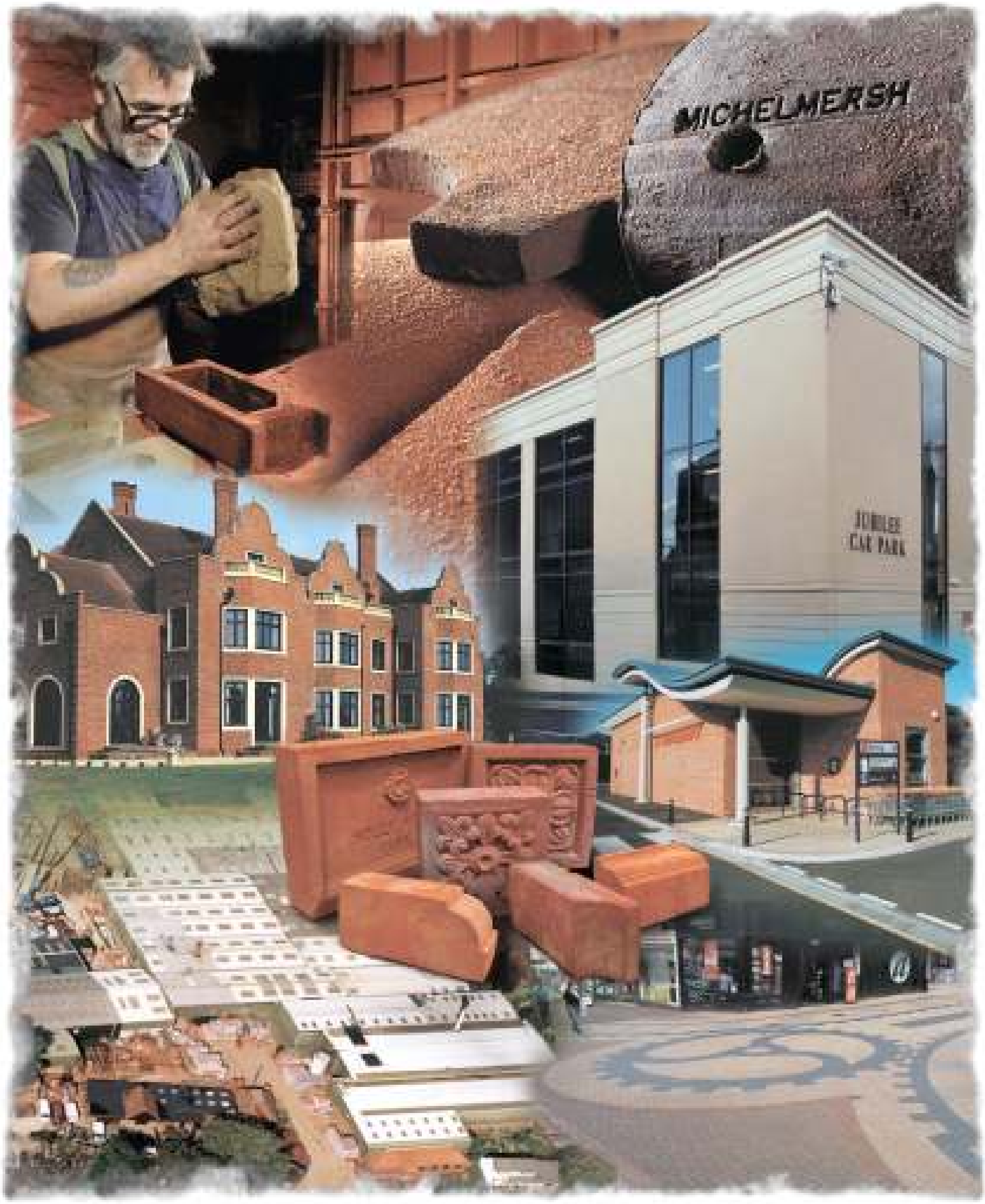
Michelmersh Brick Holdings plc

PLACING AND ADMISSION TO
THE ALTERNATIVE INVESTMENT MARKET



NOMINATED ADVISER AND BROKER

Charles Stanley
AND COMPANY LIMITED

19 May 2004

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The whole of the text of this document should be read.

A copy of this document which comprises a prospectus which has been drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 as amended ("POS Regulations") and the rules of the Alternative Investment Market of London Stock Exchange plc ("AIM") has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

The directors of Michelmersh Brick Holdings PLC, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place and that trading will commence on 26 May 2004.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. The London Stock Exchange plc has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no applications for such dealings have been made.

MICHELMERSH BRICK HOLDINGS PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03462378)

Placing of 9,250,000 new Ordinary Shares of 20p each at 56p per share and Admission to trading on the Alternative Investment Market

Nominated Adviser and Broker

Charles Stanley & Co. Limited

Share capital immediately following Admission

Authorised			***Issued***	
Number	*£*		*Number*	*£*
60,000,000	12,000,000	Ordinary Shares of 20p each	38,017,856	7,603,571

The Placing Shares will, following allotment, rank *pari passu* in all respects with the Ordinary Shares now in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

In accordance with the AIM Rules, Charles Stanley & Co. Limited has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received independent advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, to the best of its information and belief having made due and careful enquiry, all relevant requirements of the AIM Rules (save for compliance with the general duty of disclosure contained in Regulation 9 of the POS Regulations, in respect of which the Nominated Adviser is not required to satisfy itself) have been complied with. In giving its confirmation to the London Stock Exchange, no liability whatsoever is accepted by Charles Stanley & Co. Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Charles Stanley & Co. Limited, which is regulated in the UK by the Financial Services Authority, is acting as Nominated Adviser and Broker for the Company and no one else in relation to the Placing and Admission and will not be responsible to any other person other than the Company for providing the protections afforded to customers of Charles Stanley & Co. Limited or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. The responsibility of Charles Stanley & Co. Limited as Nominated Adviser and Broker is owed solely to the London Stock Exchange plc. Charles Stanley & Co. Limited has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations. The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended, or under any relevant securities laws of any state, territory or other jurisdiction of the United States. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Ordinary Shares or the accuracy or adequacy of this Admission Document.

The distribution of this document in jurisdictions other than the UK may be restrited by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken in any jurisdiction outside the United Kingdom by either the Company or Charles Stanley & Co. Limited that would permit a public offer of Ordinary Shares in any such jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document. Persons into whose possession this document comes are required by the Company and Charles Stanley & Co. Limited to inform themselves about and to observe any restriction as to the Placing and the distribution of this document.

This document does not constitute an offer, or the solicitation of an offer, to subscribe or buy any of the Placing Shares to any person in any jurisdiction where it would be unlawful to make such offer or solicitation in such jurisdiction.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Eric John Spencer Gadsden, *Chairman* Martin Russell Warner MSc F.R.I.C.S., *Managing Director* Craig William Robinson FCCA, *Finance Director* Robert William Carlton-Porter, *Non-executive Director*
Company Secretary:	Craig William Robinson FCCA
Registered Office:	121 High Street Berkhamsted Hertfordshire HP4 2DJ
Nominated Adviser and Broker:	Charles Stanley & Co. Limited 25 Luke Street London EC2A 4AR
Reporting Accountants and Auditors:	Solomon Hare LLP Chartered Accountants Oakfield House Oakfield Grove Clifton Bristol BS8 2BN
Solicitors to the Company:	Burges Salmon LLP Narrow Quay House Narrow Quay Bristol BS1 4AH
Solicitors to the Nominated Adviser:	Norton Rose Kempson House 35-37 Camomile Street London EC3A 7AN
Registrars:	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Financial Public Relations:	Tavistock Communications Limited 131 Finsbury Pavement London EC2A 1NT
Principal Bankers:	Lloyds TSB Bank plc 5 Rowlands Place Green Lane Northwood Middlesex HA6 1AB

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"Act"	the Companies Act 1985, as amended
"Admission"	the effective admission of the Ordinary Shares (including the Placing Shares) to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules for AIM companies and their nominated advisers as issued by the London Stock Exchange from time to time
"Articles"	the articles of association of the Company
"Board" or "Directors"	the directors of the Company whose names are set out on page 3 of this document
"Blockleys"	Blockleys Brick Limited
"Charles Stanley"	Charles Stanley & Co. Limited
"Charnwood"	Charnwood Forest Brick Limited
"Company" or "Michelmersh"	Michelmersh Brick Holdings PLC
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
"CSOP"	the company share option scheme summarised in paragraph 8 of Part IV of this document
"Duntons"	Dunton Brothers Limited
"Enlarged Issued Share Capital"	the issued share capital of the Company following Admission, comprising the existing Ordinary Shares and the Placing Shares
"Group"	the Company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"Michelmersh Brick & Tile"	Michelmersh Brick & Tile Company Limited
"Net Asset Value"	the net asset value of the Group
"New Acres"	New Acres Limited
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 20p each in the capital of the Company

"Placing"	the conditional placing by Charles Stanley, as agent for the Company, of the Placing Shares at the Placing Price pursuant to the Placing Agreement as described in paragraph 7 of Part IV of this document
"Placing Agreement"	the agreement relating to the Placing between the Company (1), the Directors (2) and Charles Stanley (3), further details of which are set out in paragraph 7 of Part IV of this document
"Placing Price"	56 pence per Ordinary Share
"Placing Shares"	9,250,000 new Ordinary Shares to be issued pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Proposals"	the Placing, Admission and other matters contemplated in this document
"SAYE Scheme"	the save as you earn scheme proposed to be adopted as summarised in paragraph 8 of Part IV of this document
"Share Schemes"	the CSOP and the SAYE Scheme
"Shareholders"	holders of Ordinary Shares
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

KEY INFORMATION

The following summary of key information should be read in conjunction with the full text of this document from which it is derived.

- The Group operates a long established business manufacturing premium quality stock and handmade bricks, wire-cut bricks, clay paviors and tiles through four brickworks.
- Profitable, cash generative and asset rich with a net asset value of £26.2 million and freehold land valued at £21.8 million.
- Consistent growth in the last four years with revenues increasing by 26 per cent. since 2000 from £14.9 million to £18.9 million for the year ended 30 November 2003.
- The Group has invested in excess of £9 million in the modernisation of its plant and machinery since its formation in 1997.
- Future residential development potential on up to 59 acres at Telford.
- The Group operates a landfill site for inert waste and has unexploited air space with consent for landfill.
- The Company is raising £5.18 million before expenses by way of a Placing of 9,250,000 Placing Shares at a price of 56 pence each.

PLACING STATISTICS

Placing Price	56 pence per share
Number of Ordinary Shares in issue prior to the Placing	28,767,856
Number of Placing Shares to be issued	9,250,000
Number of Ordinary Shares in issue immediately following Admission	38,017,856
Percentage of Enlarged Issued Share Capital the subject of the Placing	24.3 per cent.
Market capitalisation of the Company following the Placing at the Placing Price	£21.3 million
Gross proceeds of the Placing	£5.18 million
Net proceeds of the Placing	£4.64 million

EXPECTED TIMETABLE

	2004
Admission and dealings commence in Ordinary Shares on AIM	8.00 a.m. on 26 May
CREST member accounts credited by	26 May
Definitive share certificates despatched	2 June

PART I

INFORMATION ON MICHELMERSH

1. INTRODUCTION

The Company was established in November 1997 by Eric Gadsden and Martin Warner to enable the acquisition of the business of Michelmersh Brick & Tile and the share capital of Duntons. Duntons is a manufacturer of traditional bricks at Ley Hill, Buckinghamshire and Michelmersh Brick & Tile is a long established business manufacturing premium quality stock bricks and tiles operating from a site near Romsey, Hampshire. At the time of acquisition, the combined capacity of these companies was some 13 million bricks per annum.

In February 1999, Michelmersh acquired the business of Charnwood in Shepshed, Leicestershire, which increased the Group's production capacity to approximately 16 million bricks per annum. Charnwood has an excellent reputation for making quality handmade bricks for building projects such as the British Library.

In February 2000, the Company acquired Blockleys in Telford from Ennstone PLC. Blockleys operates from two factories, both of relatively new construction, being less than twenty years old. The 100 acre site also includes a quarry and landfill operation and some 59 acres of land on which a phased residential redevelopment scheme has been approved in outline by the local planning authority. The acquisition of Blockleys quadrupled the Group's production capacity to approximately 65 million bricks per annum.

