MICHELMERSH
Brick Holdings PLC

Britain's Brick Specialists

Annual Report 2012

Blockleys Charnwood Dunton Freshfield Lane
Hathern Terra Cotta Michelmersh Taperell Taylor

Contents

Chairman's Statement

I am pleased to report the Group's results for the year ended 31 December 2012. Against a decline of 9% in UK construction activity, we have more than held our own despite these headwinds.

Group turnover increased slightly to £24.5 million (2011: £24.3 million) and, in the face of growing energy and finance costs, produced a modest profit of £51,000 (2011: £530,000). Profits from the brick operations were largely static except that losses incurred at Dunton, our smallest works, accounted for the fall in Group profits. The results for the year include a positive performance from landfill despite provision for a bad debt arising at the end of the year.

We have made significant progress with our land assets during the year and since the year end, and this will provide a strong platform for further initiatives to develop the business over the next 24 months.

Financial Highlights

	2012	**2011**
Turnover	£24.5m	£24.3m
Operating profit	£1.037m	£1.335m
EPS	0.02 pence	2.60 pence
Net assets per share	61.0 pence	59.7 pence
Cash generated by operations	£2.6m	£1.9m
Borrowings	£18.4m	£19.8m

The increase in turnover for the year was achieved on reduced volumes of bricks sold, as, despite a sluggish economy, the Group achieved increased sales prices through innovative high quality products and excellent customer service. The Group continues to suffer from energy related price inflation that erodes the progress we make in pricing, and although we have worked hard to contain the average cost of production, gross margin has fallen. The longer term trend however is a gradual move to higher margin products from our larger plants as the contribution from the smaller, higher sales value plants reduces. Reduced central sales and administrative costs yielded annual savings of £600,000 over 2011 and further savings will continue to be sought.

Cash and borrowings

Net borrowings of the Group fell in the year by £1.4 million to £18.4 million, as term loans and vendor loans were repaid to schedule. Gearing has fallen to a comfortable 52% (2011: 57%) given the substantial property asset base with development potential. Anticipated proceeds of land sales will be used to further reduce debt and invest in capacity and efficiency projects.

Cash generated from operations amounted to £2.6 million showing a significant improvement over 2011. Higher finance charges under the Term Loan implemented in December 2011 and the cost of interest rate hedging have however increased the interest burden in the year.

Assets and working capital

At 31 December 2012, Group tangible fixed assets have reduced by £4.2 million to £41.5 million through depreciation, impairment and after a transfer to current assets: the former factory land at Telford has been revalued and re-categorised as a current asset, land for resale, reflecting the Board's view that it will be sold within twelve months of the balance sheet date.

The charge for depreciation in the year to December 2012 has fallen from previous levels as certain assets have already been substantially depreciated, albeit still operating to full capacity but with increased maintenance requirements.

Non cash net current assets have also fallen by £600,000 through careful and targeted management of the Group's resources.

Chairman's Statement
(continued)

Revaluation of plant
The Group's oldest and smallest plant, Dunton, has presented a range of challenges over recent years. In 2012, production was cut in order to generate cash from stocks. Whilst the plant achieved its targeted production and cash generation, lower production levels entailed diseconomies of scale and lower profitability. The reduction in profitability at this one site amounted to the equivalent fall in group profit for the year. The fall in profitability has reduced the economic value of the plant which has led to a downward revaluation by £800,000 which has been charged to the revaluation reserve.

Dunton has started 2013 reasonably well, at higher production levels to meet demand, but we continue to monitor the position and evaluate alternative strategies now that our planning consent extending the life of the quarry, which includes landfill opportunity, has been finalised.

Dividend
The Directors are not recommending the payment of a dividend for the year but it is our objective to return to dividend payments as soon as reasonably practicable, when market and economic circumstances permit.

Land Assets
During the year an outline planning application was made for housing on the redundant factory land at Telford and in February 2013 a resolution to grant planning permission was made by Telford and Wrekin Council for 185 houses. A sale of the land has been agreed in principle and we expect to exchange contracts shortly with a major housebuilder. A further announcement will be made in due course.

Terms have also recently been agreed with Persimmon Homes on the first phase of the optioned land, also at Telford, subject to achieving the same level of S106 and affordable housing as on the factory site. There is now recognition by council planning officers that this needs to be addressed in the current economic climate.

People
I thank all our employees for their hard work in these challenging times. We have been working hard to improve our skill base and, as the industry has scaled back, have been able to build our team.

Outlook
Brick sales in 2012 have reduced by 6% across the industry and there have been further plant closures. Industry pricing continues to be unsustainable but, significantly, brick stocks reduced by a further 100 million units during the year, and have halved since 2008. There are encouraging signs of growth from the major housebuilders but the smaller housebuilders still do not have access to bank finance and therefore this area of the marketplace remains challenged.

Although the south eastern market continues to be active, margins remain under pressure whilst the slow process of industry adjustment to a smaller marketplace continues. Our niche products enable us to maintain turnover.

We are aware of a number of potential opportunities to grow our business both organically and by acquisition and will continue to consider all these options.

We are uniquely positioned and will be able to move our business forwards over the forthcoming period, particularly considering the progress we are at last making with certain of our land sales.

Eric Gadsden
Chairman

25 March 2013

Chief Executive's Review

Clay Products
Over the past 12 months we have continued to make good progress. We manufactured 68 million units (2011: 70 million) and sold 67 million units (2011: 70 million), and achieved an improved average price of £355 per thousand (2011: £345 per thousand). Individual plant improvement in average selling price, particularly our volume plants, was very satisfactory.

Innovations in 2012 included the launch of three new products into the market place - BIM, I-Line and Synthesis. MBH became the first brick manufacturer to launch a dedicated BIM (Building Information Modelling) website, responding to the demands of the Government Construction Strategy. We are currently the only brick manufacturer in the UK to have an operational BIM specification database, underlining our position as 'Britain's Brick Specialists'.

The new I-Line product from our Charnwood plant now offers contemporary European sizes and reflects a growing demand for unusual elongated brickwork. During the fourth quarter of 2012, we received numerous new enquiries for these products and orders to the value of £125,000 for sites such as London's East Bank Civic Campus and South Bank University.

'Synthesis' was introduced in 2012 in response to specifiers looking for more striking colour blends. The interest level has been high, with Synthesis products being supplied to the new hall of residence at Corpus Christi College, Cambridge and the new ITV-Granada studios in Manchester.

