–	18,580
Net book value							
At 31 December 2015	31,562	156	–	9,092	–	–	40,810
At 31 December 2014	32,005	156	–	9,738	–	–	41,899

Included within the net book value of £40,810,000 is £nil (2014: £8,000) 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 £nil (2014: £3,000).

The Group's freehold land and buildings were valued by the Directors at £31,562,000 at 31 December 2015 (2014: £32,005,000), resulting in a net decrease in the revaluation reserve of £1,608,000 (2014: £1,000,000). Deferred tax liabilities were decreased by £800,000 (2014: £200,000) and have been credited to the revaluation reserve.

The revaluation surplus in the year ended 31 December 2015 relates to a change in valuation of the land assets at Telford and Freshfield Lane after advice from external valuers.

The revaluation deficit in the year ended 31 December 2015 relates to a change in the estimated value the landfill asset at Dunton after receiving marketing advice (£846,000), the change in expected disposal of the quarry at Shepshed following a review of brick manufacturing (£925,000) and a recalculation of the DRC valuation at Telford and Freshfield Lane with updated assumed life and rebuild costs.

11. 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:

	2015 £'000	2014 £'000
Historical cost		
At 1 January	15,408	15,321
Additions	1,338	112
Transfer to inventories	(41)	(25)
At 31 December	16,705	15,408

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

IFRS13
Under IFRS13 companies must disclose greater detail about the assets held at fair value and the valuation methodology. The Group '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 £31,562,000 are all derived using Level 3 inputs and there have been no transfers between Levels during the period.

Valuation techniques
Brickwork properties have been fair valued using a cost approach, by assessing the rebuild cost provided by external professional valuers in 2011, ascribing a construction industry price inflation factor and applying a remaining life period over the total life of each asset of between 20 and 50 years. These values were confirmed by a third party valuation in 2015 of Freshfield Lane and Telford properties. Mineral reserves were assessed during 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.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Directors have reviewed the third party professional valuations conducted in 2011 and updated them where they consider conditions have changed in the interim period.

	2015 £'000	2014 £'000
Fair value of Land and Buildings at 1 January	32,005	33,039
Transferred to inventories	(41)	(25)
Charged to the Income Statement in cost of sales	(132)	(121)
Expenditure on assets	1,338	112
Net loss recognised in Other Comprehensive Income	(2,771)	(1,000)
Net gains recognised in Other Comprehensive Income	1,163	–
Fair value of Land and Buildings at 31 December	31,562	32,005

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

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

12. SUBSIDIARIES

The following subsidiaries have been included within the consolidated financial statements

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

No entities have been excluded from the consolidated financial statements.

Notes to Financial Statements (continued)
Year ended 31 December 2015

13. INVENTORIES

	2015 £'000	2014 £'000
Raw materials	2,532	2,826
Work in progress	1,112	979
Finished goods	3,551	2,279
	7,195	6,084

The cost of inventories expensed during the year is £17,929,000 (2014: £19,546,000). The inventory cost disclosed above is used for security of previous borrowings as disclosed in note 16.

14. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2015 £'000	2014 £'000
Trade receivables	4,039	5,593
Other receivables	–	1,384
Prepayments	269	369
	4,308	7,346

The fair values of the trade and other receivables are approximate to their carrying value. The trade receivables disclosed above are used for security of the overdraft as disclosed in note 17. Within other receivables in 2014 are deferred sums due in relation to the sale of factory land at Telford which have been included at net present value, and which were received in the year.

Included within trade receivables is £82,000 (2014: £233,000) 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.

	2015 £'000	2014 £'000
30 days overdue	82	143
30 – 60 days overdue	–	64
60 – 90 days overdue	–	26
	82	233

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 £2,935,000 as shown in the balance sheet, totalling £6,974,000.

During the year no provisions were made against any debtors (2014: nil).