Since November 1997, the Group has invested in excess of £9 million in the modernisation of its plant and production processes and the Group now has capacity to produce over 76 million bricks per annum with committed capital expenditure to increase this to some 85 million bricks per annum.

The Group currently owns four brickworks and employs approximately 300 employees. It is the largest producer of handmade bricks in the UK and the Directors believe that it has a strong position in the supply of bricks to prestige building projects in the UK and in the specification brick market, with two highly respected brands: Michelmersh Brick & Tile and Charnwood. In addition to the manufacture of bricks, the Group is also an innovative manufacturer of clay paviors in the UK with significant overseas sales. In addition to its brickworks, the Group also operates a landfill site for inert waste through New Acres at Telford. Duntons hold a waste management licence for the site at Ley Hill and there is also potential for further inert waste landfill at the quarry in Shepshed, which the Directors believe can be exploited in the future.

The Group has reported year on year turnover growth since its foundation, from less than £4 million in 1998 to £18.9 million for the year ended 30 November 2003 and reported a profit before taxation and exceptional items of £2.3 million for the year ended 30 November 2003.

2. BUSINESS

Michelmersh is the holding company of five subsidiary companies, four of which manufacture clay bricks and paviors. The other subsidiary company, New Acres, operates a landfill site at Telford.

Brickworks

Blockleys

Blockleys was acquired by the Company from Ennstone PLC in February 2000. Blockleys operates from two factories on a 100 acre site at Trench Lock, Telford, Shropshire. Both factories are of relatively new construction, being less than twenty years old, and offer significant manufacturing flexibility. One factory is focussed on wire-cut bricks and clay paviors and the other on manufacturing simulated handmade stock bricks with an alternative capacity to make wire-cut bricks. Blockleys manufactures a niche range of clay bricks and paviors used in both prestige housing contracts and public projects.

In February 2000, Blockleys was producing approximately 35 million bricks per annum and had one years' stocks. After twelve months under Group ownership a second shift enabled production to be lifted to the current level of 50 million bricks per annum. Since the acquisition of Blockleys, the Group has invested approximately £3.8 million in the production facilities, overhauling the existing kilns, installing scrubbers to reduce hydrogen fluoride emissions and constructing a sand drying and handling plant. In addition, the Group constructed a new factory with the ability to produce special shaped paviors, which are important for brick paving contracts.

Blockleys also introduced new ranges of bricks, including the “Kingsclere” stock brick, of which approximately three million were sold in the year to 30 November 2003 and a blue brick, which is often required for brick paving contracts. Blockleys has an established reputation for the manufacture of clay paviors and accessories, which are exported to several countries worldwide. Blockleys is currently experiencing demand for its products such that sales are now limited by production capacity. A new £3 million extension to the existing manufacturing facilities is currently being undertaken, which is expected to be commissioned in November 2004 and will increase Blockleys’ production capacity to approximately 60 million bricks per annum.

Michelmersh Brick & Tile

The Directors believe that Michelmersh Brick & Tile is regarded as a premier producer of quality stock bricks. The brickworks manufactures its “Hampshire Stock” brick by both machine and handmade methods in a range of colours. In addition, the brickworks also manufactures a range of handmade clay roof tiles in three shades.

At the time of acquisition, the brickworks had suffered from decades of under investment and an inefficient and outdated production process. Since 1997, the Group has invested approximately £5 million in both handmade production and upgrades to the machine brickmaking processes. Michelmersh has installed a five speed mould making machine, auto-handling equipment, new dryers and kilns, which have accelerated and increased the efficiency of the manufacturing process. A mains gas pipeline into the brickworks has also been installed in 2004 and a new manufacturing facility for clay roof tiles is currently being commissioned.

The combined effect of the recent investment in the brickworks, will lower production costs and increase capacity to approximately 15 million bricks per annum.

Michelmersh Brick & Tile’s bricks are primarily supplied to prestige housebuilders for projects located in Berkshire, London suburbs, Oxfordshire, Wiltshire and Dorset as well as larger public projects.

Charnwood

Charnwood is respected within the industry and the architectural profession as a producer of quality handmade bricks.

The Group has made significant investment in the production process since the acquisition of the Charnwood business in 1999 to ensure that enough bricks are manufactured and that the kilns are kept working at full capacity Further expansion of the brickworks is currently in progress to increase the capacity of the brickworks from approximately 3.5 million bricks per annum to some 5 million bricks per annum.

Charnwood has the ability to design and manufacture bricks to exacting standards for specification building projects and its bricks are consistently used in building projects such as the British Library, Paternoster Square and other prestige London building projects. Charnwood has also recently expanded its range to produce a new “University Buff” brick to replace a discontinued brick widely used in buildings in towns such as Cambridge and Peterborough.

Duntons

The Duntons business was established some 60 years ago and since 1952 has produced handmade bricks at the present site at Ley Hill, Chesham. Michelmersh acquired the business in 1997 when production was some 2 million bricks per annum. Production has been increased to a maximum level of nearly 5 million bricks per annum, of which approximately 25 per cent. are handmade bricks and 75 per cent. are machine made bricks.

A significant proportion of the demand for Duntons' bricks is provided by the local market as a result of demand for bricks required to complete work in conservation areas and on listed buildings. Historically there were over 100 small brickworks across the Chilterns, producing a diverse range of brick colours. Only three such brickworks remain. By careful firing and clay selection, Duntons is able to match most of the colours required to satisfy demand from building projects in the local market. The brickworks also supplies a number of special building projects such as the High Wycombe Guild Hall.

Also located at the site is Taperell Taylor, a division of Duntons which specialises in the supply of cut brick arches and special shaped bricks, which are frequently required on major projects.

Landfill operations

New Acres operates a landfill site on part of the Blockleys existing 100 acre site in the voids left by clay excavation. The existing void space is approximately 4 million cubic metres and approximately 170,000 tonnes of inert waste is deposited per annum, giving the site a life of approximately 30 years.

Charnwood also benefits from a waste management licence, although no external waste is currently being accepted. On completion of the clay extraction the Directors estimate that there will be approximately 120,000 cubic metres of void space available for landfill.

The Directors estimate that Duntons will have an estimated 650,000 cubic metres of void space available for landfill of industrial, commercial and household waste after completion of clay extraction. While Duntons currently holds a waste management licence, no landfill is currently being undertaken at this site.

Property assets

The Group owns significant freehold property assets. Blockleys has received approval in outline from the local planning authority for the redevelopment of 59 acres, for a phased residential redevelopment scheme. There are some enabling works which would need to be undertaken prior to redevelopment but the Directors anticipate the release of 15 acres of the plan over the next six years.

A further 44 acres of land will be released in a phased process on completion of the extraction of the clay reserves. No account of the potential value of any of this land has been taken into account in the asset value of the Group.

The Group has in addition let surplus accommodation. Further details are set out in paragraph 9 of Part IV of this document.

Clay reserves

Michelmersh Brick & Tile currently has extraction rights over reserves of approximately 88,000 tonnes which, at the maximum rate of allowed extraction of 25,000 tonnes per annum, are expected to last for a further 3.5 years. The company has identified further potential reserves within its ownership of approximately 108,000 tonnes. Other reserves of approximately 180,000 tonnes are identified for potential extraction in the Hampshire County Council Minerals Local Plan.

Blockleys has 28 years of clay reserves at current clay extraction rates of 150,000 tonnes per annum.

Charnwood has estimated clay reserves of 319,000 tonnes which, at the current extraction rate of approximately 10,000 tonnes per annum, will last for a further 32 years.

Duntons' clay is currently extracted from two claypits located within its 17 acre site and the Directors believe that the clay reserves are adequate for their current requirements.

Sales and marketing

The Group has a highly experienced national sales force which has access to and the ability to sell and promote the Group's entire product range. The Group provides a total service commitment from inception to completion of a customer's order. The Group ensures that its sales team has the experience to advise its customers on a wide range of issues involved in the supply of its products.

The Group sells its products through builders merchants and through specialist brokers (known as factors). For the year ended 30 November 2003, the Group's top ten customers accounted for 45.2 per cent. of total Group sales with no customer accounting for more than ten per cent. of sales.

Investment

As stated above the Group has invested in excess of £9 million in the modernisation of its plant and processes since 1997.

The Group is continuing with this investment, with works currently being carried out at Michelmersh Brick & Tile to improve the manufacturing efficiency and capacity by installing a new gas mains supply and extension to its clay roof tile manufacturing facilities, which is currently being commissioned. At Charnwood a new factory is being constructed to increase production capacity from 3.5 million to approximately 5 million bricks per annum. Further investment of approximately £3 million is currently being undertaken at Blockleys, which will increase output to approximately 60 million bricks per annum and is expected to be completed by November 2004. On completion of these works, the Group will have a total production capacity of approximately 85 million bricks per annum.

3. INFORMATION ON THE BRICK MARKET

There has been significant recent consolidation in the UK brick sector including the acquisition of Ibstock Group Limited by CRH Plc in 1998 and the merger of the venture capital backed businesses of Ambion Brick Limited and Chelwood Brick Limited into The Brick Business Limited in January 2002. According to published statistics brick production in the UK is currently approximately 2.63 billion bricks per annum of which approximately 85 per cent. is manufactured by four main groups: Hanson Plc, Ibstock Group Limited (part of CRH Plc), The Brick Business Limited and Baggeridge Brick Plc.

Sales and distribution of bricks is generally through builders merchants or specialist brick factors, although some of the larger house builders tend to buy directly from one or more of the large manufacturers. Consequently, the four large producers are focussed on the volume house builder market and supplying the major merchant chains.

A significant segment of the market requires bricks for quality specification projects, conservation sites, extensions and matching up.These can be serviced by a smaller brick manufacturer, or by brick factors whose experienced sales forces have specialised knowledge. It is not unusual for the brick factor and brick manufacturer to work together to meet the specific requirements of the architect and his client.

4. FUTURE PROSPECTS AND CURRENT TRADING

Future Prospects

The Board anticipates that further development of its existing markets will continue to be the cornerstone of the Group's business. The Directors believe that the Group is well placed to benefit further from the recent trends in the industry as outlined below:

- with supply and demand for bricks in balance and brick stocks at their lowest levels for a number of years (due to falling manufacturing capacity in the UK and growth in demand, as noted below) there is now a possibility to achieve some price increases,
- demand has continued from housebuilders, with housing starts in England up 6 per cent. in the year ended 31 December 2003 and housing completions increased in the year ended 31 December 2003 over the prior year in England by 4 per cent.. The Directors believe that, as evidenced by the Barker Report, which indicated that there is a need for the annual building rate to increase from 180,000 dwelling units to over 300,000 dwelling units, there continues to be demand for new homes in the UK, with the associated benefit for brick manufacturers.

The Group's current committed capital expenditure will increase its production capacity to approximately 85 million bricks per annum. As a result of this increased capacity, the Group will be able to improve its product mix by increasing manufacture and sales of higher margin products such as clay roof tiles and paviors. The Board intends to continue its programme of investment to provide further manufacturing efficiencies and increased capacity as demand for the Group's products is constrained by current output.

The Directors have identified further opportunities to develop the Group's business through the introduction of new brick and pavior product ranges, which are anticipated to be released later in 2004.

The Directors also believe that there are a number of consolidation opportunities in the specification and handmade brick sector. As such, the Directors will consider, as part of the Group's overall strategy, acquisitions of businesses complimentary to its own.

Current Trading

Trading in the first five months of the current financial year has been in line with the Directors' expectations.

Each of the Group companies has seen the level of orders continue to increase since the start of the year with production capacity currently 5 per cent. higher than at the same time last year across the Group.

With the anticipated increase in production capacity and production efficiency as a result of the capital investment at Michelmersh Brick & Tile, Blockleys and Charnwood and the positive trading environment, the Board is confident of the future trading performance of the Group.

5. REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will strengthen the Group's balance sheet by enabling the repayment to Eric Gadsden of an existing interest free loan of some £3.8 million made over the last five years. In addition the Placing will enhance the working capital available to the Group to achieve the following business objectives:

- to exploit unsatisfied demand in the Group's markets through selective acquisition of existing brickworks; and
- to fund further capital investment in order to increase production capacity and improve manufacturing efficiencies.