In addition to our new products, 2012 saw us supply and complete some key projects such as the 2012 BDA Brick Award winning extension at Henrietta Barnet School in Hampstead Garden suburbs and the new Premier Inn, Liverpool. Despite the contraction of construction output, we retained our market share with key regional housebuilders such as the Berkeley Group, Crest and Croudace and increased our business in the RMI sector with Travis Perkins, Wolseley and a number of key regional builders merchants. Our forward order position with all the aforementioned, remains strong into the second quarter of 2013.

We are also pleased to note that the Group had significant exports in 2012 with 708,000 bricks and pavers sent to new projects abroad.

The Hathern Terra Cotta operation exceeded expectations, supplying refurbishment projects such as the Strand Palace Hotel, London, the Florence Institute, Liverpool and the award winning Durlston Castle, Swanage. Hathern Terra Cotta is also showing strong forward orders into the second quarter of 2013.

Our Freshfield Lane plant delivered an excellent performance during the period with improved yield and operational improvements resulting in a record output of 31.2 million units.

We also achieved substantial gas efficiency savings at our Blockleys plant. Through minimal targeted investment, improved kiln and dryer management and maximised kiln throughput we reduced our unit rate gas consumption by 21%.

Management Systems
Our continued strong focus on health and safety management has again been rewarded with all of our plants improving their independent audit score rating for the second year running.

Following our efforts in 2011, we received full independent accreditation for our ISO 14001 environmental management system at Charnwood. We are currently updating the environmental management system at our Michelmersh site along with our quality and sustainability systems across the Group.

Chief Executive's Review
(continued)

Staff Development
During the period, our quarry managers completed the competence training in quarry management through the Institute of Materials, Minerals and Mining (IOM3). This accredited training is backed up by an annual continuous professional development programme coordinated by our health and safety manager and verified by the IOM3.

In addition, we have strengthened our quarry and land management at our key Blockleys quarry by internal relocation of a full time quarry manager for the site.

We have also strengthened our production management team with two managers with strong pedigrees and wide industry experience to take forward production efficiency at Michelmersh and Charnwood.

Landfill
Our landfill facility at Telford again produced a good performance during 2012 with turnover of £626,000 (2011: £686,000) on a tonnage of 200,000 (2011: 170,000). The contribution from landfill to Group profits of £250,000 (2011: £200,000) was after providing for a £50,000 debt from a customer which went into administration after the year end. Landfill income at Telford is expected to continue to make a meaningful contribution to Group results as we progress the development of the site.

We have now finalised our planning consent at Dunton and are pursuing a number of options.

Land Assets
We have received a resolution to grant outline consent for 185 houses at our redundant factory site at Telford. A sale has been agreed in principle with a major housebuilder and we are close to an exchange of contracts.

This will also provide the platform to renegotiate with the Planning Authority, the S106 and Affordable Housing obligations on the first phase of the land at Telford, optioned to Persimmon, and we have agreed a way forward with them on that basis. We are also finalising an exercise to plan future clay extraction, landfilling and delivery of further land for housing on a phased basis on the remainder of this site.

We are beginning the process of working up options for our surplus land at Charnwood, which is designated in the SHLAA for around 250 houses, using the same team which successfully obtained consent at Telford.

At Michelmersh, we are currently making representation in the Hampshire Mineral Plan for future allocations of land for mineral extraction.

Outlook
Despite the weak economy, 2013 has started more positively than 2012. We have a unique pallet of products that will always be in demand. Whilst progress in this economy is frustratingly slow, we are more than holding our own in a market which as a whole has declined yet again.

There are further opportunities to increase the value of our land assets and due to the vital jobs we provide, we are gaining more support for our businesses as we work with the planning authorities.

We are also planning small but significant investments in the brick businesses which will yield positive returns.

We continue to generate cash, pay down debt and improve our asset base. We have a very busy period ahead of us and anticipate opportunities to develop the business organically, as well as to consider the wider opportunities which we believe will present themselves for consideration.

Martin Warner
Chief Executive

25 March 2013

Officers and Professional Advisers

Directors	E J S Gadsden – Chairman * + M R Warner MSc FRICS – Chief Executive F J Hanna – Commercial Director S H P Morgan BA ACA – Finance Director P N Sharp – Operations Director R W Carlton-Porter * + A R G Hardy * +
Company Secretary	S H P Morgan
Registered Office	Freshfield Lane Danehill Haywards Heath West Sussex RH17 7HH
Nominated Adviser and Broker	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Auditors	Nexia Smith and Williamson Audit Limited Chartered Accountants and Statutory Auditor Portwall Place Portwall Lane Bristol BS1 6NA
Solicitors	Burgess Salmon LLP One Glass Wharf Bristol BS2 0ZX
Registrars	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
Financial Public Relations	Tavistock Communications Limited 131 Finsbury Pavement London EC2A 1NT
Principal Bankers	Barclays Bank plc 15 Colmore Row Birmingham B3 2BH
	ABN AMRO Commercial Finance plc Sheencroft House 10 - 12 Church Road Haywards Heath West Sussex RH16 3SN

* Member of the Audit Committee
+ Member of the Remuneration Committee

Directors' Biographies

Eric Gadsden, aged 68, 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.

Martin Warner MSc FRICS, aged 59, Managing Director
Martin Warner formed Michelmersh with Eric Gadsden in 1997 and has served as Chief Executive since that date. Martin is a Fellow of the Royal Institute of Chartered Surveyors and is a director of the Brick Development Association.

Frank Hanna, aged 44, Commercial Director
Frank Hanna joined Freshfield Lane Brickworks Limited ("FLB") in 1991 having formerly worked for Hanson Brick Ltd. Frank was appointed to the Board of FLB in 1996 as sales and technical director before becoming a shareholder in 2000. Frank was appointed as a Director of the Company on 30 March 2010.

Stephen Morgan BA ACA, aged 52, Finance Director
Stephen Morgan is a Chartered Accountant having trained with KPMG. He was previously Finance Director and Company Secretary at Hawtin PLC, an AIM listed property company where he experienced a range of corporate acquisitions and disposals. He joined Michelmersh Brick Holdings plc in August 2010 as Interim Finance Director and Company Secretary and was appointed as Finance Director and Company Secretary on 9 November 2010.