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2015 £'000	2014 £'000
Trade payables	1,155	1,262
Other taxation and social security	698	879
Other payables	3	5
Accruals	2,256	1,743
Pension	53	51
	4,165	3,940

The fair values of trade and other payables are approximate to their carrying value. The total financial liabilities at amortised cost category comprises the above payables excluding other taxation and social security totalling £3,467,000.

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

16. BORROWINGS

Interest rate risk of financial assets and liabilities

The Group has no borrowings at 31 December 2015 (2014: £4,930,000) and has no hire purchase liabilities (2014: £5,000). The Group's financial assets at 31 December 2015 and 31 December 2014 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 2015 of £4,500,000 (2014: £5,300,000). The facilities are committed until 2018.

Interest bearing liabilities

Obligations under hire purchase and finance lease agreements

	2015			2014		
	Minimum lease payment £'000	Interest £'000	Principal £'000	Minimum lease payment £'000	Interest £'000	Principal £'000
Less than one year	–	–	–	6	1	5

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 17.

16. BORROWINGS (continued)

Bank loans and overdrafts

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

	2015 £'000	2014 £'000
Bank overdraft (on demand)	–	14
Between one and two years	–	4,916
	–	4,930

The Group currently operates with positive cash reserves. The Group has a £4 million committed Revolving Credit Facility and a £500,000 overdraft facility with Barclays. If utilised, interest is payable on the borrowing facilities at a margin above LIBOR per annum and the Group is subject to a non-utilisation fee. The facilities are secured by a 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.

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments

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

Financial risk factors

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

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

Market risk

Cash flow and fair value interest rate risk

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

Liquidity risk

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

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

The table below analyses the Group's financial liabilities at 31 December 2014 which were 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.

All trade and other payables at 31 December 2015 are due in less that one year.

At 31 December 2014	Less than 1 year £'000	Between 1 £'000	Between 2 £'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.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 £'000	2014 £'000
Total borrowings excluding bank overdrafts	–	4,921
Add: cash and cash equivalents including bank overdrafts	(2,935)	(2,795)
Net (cash)/debt	(2,935)	2,126
Total equity	49,219	46,694
Gearing ratio	(6%)	5%

Fair value estimation

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

18. PENSIONS

Defined contribution Scheme

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Group in trustee administered funds. The pension charge for contributions made by the Group to the defined contribution scheme amounted to £328,000 (2014: £288,000). Amounts unpaid at the year end in respect of contributions amounted to £33,000 (2014: £23,000).

19. DEFERRED TAXATION

Deferred tax at 31 December 2015 relates to the following:

	Losses £'000	Property plant and equipment £'000	Other items £'000	Total £'000
Cost				
As at 1 January 2014	(152)	4,554	32	4,434
Recognised in income	13	2	16	31
Recognised in other comprehensive income	–	128	–	128
As at 31 December 2014	(139)	4,684	48	4,593
Recognised in income	17	131	(23)	125
Recognised in other comprehensive income	–	(804)	–	(804)
As at 31 December 2015	(122)	4,011	25	3,914

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 £90,000 (2014: £100,000) in respect of unrelieved tax losses.

20. COMMITMENTS UNDER OPERATING LEASES

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

	2015 £'000	2014 £'000
Within one year	590	632
Between two and five years	517	862
	1,107	1,494

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

21. SHARE CAPITAL

Authorised share capital	2015 Number	2015 £'000	2014 Number	2014 £'000
Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000

Allotted, called up and fully paid:	2015 Number	2015 £'000	2014 Number	2014 £'000
Ordinary shares of 20p each	81,234,656	16,247	81,234,656	16,247

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

22. SHARE BASED PAYMENTS

Share option reserve	£'000
As at 1 January 2015	48
Charge for the year	129
As at 31 December 2015	177

a) Michelmersh Brick Holdings Plc Group share option schemes

Year of Grant	Exercise price per share	Period of exercise	No. of options as at 31 December 2014	Options granted	Options forfeited/ lapsed in the year	No. of options as at 31 December 2015
2008	96p	February 2011 – February 2018	12,500	–	–	12,500
2014	72.75p	July 2017 – July 2024	164,000	–	–	164,000
2015	nil	May 2020 – June 2025	–	1,000,000	–	1,000,000
2015	nil	December 2018 – December 2025	–	36,524	–	36,524