The Group also relies on an experienced management team and skilled workforce, many of whom have worked with their respective Group company for a number of years and in some instances for the whole of their working life. The Group has built up a valuable skills base and the Directors believe that Admission will help the Group attract and retain key employees whom the Group will be able to incentivise through the grant of share options under one or more of the Share Schemes.

6. DIRECTORS

The Board currently consists of four directors, whose brief biographies are set out below. Details of the service contracts of the Directors are set out in paragraph 5 of Part IV of this document. Further details of the Directors' directorships, both current and in the past five years, are set out in paragraph 6 of Part IV of this document.

Eric Gadsden, aged 59, Executive 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. He was also a non-executive director of Edmond Holdings plc and remains a non-executive director Newport Holdings Limited (formerly Newport Holdings plc).

Martin Warner MSc, F.R.I.C.S., aged 50, Managing Director

Martin Warner joined Dunton Group plc in 1989 and was appointed chief executive in 1990. In 1997 he left Dunton Group plc to form Michelmersh with Eric Gadsden. Prior to joining Dunton Group plc Martin was the senior partner of Chiltern Estates, which he sold to Prudential Property Services Limited in 1987. Martin is a Fellow of the Royal Institution of Chartered Surveyors.

Craig Robinson FCCA, aged 41, Finance Director

A Fellow of the Chartered Association of Certified Accountants, Craig Robinson spent eight years working in practice before moving into the construction industry in the early 1990's. In 1998 he joined Morgan Sindall plc and was appointed finance director of their Midlands based subsidiary Wheatley Construction

Ltd. He was then appointed finance manager of Bluestone plc, again within the Morgan Sindall group, before leaving to join Michelmersh in April 2002.

Bob Carlton-Porter, aged 59, Non-executive Director

An Associate of the Chartered Institute of Bankers and a Fellow of the Association of Corporate Treasurers, Bob Carlton-Porter is an international industrialist with over 30 years experience as a financial and commercial director. He was previously group finance director of English China Clays plc, and a director of Aram Resources plc and remains chairman and chief executive of Newport Holdings Limited (formerly Newport Holdings plc). He is currently the chairman of ROK property solutions plc and a director of several unlisted companies.

7. KEY MANAGEMENT AND EMPLOYEES

The Directors have established an operating board, which undertakes the day-to-day management and commercial development of the Group's subsidiary operations. In addition to Martin Warner and Craig Robinson the operating board comprises:

David Roberts, aged 56, General Manager, Blockleys

David Roberts joined Blockleys in 1987 and has 23 years experience in the construction industry. He has overall responsibility for the day-to-day trading and production output of Blockleys and is supported by two production managers.

Christopher P Belcher, aged 51, General Manager, Michelmersh Brick & Tile

Chris Belcher joined Michelmersh in 2000. Chris has overall responsibility for the day-to-day trading and production output of Michelmersh Brick & Tile. Prior to joining Michelmersh, Chris worked for Hepworth Building Products Limited.

Geoffrey Mitchell, aged 64, Production Manager, Charnwood and Duntons

Geoff Mitchell joined Charnwood in 1987. He has overall responsibility for the manufacturing facilities at Charnwood and Duntons. Prior to joining Michelmersh, Geoff worked for Hepworth Building Products Limited.

8. FINANCIAL INFORMATION

The following information has been extracted from the Accountants' Report contained in Part II and should be read in conjunction with the full text of this document. Investors should not rely solely on the key summarised information.

	Year ended 30 November		
	2001	*2002*	*2003*
	£'000	*£'000*	*£'000*
Turnover	15,518	16,666	18,871
Operating profit	1,657	1,743	4,376*
Profit before taxation	1,099	1,178	3,841*

*after exceptional negative goodwill write back of £1.573 million.

As at 30 November 2003, Michelmersh had net assets of £26.3 million.

Further financial information on Michelmersh is provided in Part II of this document.

9. THE PLACING

The Company is proposing to raise approximately £4.64 million (net of expenses) by issuing 9,250,000 Placing Shares at the Placing Price. The Placing Shares will represent approximately 24.3 per cent. of the Enlarged Issued Share Capital.

Pursuant to its obligations under the Placing Agreement, Charles Stanley has conditionally placed the Placing Shares at the Placing Price with institutional and other investors. The Placing has not been underwritten by Charles Stanley or any other person.

The Placing Agreement is conditional, *inter alia*, upon Admission having taken place by not later than 8.00 a.m. on 26 May 2004 or such later time and date, being not later than 8.00 a.m. on 9 June 2004, as the Company and Charles Stanley may agree. The Placing Agreement contains provisions entitling Charles Stanley to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised the Placing will lapse. Further details of the Placing Agreement are set out in paragraph 7 of Part IV of this document.

The Placing Shares will rank *pari passu* with the Ordinary Shares in all respects including the right to receive all dividends declared or paid (after the date of allotment of the Placing Shares) on the ordinary share capital of the Company.

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 26 May 2004.

Application has been made for all of the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place in CREST. It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for or acquiring them and issued or transferred either:

(a) in certificated form, where the placee so elects, with the relevant share certificate expected to be despatched by post, at the placee's risk, by 2 June 2004; or

(b) in CREST, where the placee so elects and only if the placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for or purchased expected to take place on 26 May 2004.

Pending despatch of definitive share certificates, the registrars will certify instruments of transfer against the register. No temporary documents of title will be issued.

10. BANK FACILITIES

The Group's bank facilities comprise a term loan and a £7 million overdraft facility. As at 30 November 2003, the outstanding amounts were £2.8 million on the term loan and £6.2 million on the overdraft facility. The term loan is repayable in monthly instalments and is due to be repaid in full by April 2009. Interest is payable on the term loan and the overdraft at 1.5 per cent. above the bank's base rate.

11. LOCK-IN ARRANGEMENTS

Immediately following Admission, the Directors will be interested, in aggregate, in 28,767,856 Ordinary Shares, representing approximately 75.7 per cent. of the Enlarged Issued Share Capital. Under the terms of the lock-in arrangements contained in the Placing Agreement the Directors have undertaken that, subject to certain exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their respective interests in the Ordinary Shares held immediately following Admission at any time until the first anniversary of Admission, and, at any time prior to the second anniversary of Admission, without the consent of Charles Stanley, while Charles Stanley remains the Company's nominated adviser and broker.

12. DIVIDEND POLICY

The Board intends to adopt a dividend policy appropriate to the Group's financial performance. This will take into account its ability to operate and expand and the need to retain a prudent level of cash resources.

13. SHARE SCHEMES AND MANAGEMENT INCENTIVE ARRANGEMENTS

As noted above the Group relies upon an expert management team and skilled workforce. The Board believes that the retention of employees will be a key driver to the success of the Group going forward. Consequently, the Company has adopted the CSOP and the SAYE Scheme in each case conditionally upon Admission and Inland Revenue approval. Details of the Share Schemes are set out in paragraph 8 of Part IV of this document.

14. CORPORATE GOVERNANCE

The Board intends that, so far as practical and to the extent appropriate with regard to the size of the Company and the constitution of the Board, it will comply with the principles of good governance and the recommendations of best practice as set out in the Combined Code prepared by the Committee on Corporate Governance and which is appended to the Listing Rules of the UK Listing Authority, as amended from time to time.

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, acquisitions, capital expenditure and senior personnel appointments. The executive Directors and senior management meet regularly to consider operational matters.

Audit and remuneration committees, comprised in each case of Eric Gadsden and Bob Carlton-Porter and, respectively, Craig Robinson and Martin Warner, have been established with effect from Admission. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored and reported on, and for meeting the auditors and reviewing their reports relating to accounts and internal controls. The remuneration committee will review the performance of executive directors and set the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of shareholders. The remuneration committee will also determine the payment of bonuses to executive directors and the allocation of share options to employees.

The Board has adopted a code of directors' dealings in Ordinary Shares which follows the Model Code for Directors' Dealings as set out in the Listing Rules of the UK Listing Authority and will take all reasonable steps to ensure compliance by the Board and any relevant employees with such code.

15. TAXATION

Your attention is drawn to the taxation information set out in paragraph 13 of Part IV of this document.

PART II

ACCOUNTANTS' REPORT ON MICHELMERSH

SOLOMON HARE
CHARTERED ACCOUNTANTS

Oakfield House, Oakfield Grove, Clifton, Bristol, BS8 2BN

The Directors
Michelmersh Brick Holdings PLC
Berkhamsted House
121 High Street
Berkhamsted
Herts
HP4 2DJ

and

The Directors
Charles Stanley and Co. Limited
25 Luke Street
LONDON
EC2A 4AR

● May 2004

Dear Sirs

MICHELMERSH BRICK HOLDINGS PLC ("Michelmersh")

We report on the financial information set out below which has been prepared for inclusion in the prospectus dated today (the "Prospectus") of Michelmersh.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of Michelmersh and its subsidiaries ("the Group") for the three financial years ended 30 November 2003 to which no adjustments were considered necessary.

The Group's financial statements were audited by us throughout the period under review and we reported without qualification in respect of each financial year, except that certain information about retirement benefits was omitted from the Group's financial statements for the year ended 30 November 2002 and our opinion for that year was qualified because of this. The following year, as the scheme in question was closer to being wound up, we were able to gain comfort that the level of disclosure in respect of retirement benefits was adequate and our opinion for that year was unqualified.

Responsibility

The Group's financial statements are the responsibility of the directors who approved their issue.

The directors of Michelmersh are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its profit and cash flows for the years then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

			Year ended 30 November	
		2001	*2002*	*2003*
	Notes	*£'000*	*£'000*	*£'000*
Turnover	1	15,518	16,666	18,871
Cost of sales – normal		(11,709)	(11,762)	(13,000)
Cost of sales – exceptional		(240)	–	–
Gross profit		3,569	4,904	5,871
Administrative expenses – normal		(2,248)	(3,169)	(3,132)
Administrative expenses – exceptional	4	–	–	1,573
Amounts written off group debt	2	273	–	–
Other operating income	3	63	8	64
Operating profit	4	1,657	1,743	4,376
Interest payable and similar charges	7	(558)	(565)	(535)
Profit on ordinary activities before taxation		1,099	1,178	3,841
Tax on profit on ordinary activities	8	(30)	(215)	(490)
Profit on ordinary activities after taxation		1,069	963	3,351
Dividends (non-equity)	9	(60)	(60)	(60)
Profit for the financial year		1,009	903	3,291

All of the above amounts relate to continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		Year ended 30 November	
	2001	*2002*	*2003*
	£'000	*£'000*	*£'000*
Profit for the financial year	1,009	903	3,291
Unrealised profit on revaluation of freehold property	5,406	–	9,793
Total recognised gains and losses for the year	6,415	903	13,084

CONSOLIDATED BALANCE SHEETS

	Notes	As at 30 November 2001 £'000	2002 £'000	2003 £'000
Fixed assets				
Intangible assets – positive goodwill	10	170	128	86
Intangible asset – negative goodwill	10	(3,145)	(2,359)	–
		(2,975)	(2,231)	86
Tangible assets	11	23,052	24,217	34,908
Investments	12	–	–	–
		20,077	21,986	34,994
Current assets				
Stock	13	3,601	4,325	4,321
Debtors	14	3,128	3,720	4,042
Cash at bank and in hand		6	46	11
		6,735	8,091	8,374
Creditors: amounts falling due within one year	15	(7,961)	(9,473)	(9,465)
Net current liabilities		(1,226)	(1,382)	(1,091)
Total assets less current liabilities		18,851	20,604	33,903
Creditors: amounts falling due after more than one year	16	(10,681)	(6,756)	(6,421)
Provisions for liabilities and charges				
Deferred taxation	19	(504)	(719)	(1,209)
Net assets		7,666	13,129	26,273
Capital and reserves				
Called up share capital	24	1,650	6,150	6,150
Revaluation reserve	25	5,406	5,406	15,199
Profit and loss account	26	610	1,573	4,924
Total shareholders' funds	27	7,666	13,129	26,273
Equity shareholders' funds		6,796	12,199	25,283
Non equity shareholders' funds		870	930	990

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	2001 £'000	2002 £'000	2003 £'000
		Year ended 30 November		
Net cash inflow from operating activities (see below)		1,781	818	3,389
Returns on investments and servicing of finance				
Interest paid		(558)	(565)	(497)
Net cash outflow from returns on investments and servicing of finance		(558)	(565)	(497)
Taxation		(2)	–	–
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(3,475)	(2,435)	(1,903)
Sale of tangible fixed assets		11	1	6
		(3,464)	(2,434)	(1,897)
Net cash (outflow)/inflow before financing		(2,243)	(2,181)	995
Financing				
Capital element of hire purchase payments		(43)	(20)	(8)
Increase in long term loan		–	1,000	–
Repayment of bank loan		(298)	(350)	(363)
Net cash inflow/(outflow) from financing		(341)	630	(371)
(Decrease)/increase in cash in the period	28	(2,584)	(1,551)	624

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £'000	2002 £'000	2003 £'000
Operating profit	1,657	1,743	4,376
Depreciation of tangible fixed assets	1,134	1,269	1,028
Amortisation of intangible fixed assets	(744)	(744)	(2,317)
(Increase)/decrease in stocks	(733)	(724)	4
Decrease/(increase) in debtors	318	(592)	(322)
Increase/(decrease) in creditors	149	(134)	624
Profit on sale of tangible fixed assets	–	–	(4)
Net cash inflow from operating activities	1,781	818	3,389

ACCOUNTING POLICIES

Basis of accounting

The financial information has been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies, which have been consistently applied, is set out below.