Peter Sharp, aged 45, Group Operations Director
Peter Sharp has more than 25 years experience in the heavy clay and ceramics sector. Following 14 years with Ibstock Brick, Peter joined the group as Works Manager at Charnwood. He was appointed Group Production Director in 2006 and Group Operations Director in 2009. Peter is a member of the Institute of Materials, Minerals & Mining and holds various qualifications in ceramics, management and building construction. He joined the Board in May 2011.

Bob Carlton-Porter, aged 68, 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, Chairman of Aram Resources PLC, Newport Holdings PLC, and ROK Property Solutions PLC.

Alan Hardy, aged 54, Non-Executive Director
Alan Hardy has worked at Freshfield Lane Brickworks Limited ("FLB") since 1983 apart from a period of time at Redland Bricks Limited in 1985. Alan became a shareholder in FLB in 1983 and he became managing director in 1986. Alan is also a Justice of the Peace for the Sussex Bench, having been appointed in 1994. Alan was appointed as a Director of the Company on 30 March 2010. In October 2010 Alan stepped down to take a Non-Executive Director position.

Directors' Report

The Directors present their report and consolidated financial statements of the Group for the year ended 31 December 2012.

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

The Directors are satisfied with the performance of the Group for the year and with the position of the Group at 31 December 2012 given the turbulent economic conditions. The Directors monitor the business predominantly through review of financial results, including revenue, operating profit and cash flow, as well as through quality control indicators such as health and safety reporting, employee welfare and efficiency reviews. The Directors are satisfied that these indicators adequately address the principal business risks faced by the Group which include energy prices, the failure of quality control systems and skill shortages as well as the prevailing economic climate. For further information regarding the business in the year, refer to the Chairman's Statement and the Chief Executive's Review.

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

Trading Results and Dividends
The trading results for the year and the Group's financial position at the end of the year are shown in the financial statements on pages 13 to 40.

The Directors do not recommend the payment of a dividend for the year (2011: £nil).

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

	31 December 2012 Ordinary Shares of 20p each	**31 December 2011 Ordinary Shares of 20p each**
E J S Gadsden	22,658,257	22,658,257
M R Warner+	6,588,732	6,588,732
R W Carlton-Porter*	76,628	76,628
F Hanna	1,262,917	1,262,917
A R G Hardy	6,559,391	6,559,391
S H P Morgan	–	–
P N Sharp	–	–

+ M R Warner is a trustee of a discretionary trust which is the registered owner of 5,338,393 Ordinary Shares which are included in the above.
* R W Carlton-Porter has a controlling interest in a business which owns 76,628 Ordinary Shares.

Analysis of Directors' emoluments for the year is shown in note 8 of the financial statements.

Directors' Report
(continued)

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

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

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

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

Going Concern
The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Chief Executive's Review on pages 2 to 5. In addition, note 18 to the financial statements includes the company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk. The company meets its funding requirements through a combination of a Term Loan, asset backed finance agreements and overdraft facilities.

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

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

Policy on Payment of Creditors
It is the policy of the Group to pay all creditors promptly. The average credit age for the Group is 19 days (2011: 25 days). The Group has continued to pay creditors on terms consistent with 2011.

Financial Instruments
The Group's policy is to finance working capital through appropriate bank borrowings and retained earnings. The Group is exposed to the usual credit and cash flow risk associated with selling on credit and manages this through credit control procedures. For further details refer to note 18 in the financial statements.

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

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

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

Environment
The Michelmersh Group is committed to the protection of the environment and aims to minimise the impact of its business activities by maintaining a management structure which ensures effective environmental management and compliance with all relevant legislation. Management will review environmental considerations as part of the decision making process, and strive to improve performance by minimising waste, maximising recycling and optimising the use of energy, water and raw materials. Management will communicate and consult with interested parties on environmental issues, and provide employees with relevant environmental training.

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

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

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

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

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

Directors' Report
(continued)

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

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

Donations
No charitable or political donations were made by the Group in the year.

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

Signed by order of the Board

M R Warner
Director

Approved by the Directors on 25 March 2013

Michelmersh Brick Holdings Plc

Registered in England and Wales No. 03462378

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

We have audited the financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2012 which comprise the Group Income Statement and Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter
We have reported separately on the parent company financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2012.

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

Portwall Place
Portwall Lane
Bristol
BS1 6NA

25 March 2013

Consolidated Income Statement

Consolidated Income Statement for the year ended 31 December 2012	notes	2012 £'000	2011 £'000
Revenue	2	24,510	24,268
Cost of sales		(18,148)	(17,006)
Gross profit		6,362	7,262
Administrative expenses		(5,728)	(6,356)
Other income	3	403	429
Operating profit		1,037	1,335
Finance costs	4	(986)	(805)
Profit before taxation	5	51	530
Taxation	10	(42)	982
Profit for the financial year		9	1,512
Basic earnings per share	25	0.02p	2.60p
Diluted earnings per share	25	0.02p	2.59p

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

The accounting policies and notes on pages 18 to 40 form part of these financial statements.

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012	notes	2012 £'000	2011 £'000
Profit for the financial year		9	1,512
Other comprehensive income:			
Loss on revaluation of property, plant and equipment	12	-	(6,090)
Deferred tax on revaluation movement	20	764	2,167
		764	(3,923)
Total comprehensive profit/(loss) for the year		773	(2,411)

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

The accounting policies and notes on pages 18 to 40 form part of these financial statements.