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

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

22. SHARE BASED PAYMENTS (continued)

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	Exercise price per share	Vesting period	No. of options as at 31 December 2014	No. of options granted in the year	Options exercised in the year	Options forfeited in the year	No. of options as at 31 December 2015
2011	19p	November 2011 – December 2016	263,679	–	–	(25,263)	238,416
2015	66.2 p	August 2015 – August 2018	–	391,852	–	(9,243)	382,609
2015	66.2 p	August 2015 – August 2020	–	39,877	–	–	39,877

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

Options were valued using the principles of the Black Scholes Model. This valuation is amortised to the income statement over the vesting period. The charge for the year amounted to £129,000 (2014: £33,000).

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

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

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

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

	2015		2014	
	No	Weighted average exercise price	No	Weighted average exercise price
Outstanding as at 1 January	440,179	57.0p	935,462	28.3p
Exercised	–	–	(425,179)	19.0p
Lapsed and forfeited	(34,506)	31.6p	(234,104)	49.8p
Granted	1,468,253	19.5p	164,000	72.75 p
Outstanding as at 31 December	1,873,926	24.3p	440,179	57.0 p

The weighted average contractual life for the share options outstanding at 31 December 2015 is 7 years (2014: 2 years).

23. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

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

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

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

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

24. EARNINGS PER SHARE

Earnings	2015 £'000	2014 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders from continuing operations	3,606	2,201
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	81,234,656	80,861,273
Number of dilutive shares under option	389,741	192,616
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	81,624,397	81,053,889

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 2015

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 2015 which comprise the parent company Balance Sheet, Statement of Cash Flow, Statement of Changes in Equity, the Accounting Policies and the related notes 1 to 15. 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

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

Opinion on financial statements
In our opinion the parent company financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2015;
- 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 2015.

Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

21 March 2016

Company Balance Sheet
as at 31 December 2015

	notes	2015 £'000	2014 £'000
Fixed assets			
Investment Properties	1	29,312	11,394
Investments	2	10,245	10,245
Intangible assets	3	146	143
Total fixed assets		39,703	21,782
Current assets			
Cash at bank and in hand		2,850	2,185
Debtors - amounts falling due within one year	4	18,549	17,633
Total current assets		21,399	19,818
Creditors: Amounts falling due within one year	5	(535)	(378)
Net current assets		20,864	19,440
Creditors: Amounts falling due after more than one year	6	–	(4,916)
Provisions for liabilities			
Deferred taxation	7	(3,469)	(1,186)
Net assets		57,098	35,120
Capital and Reserves			
Share capital	12	16,247	16,247
Share premium account		11,495	11,495
Merger reserve		979	979
Revaluation reserve		22,425	4,618
Share option reserve		177	48
Profit and loss account		5,775	1,733
Equity shareholders' funds	13	57,098	35,120

These financial statements were approved by the Directors and authorised for issue on 21 March 2016 and are signed on their behalf by

M R Warner
Director

The accounting policies and notes on pages 48 to 57 form part of these financial statements

Statement of Cash Flows
for the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit before taxation	21,854	6,015
Profit on sale of investments	–	(15)
Dividends paid in specie	(23,078)	(6,400)
Finance costs	153	(201)
Market value adjustment of intangible assets	(3)	(40)
Share based payment charge	129	33
Cash flows from operations before changes in working capital	(945)	(608)
Decrease in receivables	5,523	5,576
Increase/(decrease) in payables	168	(5,612)
Net cash generated by operations	4,746	(644)
Taxation paid	(8)	–
Interest (paid)/received	(153)	201
Net cash generated by/(used in) operating activities	4,585	(443)
Cash flows from investing activities		
Expenditure on investment properties	–	(466)
Proceeds of sale of investments	–	31
Proceeds of sale of land	1,500	1,500
Net cash used in investing activities	1,500	1,065
Cash flows from financing activities		
Repayment/drawing of interest bearing borrowings	(5,000)	175
Proceeds of issue of shares	–	86
Dividend paid	(406)	–
Net cash used in financing activities	(5,406)	261
Net increase in cash and cash equivalents	679	883
Cash and cash equivalents at the beginning of the year	2,171	1,288
Cash and cash equivalents at the end of the year	2,850	2,171
Cash and cash equivalents comprise:		
Cash at bank and in hand	2,850	2,185
Bank overdraft	–	(14)
	2,850	2,171