The financial information has been prepared in accordance with the historical cost convention, modified to include the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial information incorporates the accounts of Michelmersh and each of its subsidiaries for the years ended 30 November 2001, 2002 and 2003 using the acquisition method of accounting, and excludes all intra-group transactions.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of value added tax and intra-group sales.

Goodwill

Purchased goodwill, representing the difference between the fair values of the consideration and the underlying assets and liabilities acquired, is capitalised and depreciated on a straight-line basis over its useful economic life. The Directors believe that an appropriate period of amortisation that releases the goodwill over its estimated economic life is 6 years. A full year's amortisation is charged in the year of acquisition. The carrying value is reviewed for impairment if events or changes in circumstances indicate it may not be appropriate.

During 2003 the Directors reviewed the estimated economic life of the negative goodwill and as a result the remaining £1,573,000 of negative goodwill at 30 November 2003 was released to the profit and loss account.

Investments

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

Tangible fixed assets

The cost of fixed assets is their purchase cost together with any incidental cost of acquisition.

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

Plant and machinery	3% – 25% straight line
Motor vehicles	25% straight line
Fixtures and fittings	20% – 25% straight line
Equipment	3% – 25% straight line

During the year ended 30 November 2003 the Directors reviewed the useful economic life of certain items of plant and machinery and as a result the depreciation charge for that year was reduced by £257,000.

Site development costs plus the discounted cost of any estimated final site restoration costs are capitalised. These costs are written off over the operational life of the site based on the amount of void space consumed. Assets in the course of construction are not depreciated until available for use within the business.

Freehold property is included in fixed assets at its latest valuation plus subsequent additions at cost, and surpluses and deficits on valuation are included in the revaluation reserve.

Freehold property is not depreciated where the estimated residual value is not materially different from the carrying value of the property. Annual impairment reviews are carried out on the freehold property. Should impairment in value occur, full provision is made.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for slow moving items. Cost is calculated on the basis of direct cost plus attributable overheads based on a normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis, where this is not materially different to the sum of digits basis.

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. The deferred taxation balance has not been discounted. 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 tax rates and laws enacted or substantially enacted at the balance sheet date.

The above policy was first adopted in the year ended 30 November 2002 in accordance with Financial Reporting Standard 19 ‘Deferred Tax’. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. There was no effect on the results in the year ended 30 November 2002 or the prior year as a result of this change in policy.

Pension costs

A subsidiary of the Group operated a defined benefit pension scheme under which retirement benefits for employees were funded by contributions from the subsidiary and employees as described in note 18. The Group accounts for pension costs in accordance with Statement of Standard Accounting Practice (‘SSAP’) 24 ‘Accounting for pension costs’. This scheme was operated until 30 November 2000 and is now in the process of being wound up.

Individual subsidiary companies operate defined contribution pension schemes for employees. The assets of the scheme are held separately from those of the companies. Contributions are charged to the profit and loss account in the year in which they are incurred.

NOTES TO THE FINANCIAL INFORMATION

1. Turnover

Turnover and profit before tax are attributable to the principal activity of the Group being the manufacture of bricks and the operation of a landfill site. A geographical analysis of turnover is given below:

	2001	*2002*	*2003*
	£'000	*£'000*	*£'000*
United Kingdom	14,917	16,268	18,318
Europe	601	398	553
	15,518	16,666	18,871

The Directors consider that the landfill operations conducted by the Group are not material to the Group and they are therefore not separately disclosed.

2. Amounts written off Group debt

	2001	*2002*	*2003*
	£'000	*£'000*	*£'000*
Write back of Group company balances	273	–	–

During the year ended 30 November 2001 Dunton Brothers Limited, a subsidiary company, wrote off balances totalling £273,000 owing to its two subsidiary companies, Meadhams Limited and Regardgrasp Limited, amounting to £249,000 and £24,000 respectively. These companies were excluded from the consolidated accounts on the grounds that they were both dormant during 2001. Both of these companies were struck off at Companies House during the year ended 30 November 2002.

3. Other operating income

	2001	*2002*	*2003*
	£'000	*£'000*	*£'000*
Rent receivable	63	8	64

4. Operating profit

	2001	*2002*	*2003*
	£'000	*£'000*	*£'000*
Operating profit is stated after charging:			
Amortisation – normal	(744)	(744)	(744)
Amortisation – exceptional	–	–	(1,573)
Depreciation	1,134	1,269	1,028
Auditors' remuneration – audit services	26	15	20
– other	28	8	8
Profit on disposal of fixed assets	–	–	4
Operating lease costs:			
– Plant and machinery	30	35	94
– Motor vehicles	41	47	45

The exceptional credit of £1,573,000 represents the release of the remaining negative goodwill as at 30 November 2003 as detailed in Note 10.

5. Particulars of employees

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

	2001 *No.*	*2002* *No.*	*2003* *No.*
Manufacture and supply of bricks	250	250	250
Administration	48	50	51
	298	300	301

The aggregate payroll costs of the above were:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Wages and salaries	5,650	6,172	6,460
Social security costs	527	554	607
Other pension costs	161	179	204
	6,338	6,905	7,271

6. Directors' emoluments

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Aggregate emoluments	54	69	89

There were no pension costs in respect of directors during 2001, 2002 or 2003.

7. Interest payable and similar charges

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Bank interest payable	554	564	497
Interest on other loans	–	–	38
Finance charges	4	1	–
	558	565	535

8. Tax on ordinary activities

The Group adopted Financial Reporting Standard No. 19 'Deferred Tax' in the year ended 30 November 2002.

(a) Charge for the year

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Current tax			
Corporation tax based on the results for the period	–	–	–
Adjustment to provision in previous years	–	–	–
Total current tax	–	–	–
Deferred tax			
Origination and reversal of timing differences	30	215	490
Tax on profit on ordinary activities	30	215	490

(b) Factors affecting the tax charge

The tax assessed is lower than the standard rate of corporation tax in the UK (30 per cent.).

The differences are explained below:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Profit before tax	1,099	1,178	3,841
Tax on profit before tax at standard UK corporation tax rate of 30 per cent.	330	353	1,152
Effects of:			
Income not taxable	(318)	(234)	(695)
Expenses disallowed	30	10	17
Capital allowances in excess of depreciation	200	240	101
Tax losses utilised	(253)	(358)	(549)
Provision movement	11	(11)	(26)
Current tax	–	–	–

(c) Factors affecting future tax charges

As at 30 November 2003 the Group had tax losses carried forward of approximately £738,000 (2002 – £2,531,000; 2001 – £3,759,000).

9. Dividends (non-equity)

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Dividends on non-equity shares	60	60	60

10. Intangible fixed assets

	Positive goodwill *£'000*	*Negative goodwill* *£'000*	*Total goodwill* *£'000*
Cost			
At 1 December 2000, 30 November 2001, 30 November 2002 and 30 November 2003	254	(4,717)	(4,463)
Amortisation			
At 1 December 2000	(42)	786	744
(Charge)/credit for the year	(42)	786	744
At 30 November 2001	(84)	1,572	1,488
(Charge)/credit for the year	(42)	786	744
At 30 November 2002	(126)	2,358	2,232
(Charge)/credit for the year	(42)	2,359	2,317
At 30 November 2003	(168)	4,717	4,549
Net Book Value			
At 30 November 2003	86	–	86
At 30 November 2002	128	(2,359)	(2,231)
At 30 November 2001	170	(3,145)	(2,975)

The Directors reviewed the carrying value of the negative goodwill as at 30 November 2003 and decided that, due to the trade relating to the goodwill being fully integrated into the Group's activities, the remaining balance should be fully written back at the year end resulting in an additional credit to the profit and loss account of £1,573,000.

11. Tangible fixed assets

	Freehold property £'000	Assets in the course of con-struction £'000	Site develop-ment £'000	Motor vehicles £'000	Plant & machinery £'000	Equipment £'000	Fixtures & fittings £'000	Total £'000
Cost or valuation								
At 1 December 2000	4,073	222	29	137	18,346	456	140	23,403
Additions	24	2,467	–	–	907	61	16	3,475
Disposals	–	–	–	(15)	(36)	–	–	(51)
Revaluation	5,406	–	–	–	–	–	–	5,406
Transfers	–	(163)	–	–	163	–	–	–
At 30 November 2001	9,503	2,526	29	122	19,380	517	156	32,233
Additions	18	1,218	–	–	1,190	6	3	2,435
Disposals	–	–	–	–	–	(1)	–	(1)
Transfers	2,526	(2,526)	–	–	–	–	–	–
At 30 November 2002	12,047	1,218	29	122	20,570	522	159	34,667
Additions	30	–	–	12	1,840	36	10	1,928
Disposals	–	–	–	(23)	–	–	–	(23)
Revaluation	9,793	–	–	–	–	–	–	9,793
Transfers	–	(1,218)	–	–	1,218	–	–	–
At 30 November 2003	21,870	–	29	111	23,628	558	169	46,365
Depreciation								
At 1 December 2000	–	–	29	62	7,606	333	57	8,087
Charge for the year	–	–	–	32	1,031	45	26	1,134
Disposals	–	–	–	(10)	(30)	–	–	(40)
At 30 November 2001	–	–	29	84	8,607	378	83	9,181
Charge for the year	–	–	–	35	1,171	38	25	1,269
Disposals	–	–	–	–	–	–	–	–
At 30 November 2002	–	–	29	119	9,778	416	108	10,450
Charge for the year	–	–	–	13	956	35	24	1,028
Disposals	–	–	–	(21)	–	–	–	(21)
At 30 November 2003	–	–	29	111	10,734	451	132	11,457
Net book value								
At 30 November 2003	21,870	–	–	–	12,894	107	37	34,908
At 30 November 2002	12,047	1,218	–	3	10,792	106	51	24,217
At 30 November 2001	9,503	2,526	–	38	10,773	139	73	23,052

The Group's freehold property was revalued by the Directors on 30 November 2003, based on a valuation carried out by Carter Jonas LLP, Chartered Surveyors, on a depreciated replacement cost basis for brickwork properties, and an existing use value for land used for mineral extraction or waste disposal. Other property has been valued at open market value. These valuations incorporate certain assumptions in relation to the future use of the property and the estimated useful economic life relating to clay extraction and landfill facilities. The freehold properties were valued at £21,870,000, resulting in an increase in the revaluation reserve of £9,793,000. The Directors previously revalued the Group's freehold property on 30 November 2001.

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

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Cost	4,097	6,641	6,671
Accumulated depreciation	–	–	–
Historical cost net book value	4,097	6,641	6,671

All other tangible assets are stated at historical cost.