Consolidated Balance Sheet

Consolidated Balance Sheet as at year ended 31 December 2012	notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	11	2,468	2,340
Property, plant and equipment	12	41,538	45,737
		44,006	48,077
Long term financial asset	17	165	195
Total non-current assets		44,171	48,272
Current assets			
Assets held for sale	12	3,350	–
Inventories	14	9,132	9,562
Trade and other receivables	15	4,743	5,201
Corporation tax recoverable		–	32
Investments		74	74
Cash and cash equivalents		70	47
Total current assets		17,369	14,916
Total assets		61,540	63,188
Liabilities			
Current liabilities			
Trade and other payables	16	2,572	2,943
Corporation tax payable	10	47	–
Interest bearing borrowings	17	7,461	8,775
Total current liabilities		10,080	11,718
Non-current liabilities			
Deferred tax liabilities	20	4,935	5,704
Interest bearing borrowings	17	10,991	11,035
		15,926	16,739
Total liabilities		26,006	28,457
Net assets		35,534	34,731
Equity attributable to equity holders			
Share capital	22	11,645	11,645
Share premium account		6,440	6,440
Reserves		19,103	18,443
Retained earnings		(1,654)	(1,797)
Total equity		35,534	34,731

These financial statements were approved by the Directors and authorised for issue on 25 March 2013 and are signed on their behalf by

M R WARNER
Director

The accounting policies and notes on pages 18 to 40 form part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital £'000	Share option reserve £'000	Merger reserve £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
As at 1 January 2011	11,620	183	979	6,422	21,500	(3,608)	37,096
Profit for the year	–	–	–	–	–	1,512	1,512
Revaluation in the year	–	–	–	–	(6,090)	–	(6,090)
Deferred taxation on revaluation	–	–	–	–	2,167	–	2,167
Total comprehensive income	–	–	–	–	(3,923)	1,512	(2,411)
Share based payment	–	3	–	–	–	–	3
Shares issued during the year	25	–	–	18	–	–	43
Transfer to retained earnings	–	–	–	–	(299)	299	–
As at 31 December 2011	11,645	186	979	6,440	17,278	(1,797)	34,731
Profit for the year	–	–	–	–	–	9	9
Deferred taxation on revaluation	–	–	–	–	764	–	764
Total comprehensive income	–	–	–	–	764	9	773
Share based payment	–	30	–	–	–	–	30
Transfer to retained earnings	–	–	–	–	(134)	134	–
As at 31 December 2012	**11,645**	**216**	**979**	**6,440**	**17,908**	**(1,654)**	**35,534**

The accounting policies and notes on pages 18 to 40 form part of these financial statements

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December 2012	2012 £'000	2011 £'000
Cash flows from operating activities		
Profit before taxation	51	530
Loss on disposal plant and machinery	53	–
Profit on sale of fixed assets	(11)	–
Finance costs	986	805
Depreciation	1,017	1,530
Amortisation	3	3
Usage of carbon emissions quota	402	877
Grant of carbon emissions quota	(533)	(816)
Share based payment charge	30	3
Cash flows from operations before changes in working capital	1,998	2,932
Decrease/(increase) in inventories	455	(371)
Decrease/(increase) in receivables	489	(69)
Decrease in payables	(362)	(550)
Net cash generated by operations	2,580	1,942
Taxation paid	–	(37)
Interest paid	(994)	(821)
Net cash generated by operating activities	1,586	1,084
Cash flows from investing activities		
Proceeds of sale of investments	–	49
Purchase of property, plant and equipment	(248)	(323)
Proceeds of disposal of property, plant and equipment	11	56
Net cash used in investing activities	(237)	(218)
Cash flows from financing activities		
Repayment of interest bearing borrowings	(3,198)	(15,002)
Proceeds of interest bearing borrowings	2,000	13,067
Repayment of hire purchase and finance lease obligations	(23)	(72)
Net cash used in financing activities	(1,221)	(2,007)
Net increase/(decrease) in cash and cash equivalents	128	(1,141)
Cash and cash equivalents at the beginning of the year	(2,897)	(1,756)
Cash and cash equivalents at the end of the year	(2,769)	(2,897)
Cash and cash equivalents comprise:		
Cash at bank and in hand	70	47
Bank overdraft	(2,839)	(2,944)
	(2,769)	(2,897)

The accounting policies and notes on pages 18 to 40 form part of these financial statements

General Information and Accounting Policies

General Information

Introduction

Michelmersh Brick Holdings Plc ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006.

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

These financial statements cover the financial year from 1 January to 31 December 2012, with comparative figures for the year 1 January to 31 December 2011.

The principal companies within the Group during the financial year ended 31 December 2012 are disclosed in note 13.

Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. The consolidated financial statements for the financial years ended 31 December 2012 and 31 December 2011 have been prepared under the historical cost convention, as modified by the revaluation of certain items as stated in the accounting policies.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand ("£000") except where otherwise indicated.

The financial statements of the parent company and its subsidiary undertakings are prepared to the same reporting date under UK GAAP. Adjustments are made to remove any differences that may exist between UK GAAP and IFRS for consolidation purposes.

The preparation of the financial statements, in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Although these results are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

New Standards and Interpretations

Accounting standards and interpretations adopted during the year.

There were no relevant standards, amendments or interpretations that became effective or were adopted during the current year.

Standards, amendments and interpretations that are not yet effective and that have not been early adopted by the Group.

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

- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2015, subject to EU endorsement. The standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

- IFRS 10 Consolidated Financial Statements effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint arrangements, effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2014.
- IAS 27 (Amendment), Separate Financial Statements, effective for annual periods beginning on or after 1 January 2014.
- IAS 28 (Amendment), Investments in Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2014.
- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013.
- IAS 32 (Amendment), Financial Instruments: Presentation, effective for annual periods beginning on or after 1 January 2014.
- IFRS 7 Disclosures offsetting Financial Assets and Financial Liabilities effective for annual periods beginning on or after 1 January 2013.

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

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

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the Company and its subsidiaries are consistent with the policies adopted by the Group.

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

The Group meets its day-to-day working capital requirements principally through inventory and receivables discounting facilities provided by ABN AMRO Commercial Finance Plc, together with an overdraft facility provided by Barclays Bank Plc. During the year, the Group entered into a five year term loan facility which replaced existing facilities where the term had expired.

The current economic conditions create uncertainty, particularly over the level of demand for the Group's brick products and over the costs of production, particularly of gas prices.

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

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

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

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

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

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

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

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

Goodwill
Purchased goodwill, representing the difference between the fair values of the consideration and the underlying assets and liabilities acquired, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. See note 11 for further details.

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

Property, Plant and Equipment
Plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Land and buildings are carried at appropriate valuation for the land and buildings concerned. Further details are disclosed in note 12 to the financial statements.

Freehold buildings are revalued annually.

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

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

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

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Property, Plant and Equipment (continued)

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

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

Impairment of Assets

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

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

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

Inventories

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

The average cost considers total production costs incurred in the year against total production output in the year, applied to the year end stock holding.

Financial Instruments

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

Interest-bearing borrowings

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

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

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Financial Instruments (continued)

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

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

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

Cash and Cash Equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are also included as they are an integral part of the Group's cash management.