The accounting policies and notes on pages 48 to 57 form part of these financial statements

Statement of Changes in Equity
for the year ended 31 December 2015

	Share capital £'000	Share option reserve £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders funds £'000
At 1 January 2014	16,162	246	11,495	979	7,692	(6,264)	30,310
Profit for the year	–	–	–	–	–	5,692	5,692
Revaluation deficit	–	–	–	–	(1,000)	–	(1,000)
Shares issued during the year	85	–	–	–	–	–	85
Share based payment	–	33	–	–	–	–	33
Transfer to profit and loss account	–	(231)	–	–	(2,074)	2,305	–
At 31 December 2014	16,247	48	11,495	979	4,618	1,733	35,120
Profit for the year	–	–	–	–	–	21,907	21,907
Transfer of unrealised profits on revaluation reserve	–	–	–	–	17,464	(17,464)	–
Revaluation deficit	–	–	–	–	348	–	348
Share based payment	–	129	–	–	–	–	129
Dividend paid	–	–	–	–	–	(406)	(406)
Transfer to retained earnings	–	–	–	–	(5)	5	–
At 31 December 2015	**16,247**	**177**	**11,495**	**979**	**22,425**	**5,775**	**57,098**

The accounting policies and notes on pages 48 to 57 form part of these financial statements

Accounting Policies
Year ended 31 December 2015

Basis of preparation
Michelmersh Brick Holdings Plc is a public limited company incorporated in the United Kingdom. The registered office is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH.

These financial statements are the first annual financial statements of the company prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. The first date at which FRS 102 was applied was 1 January 2014. In accordance with FRS 102 the company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required.

Further information about the transition to FRS 102 can be found in note 15.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the company’s accounting policies.

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 £21,907,000 (2014: £5,838,000).

Investment Properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property, is recognised in the income statement in the period of derecognition.

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

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.

Accounting Policies (continued)
Year ended 31 December 2015

Financial instruments
Financial assets and financial liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

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 2015

1. INVESTMENT PROPERTIES

	£'000
Cost or valuation	
As at 1 January 2014	14,130
Additions	466
Transfers	(1,003)
Revaluation deficit	(1,000)
As at 31 December 2014	12,593
Revaluation surplus	285
Transfers	16,434
At 31 December 2015	29,312
Amortisation	
As at 1 January 2014	1,098
Charge for the year	101
As at 31 December 2014	1,199
Transfers	(1,199)
At 31 December 2015	–
Net book value	
At 31 December 2015	29,312
At 31 December 2014	11,394

Revaluation of fixed assets
The Company's investment property was valued by the directors on 31 December 2015 at fair value.

Transfers in the year related to properties at Freshfield Lane, Romsey and Shepshed that were transferred from property holding subsidiaries at valuation as part of a Group re-organisation exercise. Associated deferred tax liabilities were also transferred and the revaluation surplus within the subsidiaries has been recognised as unrealised in the Holding Company accounts.

The revaluation surplus in the year ended 31 December 2015 relates to the investment value of the land at Telford following advice from a professional valuer.