Hire purchase agreements

The net book value of tangible fixed assets includes an amount of £23,000 (2002: £5,000; 2001: £25,000) in respect of assets held under hire purchase agreements. The depreciation charged in the accounts in 2003 in respect of such interests amounted to £2,000 (2002: £4,000; 2001: £28,000).

Capital commitments

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Contracted but not provided for in the accounts	466	208	618

12. Fixed asset investments – unlisted

The Company's investment in the ordinary share capital of unlisted investments at 30 November 2003 included the following:

Company	*Country of Incorporation*	*Class of shares held*	*Percentage holding*	*Nature of Business*
Dunton Brothers Limited	England	Ordinary	100	Manufacture of bricks
Michelmersh Brick & Tile Company Limited	England	Ordinary	100	Manufacture of bricks
Blockleys Brick Limited	England	Ordinary	100	Manufacture of bricks
New Acres Limited	England	Ordinary	100	Landfill operations
Charnwood Forest Brick Limited	England	Ordinary	100	Manufacture of bricks

13. Stocks

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Raw materials	838	1,024	964
Work in progress	255	195	265
Finished goods	2,508	3,106	3,092
	3,601	4,325	4,321

14. Debtors – amounts falling due within one year

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Trade debtors	2,962	3,460	3,809
Other debtors	–	36	17
Prepayments and accrued income	166	224	216
	3,128	3,720	4,042

15. Creditors: amounts falling due within one year

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Bank loans and overdrafts	5,575	7,240	6,602
Trade creditors	1,441	1,099	1,035
Other taxation and social security	472	660	637
Hire purchase agreements	20	1	7
Other creditors	58	47	13
Accruals and deferred income	395	426	1,171
	7,961	9,473	9,465

Included in creditors in 2003 is an amount of £23,000 (2002: £34,000; 2001: £11,000) relating to pension contributions not paid across to the scheme at the year end.

16. Creditors: amounts falling due after more than one year

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Bank loans	3,284	2,860	2,476
Other loans	70	70	108
Director's loan account	7,326	3,826	3,826
Hire purchase agreements	1	–	11
	10,681	6,756	6,421

17. Creditors – Capital instruments

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

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
In one year or less, or on demand	5,575	7,240	6,602
Between one and two years	287	341	362
Between two and five years	998	1,023	1,086
After five years	1,999	1,496	1,028
	8,859	10,100	9,078

Interest is charged on the bank loan at 1.5 per cent. above base rate per annum. The loan is repayable in monthly instalments. The bank loan is secured by the following charges:

A fixed and floating charge was created over all property and assets of the Group, both present and future, on 14 March 2000 in favour of Lloyds TSB Bank plc.

A mortgage charge dated 1 April 2000 was secured on property at Trench Lock, Telford, Shropshire. The fixed charge was over all buildings, fixtures and fixed plant and machinery. A floating charge was also created over all moveable plant, fixtures and equipment. All charges are in favour of Lloyds TSB Bank plc.

18. Pensions

Defined Contribution Scheme

The Group operates a defined contribution scheme for a number of 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 in 2003 amounted to £204,000 (2002: £179,000; 2001: £161,000).

Defined Benefit Scheme

The Company operated a defined benefit scheme until 30 November 2000, on which date the scheme was placed into wind-up.

As at 30 November 2003 the scheme was close to being fully wound up. Actuarial calculations show that the Company is unlikely to have a legal or constructive liability on wind up or to receive a refund of contributions from the scheme. Hence, no provision or asset has been included in the Group's accounts and no Financial Reporting Standard 17 'Retirement Benefits' disclosures are required for the scheme.

19. Deferred Taxation

The movements in the deferred taxation provision were:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Provision brought forward	474	504	719
Increase in provision	30	215	490
Provision carried forward	504	719	1,209

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

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Excess of taxation allowances over depreciation on fixed assets	1,693	1,301	1,314
Tax losses available	(1,147)	(582)	(97)
Other timing differences	(42)	–	(8)
	504	719	1,209

Amounts unprovided at each year end are as follows:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Excess of taxation allowances over depreciation on fixed assets	67	72	41
Tax losses available	(212)	(213)	(125)
Other timing differences	(11)	–	(7)
Revalued properties	1,519	1,519	4,364
	1,363	1,378	4,273

The balance of £4,364,000 (2002: £1,519,000; 2001: £1,519,000) relating to revalued properties represents the deferred capital gain on the revaluation of the freehold property. As it is the Directors' intention to keep the property for use in the business, the gain is unlikely to crystallise and therefore the deferred tax liability has not been recognised, in accordance with Financial Reporting Standard 19 'Deferred Tax'.

20. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Amounts payable within 1 year	20	1	7
Amounts payable between 1 and 2 years	1	–	11
	21	1	18

Obligations under hire purchase agreements are secured on the related asset.

21. Contingencies

Lloyds TSB Bank plc holds a cross guarantee between Michelmersh and its subsidiaries dated 12 January 1998. As at 30 November 2003 the total Group bank borrowings were £9,078,000 (2002: £10,100,000; 2001: £8,859,000).

22. Commitments under operating leases

Annual commitments under non-cancellable operating leases in respect of plant and machinery are as follows:

	2001 *£'000*	*2002* *£'000*	*2003* *£'000*
Operating leases which expire:			
Within one year	9	27	5
Within two to five years	41	95	133
	50	122	138

23. Related party transactions

The Group owed W E Black Limited, a company related by virtue of the common directorship of E J S Gadsden, the sum of £108,101 (2002: £70,101; 2001: £70,101). Interest amounting to £38,000 (2002: £nil) was charged on the loan in 2003. There is currently no repayment structure for this loan, but it is anticipated that the loan will be repaid in full following the admission of the Company's ordinary shares to trading on AIM.

As at 30 November 2003, the Group owed E J S Gadsden, a director, £3,826,000 (2002: £3,826,000; 2001: £7,326,000). The loan is interest free and there is no repayment structure, but it is anticipated that the loan will be repaid in full following the admission of the Company's ordinary shares to trading on AIM.

24. Share capital

	2001 £'000	2002 £'000	2003 £'000
Authorised share capital:			
6,000,000 ordinary shares of £1 each in 2002 and 2003 (2001: 1,250,000)	1,250	6,000	6,000
1,500,000 8% cumulative convertible preference shares of £1 each in 2002 and 2003 (2001: 750,000)	750	1,500	1,500
	2,000	7,500	7,500
Allotted, called up and fully paid:			
Ordinary shares	900	5,400	5,400
8% cumulative convertible preference shares	750	750	750
	1,650	6,150	6,150

A special resolution was passed on 28 November 2002, whereby the authorised share capital of the Company was increased to £7,500,000 divided into 6,000,000 Ordinary shares of £1 each and 1,500,000 Convertible Preference Shares of £1 each.

On 28 November 2002, Michelmersh issued 4,500,000 Ordinary £1 shares to E J S Gadsden at par.

Rights of shares

The preference shares can be converted at the option of the shareholder (see Note 30). The shares rank *pari passu* to the ordinary shares in all respects except for the winding up of the company or other repayments of capital. In this respect preference shareholders are entitled to repayment of their capital and repayment of their dividend due in priority to ordinary shareholders.

The preference shareholders are entitled to a fixed cumulative dividend of 8 per cent. payable in preference to the ordinary shareholders.

25. Revaluation reserve

	2001 £'000	2002 £'000	2003 £'000
Balance brought forward	–	5,406	5,406
Revaluation of freehold land and buildings	5,406	–	9,793
Balance carried forward	5,406	5,406	15,199

26. Profit and loss account

	2001 £'000	2002 £'000	2003 £'000
Balance brought forward	(459)	610	1,573
Profit for the year	1,009	903	3,291
Preference dividend – unpaid	60	60	60
Balance carried forward	610	1,573	4,924

27. Reconciliation of movement in shareholders' funds

	2001 £'000	2002 £'000	2003 £'000
Profit on ordinary activities after taxation	1,069	963	3,351
Dividends and appropriations	(60)	(60)	(60)
	1,009	903	3,291
Preference dividend unpaid	60	60	60
New share capital subscribed – ordinary shares	–	4,500	–
Unrealised surplus on revaluation	5,406	–	9,793
Net movement in shareholders' funds	6,475	5,463	13,144
Opening shareholders' funds	1,191	7,666	13,129
Closing shareholders' funds	7,666	13,129	26,273
Non equity shareholders' funds			
Opening non-equity shareholders' funds	810	870	930
Preference dividend	60	60	60
Closing non-equity shareholders' funds	870	930	990
Closing equity shareholders' funds	6,796	12,199	25,283

The non-equity shareholders' funds of £990,000 (2002: £930,000; 2001: £870,000) includes £240,000 (2002: £180,000; 2001: £120,000) fixed cumulative dividend. It represents the unpaid dividend on the 8 per cent. cumulative convertible preference shares in issue.

28. Reconciliation of net cash flow to movement in net debt

	2001 £'000	2002 £'000	2003 £'000
(Decrease)/increase in cash in the year	(2,584)	(1,551)	624
Non-cash changes	–	4,500	–
Net cash outflow from debt	298	(650)	363
Cash outflow from decreases in hire purchase agreement	43	20	8
Movement in net debt in the period	(2,243)	2,319	995
New hire purchase agreements	–	–	(25)
Net (debt)/funds at 1 December	(13,926)	(16,169)	(13,850)
Net funds/(debt) at 30 November	(16,169)	(13,850)	(12,880)

	Net bank overdraft £'000	Debts falling due within one year £'000	Debts falling due after one year £'000	Hire purchase liabilities £'000	Net cash/(debt) £'000
As at 1 December 2000	(2,718)	(317)	(10,827)	(64)	(13,926)
Cash flow	(2,584)	50	248	43	(2,243)
As at 30 November 2001	(5,302)	(267)	(10,579)	(21)	(16,169)
Non-cash changes	–	–	4,500	–	4,500
Cash flow	(1,551)	(74)	(576)	20	(2,181)
As at 30 November 2002	(6,853)	(341)	(6,655)	(1)	(13,850)
Non-cash changes	–	–	–	(25)	(25)
Cash flow	624	(21)	384	8	995
As at 30 November 2003	(6,229)	(362)	(6,271)	(18)	(12,880)

29. Ultimate controlling party

As at 30 November 2003 the ultimate controlling party of the Company was E J S Gadsden who is a director and the majority shareholder.

30. Post balance sheet events

On 19 May 2004 the holders of the convertible preference shares gave notice of conversion thereof conditional upon admission of the Company's ordinary shares to trading on AIM ("Admission"). In addition they also applied, conditional on Admission, for all arrears of dividend on such shares accrued to 30 November 2003 to be capitalised.

On 19 May 2004 the Company resolved conditionally upon Admission to increase its authorised share capital from £7,500,000 to £12,000,000 and to sub-divide each ordinary share of £1 each into 5 ordinary shares of 20 pence each.

Yours faithfully

SOLOMON HARE LLP

PART III

PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS OF THE GROUP

Set out below is an unaudited *pro forma* statement of consolidated net assets prepared to illustrate the effect on the Group of the Placing as if it had taken place as at 30 November 2003. It has been prepared, on the basis of the notes set out below, for illustrative purposes only. Because of its nature, this *pro forma* statement of consolidated net assets may not give a true picture of the position of the Group at any time.

	Net assets of the Group at 30 November 2003 *£'000*	*Adjustments* *£'000*	*Pro-forma Net Assets* *£'000*
Fixed assets			
Intangible assets	86	–	86
Tangible assets	34,908	–	34,908
	34,994		34,994
Current assets			
Stock	4,321	–	4,321
Debtors	4,042	–	4,042
Cash at bank and in hand	11	701	712
	8,374	701	9,075
Creditors: amounts falling due within one year	(9,465)	–	(9,465)
Net current assets/(liabilities)	(1,091)	701	(390)
Total assets less current liabilities	33,903	701	34,604
Creditors: amounts falling due after one year	(6,421)	3,934	(2,487)
Provision for liabilities and charges	(1,209)	–	(1,209)
Net assets	26,273	4,635	30,908

Notes:

1. The net assets of the Group have been extracted from the financial information set out in Part II of this document.
2. Adjustments have been made to reflect the proceeds of the Placing, net of related expenses of £0.54 million, being applied as follows:

	£'000
Increase in cash balance	4,635
Repayment of loans from related parties	3,934
Net proceeds of the Placing	701

3. No adjustments have been made to reflect the trading results of the Group since 30 November 2003, the date to which the last audited accounts were prepared.