Share Based Payment Transactions
An expense for equity instruments granted under employee share schemes and the Save-As-You-Earn Schemes is recognised in the financial statements based on the fair value at the date of the grant. This expense is recognised over the vesting period of the scheme. The cumulative expense recognised at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Group has adopted the principles of the Black Scholes Model for the purposes of computing fair value.

Operating Lease Agreements
Rentals applicable to operating leases where substantially all of the benefits and risk of ownership remain with the lessor are charged against profits on a straight line basis over the life of the lease.

Taxation
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that deferred tax relates to items recognised directly in equity, in which case, this element of the deferred tax charge is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are neither taxable or deductible.

General Information and Accounting Policies
(continued)

Accounting Policies (continued)

Taxation (continued)

Deferred tax is provided using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

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

Carbon Emissions Allowances Policy
The annual quota of carbon emissions allowed under the European Union Environment Agency regulations is recognised as an asset in the Balance Sheet as a Government Grant in accordance with IAS 20, in accordance with the guidance given in IFRIC 3.

A corresponding liability is recognised as carbon emissions are produced in the year based on the market value units that would be required to settle the liability.

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

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

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

Notes to Financial Statements
Year ended 31 December 2012

1. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ACCOUNTING UNCERTAINTY

The critical accounting judgements and key sources of accounting uncertainty employed in the preparation of these financial statements are as follows:

- Future taxation payments and receipts, which have been estimated on the basis of the best information available (see note 10).
- Freehold land and buildings are valued by the Directors, after taking into account external professional advice, and incorporate certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and landfill facilities.
- Estimated useful life of property, plant and equipment is estimated and reviewed at each financial year end. The Group also tests for impairment whenever a trigger event occurs. Impairment test assumptions include cash flows based on trading forecasts generated from current performance of each of the cash generating units. Cash generating units are deemed to be each integrated trading site, due to the integrated business model adopted by the Group. Discounting is applied based on weighted average cost of capital.
- The fair value of share based payments is calculated using the appropriate fair value model with the estimated level of vesting being reviewed annually by management. The key assumptions of this model are set out in note 23.

2. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31 December 2012. Segment information has been prepared in accordance with the accounting policies of the Group as set out on pages 18 to 23.

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

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

The Group comprises the following segments:

Building materials:
With effect from 1 January 2011, the business and operating assets of Dunton Brothers Limited, Charnwood Forest Brick Limited, Michelmersh Brick and Tile Company Limited, Blockleys Brick Limited and Freshfield Lane Brickworks Limited were amalgamated under a group reconstruction into a single clay products manufacturing business in Michelmersh Brick UK Limited (formerly Blockleys Brick Limited).

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

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

2. SEGMENTAL REPORTING (continued)

Landfill:
Engagement in landfill operations:

- New Acres Limited – based in Telford, Shropshire

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

	2012		2011	
	Segmental Revenue £'000	**PBT £'000**	**Segmental Revenue £'000**	**PBT £'000**
Building materials				
Blockleys	5,653	1,097	5,868	1,428
Dunton	1,509	(372)	1,788	96
Charnwood	2,700	421	2,563	609
Michelmersh	5,268	665	5,092	884
Freshfield Lane	9,125	2,599	8,694	2,026
Less rebates	(326)	(326)	(383)	(383)
	23,929	4,084	23,622	4,660
Landfill				
New Acres	626	253	686	197
	24,555	4,337	24,308	4,857
Inter-segmental revenue and unallocated costs*	(45)	(4,286)	(40)	(4,327)
	24,510	51	24,268	530

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

Other segmental disclosure

	2012			2011		
	Property, plant and Equipment		Intangible fixed assets	Property, plant and Equipment		Intangible fixed assets
	Additions £'000	**Depreciation £'000**	**Amortisation £'000**	**Additions £'000**	**Depreciation £'000**	**Amortisation £'000**
Building materials						
Blockleys Brick	191	280	–	98	230	–
Dunton	–	154	–	22	112	–
Charnwood	2	70	–	31	55	–
Michelmersh	14	293	–	108	390	–
Freshfield Lane	41	86	–	100	444	–
	248	883	–	359	1,231	–
Landfill						
New Acres	–	134	3	–	299	3
	248	1,017	3	359	1,530	3

Notes to Financial Statements (continued)
Year ended 31 December 2012

2. SEGMENTAL REPORTING (continued)

Revenue by geographical destination

	2012 £'000	2011 £'000
United Kingdom	24,310	23,704
Europe	91	228
Rest of the World	109	336
	24,510	24,268

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

Sales of £3,800,000 were made to a single customer of the Group.

Total Group revenue made to the top five customers amounted to £10,549,000 (2011: £9,858,000). No other customers were individually material in revenue value.

3. OTHER INCOME

	2012 £'000	2011 £'000
Rents receivable	34	23
Excess of carbon emission allowance over usage	345	406
Other	24	–
	403	429

4. FINANCE COSTS

	2012 £'000	2011 £'000
Interest expense	934	798
Payments in respect of interest rate cap	49	–
Charges in respect of hire purchase agreements	3	7
	986	805

5. PROFIT BEFORE TAXATION

		2012 £'000	2011 £'000
Profit before taxation is stated after charging:			
Amortisation		3	3
Depreciation	– owned assets	1,002	1,426
	– assets held under hire purchase agreements	15	104
Operating lease costs	– plant and machinery	329	301
	– motor vehicles	454	321

6. AUDITORS REMUNERATION

	2012 £'000	2011 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	23	35
Fees payable to the Group's auditor and its associates for other services:		
– the audit of the Group's subsidiaries, pursuant to legislation	25	37
– tax compliance services	13	15
– corporate finance services	3	3

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

7. PARTICULARS OF EMPLOYEES

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

	2012	2011
Manufacture and supply of bricks	247	263
Administration	32	34
	279	297

	2012 £'000	2011 £'000
Wages and salaries	7,407	7,985
Social security costs	761	819
Other pension costs	199	200
	8,367	9,004

8. DIRECTORS' EMOLUMENTS

The emoluments of the individual Directors were as follows:

	Basic Salary 2012 £'000	Pension 2012 £'000	Total emolu-ments 2012 £'000	Total emolu-ments 2011 £'000
E J S Gadsden	20	–	20	20
M R Warner	138	–	138	138
R W Carlton-Porter	27	–	27	27
F J Hanna	113	7	120	120
A R G Hardy	20	–	20	20
S H P Morgan	100	–	100	100
P Sharp	80	3	83	49
	498	10	508	474

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

Under IFRS, additional disclosure is required as follows:

	2012 £'000	2011 £'000
Short-term benefits	602	535

9. TRANSACTIONS WITH DIRECTORS

During the year the company made sales to WE Black Limited of £69,000 (2011: £122,000) a related party by virtue of common directorship. At 31 December 2012 the company was owed £12,000 (2011: £4,000) by WE Black Limited.