Notes to Company Financial Statements (continued)
For the year ended 31 December 2015

2. INVESTMENTS – UNLISTED

	2015 £'000	2014 £'000
Cost		
At 1 January	10,245	10,260
Disposal	–	(15)
	10,245	10,245

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
	England	Ordinary	100	Non-trading
Michelmersh Brick UK Limited	England	Ordinary	100	Brick manufacturer
New Acres Limited	England	Ordinary	100	Landfill operator
Charnwood Forest Brick Limited	England	Ordinary	100	Non-trading
Dunton Brothers 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	2015 £'000	2014 £'000
Cost		
At 1 January	143	103
Revaluation	3	40
	146	143

4. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	18,374	16,009
Other debtors	2	1,384
Prepayments	173	240
	18,549	17,633

5. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Bank loans and overdraft due within one year	–	14
Accruals and deferred income	535	364
	535	378

6. CREDITORS – AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Bank loans payable between one and two years	–	4,916

The bank overdraft was 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.

The bank loan was 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:

	2015 £'000	2014 £'000
At 1 January	1,186	1,152
Relating to transfer of land and buildings from Group Companies	2,409	–
Prior year adjustment	(6)	–
Increase in provision	(120)	34
	3,469	1,186

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

Amounts unprovided at the year end as follows:

	2015 £'000	2014 £'000
Revalued properties	–	899

8. DIVIDEND

On 30 June 2015, a dividend was paid of 0.5 pence per share, amounting in total to £406,000.

The Board has proposed a dividend of 1.0 pence per share payable on 30 June 2016 to shareholders on the register on 27 May 2016. The dividend will amount to a total payment of £812,000.

9. RELATED PARTY TRANSACTIONS

The Company is the holding company of Group companies as disclosed in Note 2. During the year, the following transactions occurred.

Management charges were made in respect of recharged expenses and shared services.

The Company acquired properties from Group Companies at Directors' valuation with the transfer value being settled by crediting to inter company balances. Associated deferred tax liabilities were transferred simultaneously.

The Company received dividend payments from Group companies.

	Michelmersh Brick UK Limited £'000	Charnwood Forest Brick Limited £'000	Michelmersh Brick and Tile Company Limited £'000	Freshfield Lane Brickworks Limited £'000	Total £'000
Management charges	1,812	–	–	–	1,812
Transfer of investment Properties		3,213	4,671	9,748	17,632
Associated deferred tax		455	627	1,328	2,409
Dividends received	4,500	3,097	3,102	12,379	23,078
Inter company debtor/(creditor) at 31 December 2015	15,718	–	–	63	15,781

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 £nil (2014: £4,937,000).

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Group disclosures in note 17 on page 36 of the Group accounts are appropriate to the Company.

The Company has no borrowings at 31 December 2015.

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	1,383	45	5,316	–
Hire purchase and finance lease obligations	6	6	–	–
Trade and other payables	3,900	–	–	–

Notes to Company Financial Statements (continued)
For the year ended 31 December 2015

12. SHARE CAPITAL

Authorised share capital	2015 Number	2015 £'000	2014 Number	2014 £'000
Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000

Allotted, called up and fully paid:	2015 Number	2015 £'000	2014 Number	2014 £'000
Ordinary shares of 20p each	81,234,656	16,247	81,234,656	16,247

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

13. RESERVES

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

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

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

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

14. SHARE BASED PAYMENTS

Share option reserve	£'000
As at 1 January 2015	48
Charge for the year	129
As at 31 December 2015	177

a) Michelmersh Brick Holdings Plc Group share option schemes

Year of Grant	Exercise price per share	Period of exercise	No. of options as at 31 December 2014	Options granted	No. of options as at 31 December 2015
2014	72.75p	July 2017 – July 2024	164,000	–	164,000
2015	nil	May 2020 – June 2025	–	1,000,000	1,000,000
2015	nil	December 2018 – December 2025	–	36,524	36,524

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

14. SHARE BASED PAYMENTS (continued)

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	Exercise price per share	Vesting period	No of options as at 31 December 2014	No. of options granted in the year 31 December 2014	Options forfeited in the year	No. of options as at 31 December 2015
2011	19p	November 2011 – December 2016	72,630	–	–	72,630
2015	66.2 p	August 2015 – August 2018	–	94,526	(1,631)	92,895.00
2015	66.2 p	August 2015 – August 2020	–	27,189	–	27,189.00

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 £129,000 (2013: £33,000).