SOLOMON HARE
CHARTERED ACCOUNTANTS

Oakfield House, Oakfield Grove, Clifton, Bristol, BS8 2BN

The Directors
Michelmersh Brick Holdings PLC
Berkhamsted House
121 High Street
Berkhamsted
Herts
HP4 2DJ

and

The Directors
Charles Stanley and Co. Limited
25 Luke Street
LONDON
EC2A 4AR

● May 2004

Dear Sirs

MICHELMERSH BRICK HOLDINGS PLC (the "Company")

Introduction

We report on the *pro forma* statement of net assets of the Company set out in Part III of the prospectus dated 21 May 2004 which has been prepared, for illustrative purposes only, to provide information about how the Placing and the settlement of certain other assets and liabilities of Michelmersh at 30 November 2003 might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of Michelmersh to prepare the *pro forma* statement of net assets of the Group. It is our responsibility to form an opinion on the *pro forma* statement of net assets of the Group and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 'Reporting on *pro forma* financial information pursuant to the Listing Rules' issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* statement of net assets of the Group with the directors of Michelmersh.

Opinion

In our opinion:

(a) the *pro forma* statement of net assets of the Group has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the issuer; and

(c) the adjustments are appropriate for the purposes of the *pro forma* statement of net assets of the Group.

Yours faithfully

SOLOMON HARE LLP

PART IV

ADDITIONAL INFORMATION

1. Incorporation and Status of the Company

(a) The Company was incorporated in England and Wales on 3 November 1997 under the name Michelmersh Brick Holdings PLC with registered number 03462378 as a public limited company under the Act. Accordingly, the liability of the members of the Company is limited. It was issued a certificate under section 117 of the Act on 17 November 1998.

(b) The Company is the holding company of the Group and has the following wholly owned subsidiaries:

(i) Blockleys Brick Limited which was incorporated in England and Wales on 2 August 1990 under the name Hackremco (No.616) Limited with registered number 02527552. On 21 November 1990, the company changed its name to Blockleys Brick Limited;

(ii) Charnwood Forest Brick Limited which was incorporated in England and Wales on 30 December 1998 under the name of Matterboard Limited with registered number 03690069. On 4 May 1999 the company changed its name to Charnwood Forest Brick Limited;

(iii) Dunton Brothers Limited which was incorporated in England and Wales on 20 August 1996 under the name of Regardgrasp Limited with registered number 03239979. On 19 November 1997 the company changed its name to Dunton Brothers Limited;

(iv) Michelmersh Brick & Tile Company Limited which was incorporated in England and Wales on 12 September 1997 under the name of Rockpoll Limited with registered number 03433257. On 4 December 1997 the company changed its name to Michelmersh Brick & Tile Company Limited; and

(v) New Acres Limited which was incorporated in England and Wales on 10 April 1991 under the name of Hackremco (No.677) Limited with registered number 02600118. On 7 June 1991, the company changed its name to New Acres Limited.

(c) The registered and head office of the business of the Company is at 121 High Street, Berkhamsted, Hertfordshire HP4 2DJ.

(d) Information on the Company's wholly owned subsidiary undertakings is listed below:

Name of subsidiary	*Registered address*	*Principal trading address*
Blockleys Brick Limited	Sommerfeld Road Trench Lock Telford Shropshire TF1 5RY	Sommerfeld Road Trench Lock Telford Shropshire TF1 5RY
Charnwood Forest Brick Limited	121 High Street Berkhamsted Hertfordshire HP4 2DJ	Old Station Close Shepshed Loughborough Leicestershire LE12 9NJ
Dunton Brothers Limited	121 High Street Berkhamsted Hertfordshire HP4 2DJ	Meadhams Farm Brickwork Blackwell Hall Lane Chesham Buckinghamshire HP5 1TN
Michelmersh Brick & Tile Company Limited	121 High Street Berkhamsted Hertfordshire HP4 2DJ	Hill View Road Michelmersh Romsey Hampshire S51 0NN
New Acres Limited	121 High Street Berkhamsted Hertfordshire HP4 2DJ	Sommerfeld Road Trench Lock Telford Shropshire TF1 5RY

(e) The Group's principal activities are the manufacture of clay bricks and paviors and the operation of a landfill site.

2. Share capital of the Company

(a) At the date of its incorporation, the Company had an authorised share capital of £2,000,000 divided into 2,000,000 ordinary shares of £1 each of which two were issued and credited as fully paid. Since that date the following changes to the authorised and issued share capital have taken place:

(i) by an ordinary resolution passed on 3 November 1997, the existing ordinary shares of £1 each in the share capital of the Company were re-designated into 1,250,000 ordinary shares of £1 each (including the two issued ordinary shares) and 750,000 convertible preference shares of £1 each; and

(ii) by a special resolution passed on 28 November 2002, the authorised share capital of the Company was increased to £7,500,000 by the creation of a further 4,750,000 ordinary shares of £1 each and a further 750,000 convertible preference shares of £1 each (each ranking *pari passu* with the existing issued and authorised but unissued shares of the same class).

(b) The authorised and issued share capital of the Company as at this date of the document is £7,500,000 divided into 6,000,000 ordinary shares of £1 each and 1,500,000 convertible preference shares of £1 each of which 5,400,000 such ordinary shares and 750,000 such convertible preference shares are issued and credited as fully paid.

(c) Immediately following Admission the authorised and issued share capital of the Company will be:

Authorised		*Issued*	
Amount	*Number of Ordinary Shares*	*Amount*	*Number of Ordinary Shares*
£12,000,000	60,000,000	£7,603,571	38,017,856

(d) By a special resolution of the Company dated 19 May 2004 and a class consent of the same date the Company's articles of association were amended to permit conversion of the convertible preference shares into Ordinary Shares for the purposes of Admission.

(e) By notices of conversion dated 19 May 2004 the holders of the convertible preference shares gave notice of conversion thereof conditionally upon Admission and applied, further conditionally upon Admission, for all arrears of dividend on such shares accrued to 30 November 2003 to be capitalised by the subscription for Ordinary Shares at the Placing Price of the amount of such arrears on the basis that, again conditionally upon Admission, all entitlement to dividend on such convertible preference shares accruing since 30 November 2003 would be waived.

(f) By ordinary resolutions of the Company dated 19 May 2004 the Company resolved conditionally upon Admission:

(i) to increase the authorised share capital from £7,500,000 to £12,000,0000; and

(ii) to sub-divide each ordinary share of £1 each into five Ordinary Shares.

(g) By special resolutions of the Company dated 19 May 2004 the Company resolved conditionally upon Admission that:

(i) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to allot any authorised but unissued share capital of the Company for a period of five years from the date of passing the resolution, unless previously revoked or varied by the Company in general meeting;

(ii) the Directors were empowered for a period of 15 months after the passing of the resolution or until the conclusion of the annual general meeting of the Company to be held in 2005, whichever is earlier, to allot Ordinary Shares pursuant to the authority referred to in sub-paragraph (i) above as if section 89(1) of the Act did not apply to such allotment provided the allotment is confined to the allotment of Ordinary Shares:

(A) for the purposes of the Placing including by way of capitalisation of arrears of dividend on the convertible preference shares as referred to at paragraph 2(e) above;

(B) for the purposes of the Share Schemes;

(C) to existing members by way of rights, open offer, scrip or bonus issue;

(D) otherwise than as stated above, up to an aggregate nominal value of £380,178 being equal to five per cent. of the issued share capital of the Company immediately following Admission on the basis of allotment and issue of all the Placing Shares;

and the Company may, prior to the expiry of the powers conferred at (i) and (ii) above, make an offer or agreement that requires or might require Ordinary Shares to be allotted after expiry of such power; and

(iii) that new articles of association of the Company be adopted as described in paragraph 3 below.

(h) Save as set out in paragraph 2(g) above the Ordinary Shares have pre-emption rights in respect of any future issues of Ordinary Shares to the extent conferred by section 89 of the Act.

(i) The Placing Shares in issue following Admission will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.

(j) Save as disclosed in this document, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing and issue of options over Ordinary Shares under the Share Schemes) no such issues are proposed.

(k) The Ordinary Shares in issue as at the date of this document are in certificated form.

(l) The nominal value of the Ordinary Shares is twenty pence and the Placing Shares are being placed at a premium of 36 pence per Placing Share.

3. Memorandum and Articles of Association

3.1 The memorandum of association of the Company provides that the Company's principal object is to act as a general commercial company.

3.2 The articles of association of the Company (the "Articles") contain, *inter alia*, provisions to the following effect:

(a) *Share capital*

(i) The authorised share capital may be increased by ordinary resolution and reduced by special resolution.

(ii) All the issued shares are in registered form.

(iii) A shareholder may be disenfranchised where he, or a person appearing to be interested in shares, fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

(iv) The Board may decline to register a transfer of any share (not being a fully paid share).

(v) Subject to the Act the Company may issue shares which are or, at the option of the Company or the holder of such shares, are liable to be redeemed in accordance with the Articles.

(b) *Transfer of shares*

Subject to such restrictions of the Articles as may be applicable and save in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, the Ordinary Shares may be transferred by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members in respect of it. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a certificated share unless:

(i) it is in respect of a share which is fully paid up;

(ii) it is in respect of only one class of share;

(iii) it is in favour of a single transferee or not more than four joint transferees;

(iv) it is duly stamped (if required); and

(v) it is delivered for registration to the office or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of an uncertificated share in the circumstances set out in the CREST Regulations (subject to any relevant requirements of the UK Listing Authority and/or the London Stock Exchange).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

(c) *Variation of rights*

Subject to the provisions of the Act and of the Articles, whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class of shares may be varied or abrogated either with the written consent of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The provisions of the Articles relating to general meetings apply *mutatis mutandis* to every meeting of the holders of any class of shares, but the necessary quorum is not less than two persons holding or representing by proxy one-third of the nominal amount paid up on the issued shares of the relevant class.

(d) *Voting rights*

Subject to the provisions of the Act and to any rights or restrictions as to voting attached to any class of shares, at any general meeting every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and on a poll every member present in person or by proxy shall have one vote for every share of any class of which he is the holder.

(e) *General meetings*

The Board may make arrangements to control the level of attendance at any general meeting and, in any such case, shall direct that the meeting be held at a specified place, where the chairman of the meeting shall preside and make arrangements for simultaneous attendance and participation by members at other locations. The chairman of this general meeting has authority to adjourn the meeting if, in his opinion, it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of.

(f) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities. The Board is to procure that the aggregate amount for the time being outstanding in respect of the moneys borrowed or secured by the Group (as defined in the Articles) (exclusive of intra-Group borrowings and after deducting cash deposited) shall not at any time, without the previous sanction of the Company in general meeting, exceed an amount equal to five times the Adjusted Capital and Reserves (as defined in the Articles).

(g) *Directors*

(i) A Director is not required to hold any qualification shares.

(ii) The Directors (other than alternative directors) shall be entitled to receive by way of fees for their services as directors such sums as the Board may from time to time determine. Such sums shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally. The Directors are also entitled to be repaid all reasonable travelling and hotel expenses incurred by them respectively in or about the performance of their duties as Directors. If by arrangements with the Board any Director performs any special duties outside his ordinary duties as a Director, the Board may pay him reasonable additional remuneration (in addition to any fees or ordinary remuneration) which may be by way of salary, commission, participation in profits or otherwise.

(iii) The Board may exercise all the powers of the Company to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits, gratuities or other allowances for persons who are or were directors of any company in the Group and their relatives or dependants.

(iv) A Director may be appointed by the Board to the office of managing director and/or any other office or place under the Company (except that of auditor) for such period, on such terms and at such remuneration as the Board may determine.

(v) No Director is disqualified by his office from contracting with the Company nor is any contract or arrangement entered into on behalf of the Company in which any Director is in anyway interested liable to be voided, nor is any Director so contracting or being so interested liable to account to the Company for any profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the Board subject to the provisions of the Act.