An amount of £27,000 (2011: £27,000) was paid to Lansdown Consultants Limited in respect of the services of R W Carlton-Porter as non-executive Director and is included within the above emoluments.

An amount of £20,000 (2011: £20,000) was paid to Wallands Consultancy Limited in respect of the services of A R G Hardy as non-executive Director and is included within the above emoluments.

No share options were exercised by any of the Directors during the year nor were any share options granted to Directors held at 31 December 2012.

One Director (2011: one) is a member of the defined contribution pension scheme run by the Group. One Director (2011: none) received contributions to his personal money purchase pension scheme.

10. TAXATION

a) Recognised in the income statement

	2012 £'000	2011 £'000
Current tax expense		
Current year	–	–
Prior year	47	(17)
	47	(17)
Deferred tax credit		
Origination and reversal of temporary differences:	(5)	(965)
Total income tax charge/(credit) in the income statement	42	(982)

b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2011: lower) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below.

	2012 £'000	2011 £'000
Factors affecting the tax charge for the current year		
Reconciliation of effective tax rate		
Profit before taxation	51	530
Income tax using the domestic corporation tax rate	13	141
Effects of:		
Expenses disallowed	26	29
Depreciation in excess of capital allowances	10	(249)
Change to prior year estimate	2	(989)
Rate changes	(19)	(13)
Other timing differences	10	99
	42	(982)

10. TAXATION (continued)

c) Factors affecting future tax charges

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 24%, which has applied from 1 April 2012, to 21%, via a series of annual reductions. The reduction in the corporation tax rate to 23% from 1 April 2013 was enacted on 3 July 2012. As this rate was enacted at the balance sheet date, and reduces the tax rate expected to apply when temporary differences reverse, it has the effect of reducing the UK deferred tax balance.

As at 31 December 2012, the Group had tax losses carried forward of approximately £2,024,000 (2011: £1,952,000).

A deferred tax asset has not been recognised in respect of £1,186,000 (2011: £1,397,000) of these tax losses, as the Directors do not consider their recovery to be sufficiently certain in the near future.

11. INTANGIBLE ASSETS

	Goodwill £'000	PPC license £'000	Carbon emissions quota £'000	Total £'000
Cost or valuation				
As at 1 January 2011	2,280	75	61	2,416
Allowances received during the year	–	–	816	816
Offset against liability	–	–	(877)	(877)
As at 31 December 2011	2,280	75	–	2,355
Allowances received during the year	–	–	533	533
Offset against liability	–	–	(402)	(402)
As at 31 December 2012	2,280	75	131	2,486
Amortisation				
As at 1 January 2011	–	12	–	12
Charge for the year	–	3	–	3
As at 31 December 2011	–	15	–	15
Charge for the year	–	3	–	3
As at 31 December 2012	–	18	–	18
Net book value				
At 31 December 2012	2,280	57	131	2,468
At 31 December 2011	2,280	60	–	2,340

GOODWILL

The goodwill relates exclusively to the acquisition of Freshfield Lane Brickworks Limited in 2010. In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 31 December 2012, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections of the brickworks discounted at the Group's weighted average cost of capital.

The key assumptions used in the value in use calculations are those regarding discount rates (7%) and revenue and cost growth rates of 3%. The Group prepares cash flow forecasts as part of the budget process, and these are extrapolated forward for the expected life of the business which is 30 years.

There were no impairment losses recognised on goodwill during the year (2011: £nil).

Notes to Financial Statements (continued)

Year ended 31 December 2012

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Site develop-ment £'000	Motor vehicles £'000	Plant and machin-ery £'000	Equip-ment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation							
As at 1 January 2011	42,548	234	270	25,784	919	393	70,148
Additions	6	–	44	309	–	–	359
Transfers to inventories	(18)	–	–	–	–	–	(18)
Disposals	–	–	(122)	(304)	–	–	(426)
Revaluation	(6,090)	–	–	–	–	–	(6,090)
As at 31 December 2011	36,446	234	192	25,789	919	393	63,973
Additions	9	170	8	61	–	–	248
Transfers to inventories	(25)	–	–	–	–	–	(25)
Transfer to assets held for resale	(3,350)	–	–	–	–	–	(3,350)
Disposals	–	–	(122)	(696)	(263)	(130)	(1,211)
Revaluation surplus	800	–	–	–	–	–	800
Revaluation deficit	(800)	–	–	–	–	–	(800)
At 31 December 2012	33,080	404	78	25,154	656	263	59,635
Amortisation							
As at 1 January 2011	838	46	194	14,900	741	356	17,075
Charge for the year	295	–	20	1,150	48	17	1,530
Disposals	–	–	(65)	(304)	–	–	(369)
As at 31 December 2011	1,133	46	149	15,746	789	373	18,236
Charge for the year	215	–	16	733	47	6	1,017
Disposals	–	–	(122)	(641)	(257)	(136)	(1,156)
At 31 December 2012	1,348	46	43	15,838	579	243	18,097
Net book value							
At 31 December 2012	31,732	358	35	9,316	77	20	41,538
At 31 December 2011	35,313	188	43	10,043	130	20	45,737

Included within the net book value of £41,538,000 is £44,000 (2011: £61,000) relating to assets held under hire purchase and finance lease agreements. The depreciation charged to the financial statements in the year in respect of such leases amounted to £15,000 (2011: £104,000).

A plot of land at Telford has been transferred to Current assets held for sale, as the Directors expect it to be disposed within twelve months of the balance sheet date. Further details are given in the Chairman's Statement.

The revaluation surplus of £800,000 in the year ended 31 December 2012 is in respect of the former factory land at Telford which has been transferred to current assets, assets held for sale. The Directors have assessed the value transferred at market value less costs associated with disposal.