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

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

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

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

	2015		2014	
	No	Weighted average exercise price	No	Weighted average exercise price
Outstanding as at 1 January	236,630	56.3p	142,197	39.4p
Exercised	–	–	(14,209)	19.0p
Lapsed and forfeited	(1,631)	66.2p	(55,358)	71.4p
Granted	1,158,239	6.8p	164,000	72.75 p
Outstanding as at 31 December	1,393,238	6.4p	236,630	56.3p

The weighted average contractual life for the share options outstanding at 31 December 2015 is 8 years (2014: 2 years).

15. TRANSITION TO FRS102

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 102. Accordingly, the Company has prepared individual financial statements which comply with FRS 102 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 102, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 102. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2014.

Reconciliation of equity at 1 January 2014

	UK GAAP £000	FRS 102 Re-Classification/ Re-measurements £000	FRS 102 £000
Fixed assets			
Tangible assets	13,075	(13,075)	–
Investment properties	–	13,075	13,075
Investments	10,260	–	10,260
Intangible assets	103	–	103
Total fixed assets	23,438	–	23,438
Debtors – amounts falling due after more than one year	1,267	–	1,267
Total non-current assets	24,705	–	24,705
Current assets			
Cash at bank and in hand	1,288	–	1,288
Debtors – amounts falling due within one year	16,054	–	16,054
Total current assets	17,342	–	17,342
Creditors: Amounts falling due within one year	(5,990)	–	(5,990)
Net current assets	11,352	–	11,352
Creditors: Amounts falling due after more than one year	(4,741)	–	(4,741)
Provisions for liabilities			
Deferred taxation	(168)	(838)	(1,006)
EQUITY SHAREHOLDERS FUNDS	31,148	(838)	30,310

15. TRANSITION TO FRS102 (continued)

Reconciliation of equity at 31 December 2014

	UK GAAP £000	FRS 102 Re-Classification/ Re-measurements £000	FRS 102 £000
Fixed assets			
Tangible assets	11,394	(11,394)	–
Investment properties	–	11,394	11,394
Investments	10,245	–	10,245
Intangible assets	143	–	143
Total fixed assets	21,782	–	21,782
Current assets			
Cash at bank and in hand	2,185	–	2,185
Debtors – amounts falling due within one year	17,633	–	17,633
Total current assets	19,818	–	19,818
Creditors: Amounts falling due within one year	(378)	–	(378)
Net current assets	19,440	–	19,440
Creditors: Amounts falling due after more than one year	(4,916)	–	(4,916)
Provisions for liabilities			
Deferred taxation	(202)	(984)	(1,186)
EQUITY SHAREHOLDERS FUNDS	36,104	(984)	35,120

Notes:

Under FRS 102 the land assets held by the company are deemed to be investment properties and has been reclassified as such.

Under FRS 102 deferred tax is provided in full on revaluation surpluses and the provision adjusted accordingly.

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 10 May 2016 at 6 New Street Square, London EC4A 3BF. You will be asked to consider and pass the resolutions below. Resolutions 7 and 8 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 2015.

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

3 To reappoint Bob Carlton-Porter 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 2015 of 1.0 pence per Ordinary Share to be paid on 30 June 2016 to members on the register on 27 May 2016.

5 To appoint 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 per cent. 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.

5 April 2016

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 excluding non-working days. 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 excluding non-working days.

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 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 and 8 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, and non-executive Directors must retire and stand for re-election at every Annual General Meeting after having served for nine years.

Resolution 4: Declaration of a Dividend

A final dividend for the financial year 31 December 2015 of 1.0 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 1.0 pence per ordinary share will be paid on 30 June 2016 to members who were on the register of members of the Company on 27 May 2016.

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 to in relation to pre-emption offers. The power granted at the last AGM is due to expire at this year's AGM. Apart from pre-emption offers, the power is limited to the allotment of equity securities for cash up to an aggregate nominal value of £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 2017 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.

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Britain's Brick Specialists