(vi) Save as provided in paragraph (vii) below, a Director may not vote in respect of any contract or arrangement or any other proposals whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the

Company. A Director will not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.

(vii) A Director is entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters:

(A) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(B) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security;

(C) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is to be interested as a participant in the underwriting or sub-underwriting thereof;

(D) any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest (as the term is used in Part VI of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate or in the voting rights available to members of the relevant company;

(E) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and

(F) any proposal concerning insurance which the Company purports to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

(viii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested such proposals shall be divided and considered in relation to each Director separately. In such case each of the Directors concerned (if not debarred from voting under paragraph (g)(vi) above) is entitled to vote (and will be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(h) *Dividends*

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to any special rights attaching to shares, all dividends shall be apportioned and paid pro rata according to the amounts paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend. All dividends unclaimed for 12 years after having become due for payment (if the Board so resolves) shall be forfeited and shall revert to the Company.

(i) *Untraced shareholders*

In certain circumstances the Company will be entitled to sell the shares of a member or any shares to which a person is entitled by transmission if, *inter alia*, during a period of 12 years, all warrants and cheques sent to him during that period have remained uncashed.

(j) *Retirement of Directors*

The Directors are required to retire by rotation.

No Director is to retire from office pursuant to section 293 of the Act by reason of the fact that he has attained the age of 70 or any other age and section 293 of the Act does not apply to the Company.

(k) *Non-United Kingdom shareholders*

There are no limitations in the Memorandum of Association or the Articles on the rights of non-United Kingdom shareholders to hold, or exercise voting rights attached to the shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to the Company to which such notices may be sent or an address to which notices may be sent using electronic communications.

(l) *Return of capital on winding up*

If the Company is wound up, the balance of assets available for distribution shall, with the sanction of a special resolution of the Company and any other sanction required by law, be divided among the members in such manner as shall be determined by the liquidator.

(m) *CREST*

CREST is a paperless settlement system enabling the securities to be evidenced otherwise than by certificate and transferred otherwise than by a written instrument.

The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The Company currently anticipates entering the CREST system on Admission.

4. Directors' and Other Interests

(a) The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of Section 346 of the Act in the issued share capital of the Company which have been notified to the Company pursuant to Sections 324 and 328 of the Act (or are required to be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act) as at the date of this document and as expected to be immediately following Admission are as follows:

	Current holding			*Following Admission and the Placing*	
Directors	*No. of Ordinary Shares*	*No. of preference shares*	*% of issued ordinary share capital*	*No. of Ordinary Shares*	*approx % of Enlarged Issued Share Capital*
EJS Gadsden	4,050,000	600,000	75.00	21,664,285	56.98
MR Warner	300,000	150,000	5.55	1,853,571	4.88
EJS Gadsden and MR Warner*	1,050,000	–	19.45	5,250,000	13.81
CW Robinson	–	–	–	–	–
RW Carlton Porter	–	–	–	20,000	0.05

*1,050,000 Ordinary Shares are held by EJS Gadsden and MR Warner as trustees of the Ley Hill Discretionary Trust 2004, the beneficiaries of which comprise members of the Gadsden family and members of the Warner family, including MR Warner.

(b) In addition to the interests of the Directors disclosed in this paragraph 4, Michelmersh is aware of the following persons who at the date of this document have, or who are expected on Admission to have, an interest in three per cent. or more of the issued share capital of Michelmersh. Their interests as at 20 May 2004 (being the last practicable date prior to the publication of this document) and as they are expected to be immediately following Admission are as follows:

Name	*No. of Ordinary Shares*	*Approx % of Enlarged Issued Share Capital*
●	●	●
●	●	●

(c) Immediately following Admission, save as disclosed in sub-paragraph (a) and (b) above, the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Company's share capital that would amount to three per cent. or more of the Enlarged Issued Share Capital nor, so far as the Directors are aware, are there any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

5. Directors' Service Agreements/Letters of Appointment

(a) The Company has entered into the following service agreements with the following Directors conditionally upon Admission, the principal terms of which are summarised below (the "Service Agreements"):

Name	*Title*	*Date of agreement*	*Effective Date of agreement*	*Current annual salary*
EJS Gadsden	Chairman	19 May 2004	1 November 1997	£25,000
MR Warner	Managing Director	19 May 2004	1 April 1989	£100,000
CW Robinson	Finance Director	19 May 2004	11 April 2002	£60,000

(b) Each of the Service Agreements will continue unless and until terminated by not less than 6 months' written notice by either party.

(c) No bonuses are payable to the Directors under the Service Agreements.

(d) The aggregate remuneration and benefits in kind paid to the Directors (including CW Robinson who was not a Director in that year) in respect of the year ended 30 November 2003 was £153,200. It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the year ending 30 November 2004 will be approximately £221,500. None of the Directors has agreed to waive his entitlement to future emoluments nor was there any such waiver in respect of the year ended 30 November 2003.

(e) The Service Agreements include clauses on confidentiality and restrictive covenants. The Directors are prevented from competing with the Company and from soliciting customers or particular staff for respectively 6 and 12 months after termination of their employment or following the date on which a Director is put on gardening leave and ceases to carry on his duties as an employee.

(f) The Directors' salaries will be reviewed annually by the Company's remuneration committee and any increase is at the discretion of the remuneration committee.

(g) The full time Directors are entitled to 25 days' holiday in addition to bank holidays. Mr Gadsden is entitled to six days' holiday in addition to bank holidays.

(h) The Directors are entitled to full salary for the first 26 weeks' absence through sickness or injury in any period of 12 months.

(i) Mr Warner and Mr Robinson will work for the Company on a full time basis. Mr Gadsden will work for the Company on a part time basis (up to six days per month).

(j) The Company has entered into a letter of appointment with Bob Carlton-Porter in relation to his role as a non-executive Director, the principal terms of which are as follows:

    (i) working days – up to 15 days per annum;

    (ii) Director's fee – £3,750 per quarter (plus VAT if applicable).

    Mr Carlton Porter's appointment is for an initial period of 12 months and is thereafter terminable on three months' notice. He will provide his services as a self-employed consultant through a service company, Lansdown Consultants Limited.

(k) Save as disclosed above, there are no service agreements or letters of appointment existing or proposed between any Director and the Company or any of its subsidiaries.

6. Additional Information on the Directors

(a) In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

Director	*Current Directorships*	*Past Directorships*
E J S Gadsden	Barkwest Limited	First London Group Properties Limited
	Blockleys Brick Limited	Letchworth Garden Properties Limited
	Cabot Investments Limited	Mislex (9) Limited
	Charnwood Forest Brick Limited	
	Church Cottage Investments Limited	
	Deanfind Limited	
	Discfind Limited	
	Dunton Brothers Limited	
	First London Estates Limited	
	First London Holdings Limited	
	First London Investments Limited	
	Greenhill Insurance Holdings Limited	
	Harley Street International Limited	
	Heronsgate Management Limited	
	Ipcourt Limited	
	Michelmersh Brick & Tile Company Limited	
	New Acres Limited	
	Newport (Albert Buildings) Limited	
	Newport Holdings Limited	
	Newport (Brynmawr) Limited	
	Newport (Dundee) Limited	
	Newport (Oban) Limited	
	Newport (Swansea) Limited	
	Newport (Watford) Limited	
	Onestate Limited	

Director	*Current Directorships*	*Past Directorships*
E J S Gadsden *(continued)*	Pondset Limited South Lodge Developments Limited Staplebrook Investments Limited Streatco 268 Limited Talkglory Limited Three Rivers Property Investments Limited Topshape Limited Totsbridge Limited Tourone Limited W.E. Black Limited Wing Properties Limited	
M R Warner	Blockleys Brick Limited Charnwood Forest Brick Limited Derby Arms Management Company Limited Dunton Brothers Limited E. Greenham Limited Foxleap Limited Holywell Property (Holdings) Limited Holywell Property (St. Albans) Limited Michelmersh Brick & Tile Company Limited New Acres Limited	Lost Money.co.uk Limited Meadhams Limited Regardrasp Limited
C W Robinson	None	Wheatley Construction Limited
R W Carlton-Porter	Barkwest Limited Breakwater Limited Brunswick Mansford (Swansea) Limited Brunswick Mansford (Swansea) (Phase II) Limited Cabot Investments Limited Carlton Real Estates Developments Limited City Cinemas (Newport) Limited Deanfind Limited Discfind Limited First London Estates Limited First London Group Properties Limited First London Holdings Limited First London Investments Limited Harley Street International Limited Kingswood School Trustee Limited Kingswood School Development Fund Lansdown Consultants Limited Letchworth Garden Properties Limited Longspan Limited Newport Holdings Limited Newport Albert Buildings Limited Newport (Brynmawr) Limited Newport (Dundee) Limited Newport (Jersey) Limited Newport (Leeway) Limited Newport (Llantrisant) Limited Newport (Oban) Limited Newport (Swansea) Limited Newport (Watford) Limited Onestate Limited Pennefather Properties Limited 23a Park Street (Bath) Management Company Limited Pondset Limited ROK property solutions plc Staplebrook Investment Limited Streatco 268 Limited Topshape Limited Totsbridge Limited Tourone Limited Tidy Tray Limited Treasure Tags Limited Treasure Tag Foundation Wing Properties Limited	Forest Industrial Supplies Limited G.S.E. Holdings Limited

(b) Save as may be disclosed above, none of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had any bankruptcy order made against him or entered into any voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

(vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

(c) Save as disclosed in this document (and in particular note 23 of the Accountants' Report set out in Part II of this document), no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Group and remains in any respect outstanding or unperformed.

(d) No loans made or guarantees granted or provided by the Company or any member of the Group to, or for the benefit of, any Director are outstanding.

(e) Save as set out in paragraph 4 above, none of the Directors has any interest in the share capital of any company in the Group.

(f) No Director has any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or which are proposed to be so acquired, disposed or leased.

(g) No Director has any direct or indirect interest in any contract or arrangement subsisting at the date of this document which is significant to the business of the Group.

7. Material contracts

The only contract, not being a contract entered into in the ordinary course of business, which has been entered into by the Company or its subsidiaries within the period of two years immediately preceding the date of this document and is, or may be, material is the Placing Agreement.

Under the Placing Agreement Charles Stanley, Charles Stanley has agreed (conditionally, *inter alia*, on Admission taking place not later than 8.00 a.m. on 26 May 2004 or such later date as Charles Stanley and the Company may agree, being not later than 9 June 2004), as agent for the Company, to procure subscribers for 9,250,000 Placing Shares at the Placing Price.

Subject to the Placing Agreement becoming unconditional, the Company has agreed to pay Charles Stanley a corporate finance fee of £125,000 (together with any applicable VAT) and a commission of 3 per cent. of the aggregate value of the Placing Shares at the Placing Price. The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties and indemnities given by the Company, and the Directors to Charles Stanley as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Charles Stanley is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

8. Share Schemes

(a) *General*

Conditionally in each case upon Admission and Inland Revenue approval, the Company has adopted a company share option scheme subject to formal approval by the Inland Revenue to be called the Michelmersh Brick Holdings PLC Company Share Option Scheme (the "CSOP"), and a save as you earn scheme to be called the

Michelmersh Brick Holdings PLC SAYE Scheme (the "SAYE Scheme"). The Company is currently seeking preliminary approval of the CSOP and the SAYE Scheme from the Inland Revenue.

(b) *CSOP*

The following is a summary of the rules of the CSOP which will be in place if approved by the Inland Revenue:

(i) *Eligible employees*

Selected directors or employees of any company in the Group who are required to work at least 25 hours a week may be granted options to acquire Ordinary Shares in the Company.

(ii) *Offers of options*

The CSOP is administered by a committee of the Board (in accordance with the rules) which has discretion in selecting those individuals to whom options will be granted. For as long as the shares are dealt in on the AIM, options may only be granted:

(a) in the 30 days following approval of the CSOP by the Inland Revenue;

(b) at any time in the 42 days following the second dealing day after the announcement of the annual or half-yearly results of the Company or any modifications to tax legislation applicable to share option schemes;

(c) at times when the committee would normally grant share options and failure to grant the options would indicate the existence of unpublished price sensitive information; and

(d) where the committee resolves that exceptional circumstances exist which justify the grant of the options.