The revaluation deficit in the year ended 31 December 2012 arose as a result of a value in use review of the cash generating units of the Group and relates solely to Dunton.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's freehold land and buildings were valued by the Directors on 31 December 2012, on a depreciated replacement cost basis for brickwork properties, and an existing use value for the land used for mineral extraction or waste disposal. Other property has been valued at open market value. These valuations incorporated certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and waste disposal where appropriate to do so. The Group's freehold land and buildings were valued at £31,732,000 at 31 December 2012 (2011: £35,313,000), resulting in no change to the revaluation reserve (2011: 6,090,000) at that date. Deferred tax liabilities were decreased by £184,000 (2011: £2,167,000) and have been credited to the revaluation reserve.

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

	2012 £'000	2011 £'000
Historical cost		
At 1 January	15,665	15,677
Additions	9	6
Transfer to inventories	(25)	(18)
Transfer to assets held for sale	(332)	–
At 31 December	15,317	15,665

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

The freehold land and property disclosed above is used for security for the overdraft and loans as disclosed in note 17.

13. SUBSIDIARIES

The following subsidiaries have been included within the consolidated financial statements

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

No entities have been excluded from the consolidated financial statements.

14. INVENTORIES

	2012 £'000	2011 £'000
Raw materials	3,175	3,562
Work in progress	934	998
Finished goods	5,023	5,002
	9,132	9,562

The cost of inventories expensed during the year is £17,857,000 (2011: £16,867,000). The inventory cost disclosed above is used for security of the overdraft as disclosed in note 17.

15. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2012 £'000	2011 £'000
Trade receivables	4,438	4,803
Other receivables	–	58
Prepayments and accrued income	305	340
	4,743	5,201

There are no receivables due after one year, and the fair values of the trade and other receivables are approximate to their carrying value. The trade receivables disclosed above are used for security of the overdraft as disclosed in note 17.

Included within trade receivables is £710,000 (2011: £807,000) of receivables past due but not impaired. The Directors do not feel there is any deterioration of credit quality of these receivables. The age analysis of receivables past due but not impaired is as follows.

	2012 £'000	2011 £'000
30 days overdue	607	521
30 – 60 days overdue	60	79
60 – 90 days overdue	43	207
	710	807

The carrying amount of the Group's trade and other receivables are denominated in sterling. The total loans and receivables category comprises trade and other receivables above together with cash of £70,000 as shown in the balance sheet, totalling £4,508,000.

During the year provisions were made against two debtors amounting to £53,000, and remain outstanding at 31 December 2012.

16. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2012 £'000	2011 £'000
Trade payables	760	970
Other taxation and social security	660	814
Other payables	4	239
Accruals and deferred income	1,124	897
Pension	24	23
	2,572	2,943

The fair values of trade and other payables are approximate to their carrying value. The total financial liabilities at amortised cost category comprises the above payables excluding other taxation and social security and including borrowings of £18,452,000 as shown in note 17, totalling £20,364,000.

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

17. BORROWINGS

Interest rate risk of financial assets and liabilities

The Group has floating rate borrowings of £17,287,000 (2011: £17,258,000), which consist of bank loans and overdrafts and bear interest linked to the bank base rate and LIBOR. It also has hire purchase liabilities of £29,000 (2011: £52,000) and other loans which have a set finance charge. The Group's financial assets at 31 December 2012 and 31 December 2011 include cash at bank and in hand for which no interest is earned.

Borrowing facilities

The Group has undrawn committed borrowing facilities at 31 December 2012 of £743,000 (2011: £2,407,000). The facilities are subject to periodic review.

Interest bearing liabilities

Obligations under hire purchase and finance lease agreements

	2012			2011		
	Minimum lease payment £'000	Interest £'000	Principal £'000	Minimum lease payment £'000	Interest £'000	Principal £'000
Less than one year	8	3	5	29	6	23
Between 1 – 2 years	8	3	5	8	3	5
Between 2 – 5 years	24	5	19	29	5	24
	40	11	29	66	14	52

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

Obligations under agreements are secured on the relevant assets.

The Group's policies and objectives in respect of financial risk relating to the adequacy of funding, interest rate fluctuations and currency exposure are explained in note 18.

Bank loans and overdrafts

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

	2012 £'000	2011 £'000
Bank overdraft (on demand)	2,839	2,944
In one year or less	4,481	4,444
Between one and two years	1,256	1,279
Between two and five years	3,711	3,327
Over five years	5,000	5,264
	17,287	17,258

The group operates two Term Loan facilities. The Barclays Loan balance stood at £12,426,081 at 31 December 2012 and will expire at 31 December 2016. The loan is repayable in quarterly installments of £250,000 and with repayment of £3,162,825 on realisation of certain property assets. Interest is charged on the bank loan at 4.0% above LIBOR per annum in addition to a base rate linked formula dependent upon Barclays Bank Plc's borrowing ratios ("Mandatory Cost Rate"). The bank loan is secured by a fixed and floating charge over all property and assets of the Group, both present and future, dated 23 March 2006, in favor of Barclays Bank Plc.

17. BORROWINGS (continued)

The Group entered into a new Term Loan facility with ABN AMRO in April 2012 for an amount of £2,000,000 for a term of 5 years. The loan is repayable in monthly installments of £20,000 rising to £24,000 in March 2013 and with a final repayment of £608,000 in April 2017. Interest is charged on the bank loan at 2.75% above bank base rate. The bank loan is secured by a fixed and floating charge over one of the property and assets of the Group.

Other borrowings

		2012 £'000	2011 £'000
Vendor Loans	In one year or less	136	1,364
	Between one and two years	500	136
	Between two and five years	–	500
Shareholder loan	Between one and two years	500	500
		1,136	2,500

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

The Shareholder Loan was granted by Mr. Eric Gadsden in March 2010 to provide funds for the acquisition of Freshfield Lane Brickworks Limited and was repayable in full on 25 February 2011. Subsequent to 31 December 2010, it was agreed that repayment will be made in 12 equal installments commencing in March 2011. The repayments were halted by agreement after 9 instalments, with the remaining balance to be repaid in March 2014. An additional payment of £50,000 will be paid on completion of the repayment of the loan.

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

The other borrowings are stated at fair value.

Interest rate Cap

In December 2011, the Company entered into an interest rate cap arrangement with Barclays Bank Plc. The terms of the cap are outlined in note 18. The present value of future payments in respect of the cap have been recognised as a liability. The liability has reduced during the period classed as fair value through the income statement. The interest rate cap is categorised as a level 2 in the fair value hierarchy.