(iii) *Exercise price*

The price to be paid for the shares under option will be determined by the committee and will be not less than the higher of the nominal value of the shares and the market value of the shares. Market value will be agreed with the Inland Revenue Share Valuation division prior to the grant of the options.

(iv) *Scheme limitations*

Under the rules of the CSOP, the number of shares that will be subject of grants of options under the Share Schemes will not exceed 10 per cent. of the issued share capital of the Company from time to time.

(v) *Individual limitations*

No options under the CSOP may be granted to an employee if the aggregate price payable for shares under options granted to him under the CSOP or any other share option scheme (other than a savings related share option scheme) approved under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 and established by the Company or any associated company will exceed £30,000 or such other limit as the Inland Revenue may permit.

(vi) *Exercise of Options*

Options may normally only be exercised wholly or partially after the third anniversary of the date of grant and at any time before the tenth anniversary. Exercise of the option is permitted before the expiry of any minimum time period following cessation of employment with the Company in specified circumstances including death, injury, disability, retirement or redundancy. There are time limits within which early exercise of the options in the circumstances must be made, failing which the options lapse. Other than in these circumstances an option will lapse if the participant ceases to be employed by the Company or any member of the group unless the committee in its discretion decides otherwise.

(vii) *Performance conditions*

The exercise of the options may be subject to satisfaction of objective performance conditions by the Company or the participant set when the option is granted. If events happen which subsequently cause the committee to reasonably consider that a different condition would be a fairer measure of performance and would be no more difficult to satisfy than the original condition, the committee may waive or amend the condition.

(viii) *Term*

No options may be granted more than 10 years after the date on which the CSOP is adopted.

(ix) *Share rights*

Shares allotted and issued following exercise of an option will rank *pari passu* in all respects with the Ordinary Shares in issue, save as regards rights existing by reference to a record date prior to the date of issue. The Company will apply for any Ordinary Shares issued pursuant to the exercise of options to be dealt in on the AIM. The Company must keep available sufficient authorised unissued share capital to satisfy outstanding options.

(x) *Variation of capital*

In the event of any variation of share capital, the committee may make such adjustments as it considers appropriate to the number of shares subject to option and the price payable on exercise of options. Any adjustment must be confirmed by the Company's auditors to be fair and reasonable and approved in advance by the Inland Revenue.

(xi) *Alterations*

The Board may alter or add to the rules of the CSOP, subject to the approval of the Inland Revenue in respect of any key alterations. The approval of the shareholders will also be required for any alteration to the advantage or potential advantage of participants. The approval of shareholders will not however be needed for any minor alteration to benefit the administration of the CSOP, or to obtain or maintain a favourable tax, exchange control of regulatory treatment for participants, the Company or the group.

(xii) *Termination*

The CSOP may be terminated at any time by the Board or by the Company in general meeting.

(xiii) *Taxation*

On the exercise of the whole or part of an option any liability to pay income tax or national insurance contributions (including employer's contributions) is to be borne by the option holder.

(xiv) *Notices*

The Board has discretion to provide the option holders with copies of circulars which are sent by the Company to the holders of shares.

(c) *Unapproved part of the CSOP*

The terms of the unapproved part of the CSOP are identical to those set out above, save that Inland Revenue approval is not required for this part of the scheme or any amendments, the requirement to work 25 hours a week referred to in sub-paragraph (i) does not apply and the limit of £30,000 referred to in sub-paragraph (v) above does not apply.

(d) *SAYE Scheme*

The following is a summary of the rules of the SAYE Scheme which will be in place if approved by the Inland Revenue:

(i) *Eligible employees*

All employees and full-time directors who are resident in the UK are eligible to participate in the SAYE Scheme after completing one year's service with the Group.

(ii) *Offers of options*

The SAYE Scheme is administered by the Board (in accordance with the rules) which may invite every eligible employee to apply to enter into a savings contract and for the grant of options. For as long as the shares are dealt in on the AIM, options may only be granted:

(a) in the 30 days following approval of the SAYE Scheme by the Inland Revenue;

(b) at any time in the 42 days following the second dealing day after the announcement of the annual or half-yearly results of the Company, or any modifications to tax legislation applicable to share option schemes; or

(c) such other period as the Board may consider appropriate to take account of exceptional circumstances which justify the grant of options.

The eligible employees will be required to enter into a savings contract to make regular savings with an approved institution over a 3 or 5 year period. At the end of the 3 or 5 years, contributions together with a tax free bonus may be used on the exercise of an option to subscribe for shares at the price fixed when the option was granted. The option will lapse if the participant fails to comply with the terms of the savings contract.

The maximum number of shares to be made available on any occasion is set by the Board and on each occasion invitations to join the SAYE Scheme must be made to all eligible employees. If there is an over-application for options, applications are scaled down.

The number of shares that are the subject of an option is determined by dividing the sum due on completion of the savings contract (inclusive of tax-free bonus) by the subscription price.

Nothing is payable on the grant of an option under the SAYE Scheme and options may not be transferred or assigned.

(iv) *Subscription price*

The price to be paid for the shares under the option will be determined by the Board and will be not less than the higher of the nominal value of the shares and 80 per cent. of the market value of the shares at the date of grant. Market value will be agreed with the Inland Revenue Share Valuation division prior to the grant of the options.

(v) *Scheme limitations*

Under the rules of the SAYE Scheme, the number of shares that will be the subject of grants of options under the Share Schemes will not exceed 10 per cent of the issued ordinary share capital of the Company from time to time.

(vi) *Individual limitations*

No options under the SAYE Scheme may be granted to an employee if the monthly savings contribution under the savings contract when added to the monthly savings contributions being made under any other savings contract will exceed £250 or such other limit as the Inland Revenue may permit.

(vii) *Exercise of Options*

Options may normally only be exercised wholly after the last date on which payments under the savings contract are due (the "Bonus Date"). Options will normally lapse 6 months after the Bonus Date. Exercise of the option is permitted before the Bonus Date following cessation of employment with the Company in specified circumstances including death, injury, disability, retirement or redundancy or in the event of a takeover or scheme of amalgamation or arrangement (although in these events there are provisions that may entitle the participant to release his option in exchange for an option over the shares of a new holding company). There are time limits within which early exercise of the options in the circumstances must be made, failing which the options lapse. Other than in these circumstances, an option will lapse if the participant ceases to be employed by the Company or any member of the group.

(viii) *Term*

No options may be granted more than ten years after the date on which the SAYE Scheme was adopted.

(ix) *Share Rights*

Shares allotted and issued following exercise of an option will rank pari passu in all respects with the ordinary shares in issue, save as regards rights existing by reference to a record date prior to the date of issue. The Company will apply for any Ordinary Shares issue pursuant to the exercise of options to be dealt in on the AIM. The Company must keep available sufficient authorised unissued share capital to satisfy outstanding options.

(x) *Variation of capital*

In the event of any variation of share capital, the Board may make such adjustments as they consider appropriate to the number of shares subject to options and the price payable on exercise of options. Any adjustment must be confirmed by the Company's auditors to be fair and reasonable and approved in advance by the Inland Revenue.

(xi) *Alterations*

The Board may alter or add to the rules of the SAYE Scheme, subject to the approval of the Inland Revenue. The approval of shareholders will also be required for any alteration of certain specified rules to the advantage or potential advantage of participants. The approval of shareholders will not however be needed for any minor alteration to benefit the administration of the SAYE Scheme, or to obtain or maintain a favourable tax, exchange control of regulatory treatment for participants, the Company or the group.

(xii) *Termination*

The SAYE Scheme may be terminated at any time by the Board or by the Company in general meeting.

(xiii) *Taxation*

On the exercise of the whole or part of an option any liability to pay income tax is to be born by the option holder.

(xiv) *Notices*

The Board has discretion to provide the option holders with copies of circulars which are sent by the Company to the holders of shares.

9. Premises

The Group has the following interests in the following properties:

Property	*Description*
Brickworks, Quarry and Premises at Sommerfield Road, Trench Lock, Telford	Freehold. The registered proprietor of the property is Michelmersh. Part of the property is let to Telford and Wreken Primary Care Trust under a lease dated 17 July 2002. The main terms of the lease are: Rent: £35,000 per annum plus insurance rent Term: 6 years from 1 June 2002.
Brickworks, Quarry and Premises at Old Station Close, Charnwood Forest, Shepshed	Freehold. The registered proprietor of the property is Duntons.
Brickworks, Quarry and Premises at Meadhams, Ley Hill, Chesham	Freehold. The registered proprietor of the property is Duntons.
Brickworks, Quarry and Premises at Hill View Road, Michelmersh, Romsey Hants	Freehold. The registered proprietors of the property are Michelmersh Brick & Tile as to part and Duntons as to the remainder. A small vehicle workshop at this property is currently let to Test Valley Motors on an informal lease in existence for a number of years. The details of this letting are: Rent: £9,600 per annum Term: Not specified. N.B. the tenant is regarded as having security of tenure
Suite 2, Ground Floor, Alexandra Buildings, Manchester.	Leasehold offices. Lease held by Blockleys. Rent (current) £18,095.00 per annum. Term: expires on 24 December 2011. Premises presently underlet to Rakesh Kohli for a term of 5 years commencing 20 May 2002 at a commencing rent of £15,400.00 per annum plus service charge and insurance rent. The underlease contains the normal lease covenants that one would expect to see on a lease of offices. The undertenant may exercise a break clause on the expiration of the third year of the term by giving not less than six months prior notice and paying an additional two months rent.

10. Litigation

Neither the Company nor any other member of the Group are or have been engaged in any legal or arbitration proceedings nor, as far as the Directors are aware, any legal or arbitration proceedings active, pending or threatened against, or being bought by, the Company or any other member of the Group which may have or have had, during the last 12 months preceding the date of this document, a significant effect on the Group's financial position.

11. Working capital

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Placing, that following Admission the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

12. Significant Changes

Save as disclosed in this document, there has been no significant change in the financial position or prospects of the Group since 30 November 2003.

13. Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

(a) *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding.

If a Shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on their circumstances, arise subject to, in the case of individuals and trustees, a deduction for taper relief, the amount of which depends on various factors, in particular the length of the period of ownership of the shares. If the Company is taxed as an investment company, only non-business asset taper relief will apply.

Corporate investors are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

UK pension schemes, including SIPPs and SSASs, but not FURBS, will normally be exempt from capital gains tax.

(b) *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.

(c) *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent.) or the Schedule F upper rate (32.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income and are required to account for tax at the Schedule F trust rate, currently 25 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

14. General

(a) The total costs and expenses relating to the Placing payable by the Company are estimated to be £0.5 million (excluding VAT).

(b) Solomon Hare LLP have given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their reports in this document.

(c) Charles Stanley has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

(d) The accounting reference date of the Company is 30 November.

(e) For the purposes of paragraph 21(a) of Part IV of Schedule I to the POS Regulations there is no minimum amount which must be raised for the Company pursuant to the Placing, in respect of each of the following:

(i) purchase price of property;

(ii) commissions and expenses (excluding VAT);

(iii) repayment of monies borrowed in respect of (i) and (ii) above; and

(iv) working capital.

(f) It is expected that definitive share will be despatched by hand or first class post by 2 June 2004. In respect of uncertificated shares, it is expected that shareholders' CREST stock accounts will be credited on 26 May 2004.

(g) The Directors are unaware of any exceptional factors which have influenced the Company's activities.

(h) There are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.

(i) Save as disclosed in Part I there are no investments in progress of the Group which are or may be significant.

(j) The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory accounts for the Company (in each case in respect of which the auditors gave unqualified reports (save as set out in Part II of this document with regard to the audited accounts of the Company for the year ended 30 November 2002) and none of which contained a statement under sub-sections 273(2) or (3) of the Act) for each of the three financial years ended 30 November 2003 have been filed with the Registrar of Companies.

(k) No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

15. Availability of this document

Copies of this document are available free of charge from the Company's registered office and at the offices of Charles Stanley at 25 Luke Street, London, EC2A 4AR during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

● May 2004

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