	2012 £'000	2011 £'000
	165	195

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments

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

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

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

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

Financial risk factors

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

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

Market risk

Cash flow and fair value interest rate risk

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

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

Liquidity risk

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

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

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

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

At 31 December 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Borrowings including overdrafts	9,357	1,803	4,666	5,447
Hire purchase and finance lease obligations	29	8	29	–
Trade and other payables	2,943	–	–	–

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 £'000	2011 £'000
Total borrowings excluding bank overdrafts	15,613	16,866
Add: cash and cash equivalents including bank overdrafts	2,769	2,897
Net debt	18,382	19,763
Total equity	35,534	34,731
Gearing ratio	52%	57%

Fair value estimation

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

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (continued)

Sensitivity analysis

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

	2012 £'000	2011 £'000
1% increase/(decrease) in sterling interest rates	167	165

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

19. PENSIONS

Defined Contribution Scheme
The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Group in trustee administered funds. The pension charge for contributions made by the Group to the defined contribution scheme amounted to £199,000 (2011: £200,000). Amounts unpaid at the year end in respect of contributions amounted to £24,000 (2011: £23,000).

20. DEFERRED TAXATION

Deferred tax at 31 December 2012 relates to the following:

	Losses £'000	Property plant and equipment £'000	Other items £'000	Total £'000
Cost				
As at 1 January 2011	(156)	8,817	175	8,836
Recognised in income	17	(916)	(66)	(965)
Recognised in equity	–	(2,167)	–	(2,167)
As at 31 December 2011	(139)	5,734	109	5,704
Recognised in income	(54)	67	(18)	(5)
Recognised in equity	–	(764)	–	(764)
As at 31 December 2012	(193)	5,037	91	4,935

Deferred tax assets included above are deemed recoverable against future taxable profits in certain Group companies.

In addition to the above, the Group has un-provided deferred tax assets of £273,000 (2011: £349,000) in respect of unrelieved tax losses.

21. COMMITMENTS UNDER OPERATING LEASES

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

	2012 £'000	2011 £'000
Operating leases which expire		
Within one year	614	615
Between two and five years	1,570	1,600
	2,184	2,215

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

22. SHARE CAPITAL

Authorised share capital	2012 Number	2012 £'000	2011 Number	2011 £'000
Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000

Allotted, called up and fully paid:	2012 Number	2012 £'000	2011 Number	2011 £'000
Ordinary shares of 20p each	58,227,154	11,645	58,227,154	11,645

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

23. SHARE BASED PAYMENTS

Share option reserve	£'000
As at 1 January 2012	186
Charge for the year	30
As at 31 December 2012	216

a) Michelmersh Brick Holdings Plc Group share option scheme

Year of Grant	Subscription price per share	Period of exercise	No. of options as at 31 December 2011	Options forfeited in the year	No. of options as at 31 December 2012
2004	70p	August 2007 – August 2014	153,686	(12,571)	141,115
2005	95p	November 2008 – November 2015	12,500	–	12,500
2007	118p	April 2010 – April 2017	10,000	–	10,000
2008	96p	February 2011 – February 2018	12,500	–	12,500

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

23. SHARE BASED PAYMENTS (continued)

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	Subscription price per share	Vesting period	No. of options as at 31 December 2011	Options forfeited in the year	No. of options as at 31 December 2012
2006	78p	June 2006 – July 2011	33,023	(33,023)	–
2007	102p	November 2007 – December 2012	11,858	–	11,858
2011	19p	November 2011 – December 2014	631,857	(46,418)	585,439
2011	19p	November 2011 – December 2016	393,152	–	393,152

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

Options were valued using the principles of the Black Scholes Model. This valuation is amortised to the income statement over the vesting period. The charge for the year amounted to £30,000 (2011: £3,000).

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

Weighted average share price	£0.868
Expected volatility	30%
Expected dividend yield	1%
Risk free rate	5%

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

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

	2012		2011	
	No	Weighted average exercise price	No	Weighted average exercise price
Outstanding as at 1 January	1,258,576	29.9p	271,201	77.6p
Granted	–	–	1,032,587	19.0p
Lapsed and forfeited	(92,012)	47.1p	(45,212)	67.9p
Outstanding as at 31 December	1,166,564	28.5p	1,258,576	29.9p

The weighted average contractual life for the share options outstanding at 31 December 2012 is 4 years (2011: 4 years).

24. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

Share option reserve
The share option reserve relates to the Executive Approved Share Option and SAYE Share Option Schemes. Additional details are disclosed in note 23 to the financial statements.

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

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

Revaluation reserve
The revaluation reserve relates to revaluation of property as disclosed in note 12.

25. EARNINGS PER SHARE

Basic
The calculation of earnings per share is based upon the profit for the year of £9,000 (2011: £1,512,000) and 58,227,154 (2011: 58,194,277) weighted average number of ordinary shares.

Diluted
The diluted figures for 2011 include options issued during the year. At 31 December 2012 there were 187,000 (2011: 233,000) existing options which are under water and are not included in the diluted figures for 2012.

Michelmersh Brick Holdings Plc

Parent Company Financial Statements

Year ended 31 December 2012

Independent Auditors' Report to the Shareholders

We have audited the parent company financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2012 which comprise the parent company Balance Sheet, the Accounting Policies and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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

- Give a true and fair view of the state of the company's affairs as at 31 December 2012;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter
We have reported separately on the group financial statements of Michelmersh Brick Holdings Plc for the year ended 31 December 2012.

Ian Cooper
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
26 March 2013

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Company Balance Sheet

Company Balance Sheet as at 31 December 2012	notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	1	18,297	17,570
Investments	2	10,288	10,288
Intangible assets	3	131	–
Total fixed assets		28,716	27,858
Current assets			
Cash at bank and in hand		–	14
Debtors – due within one year	4	9,168	12,540
Total current assets		9,168	12,554
Creditors: Amounts falling due within one year	5	(4,577)	(5,925)
Net current assets		4,591	6,629
Total assets less current liabilities		33,307	34,487
Creditors: Amounts falling due after more than one year	6	(9,029)	(10,145)
Provisions for liabilities			
Deferred taxation	8	(99)	(45)
Net assets		24,179	24,297
Capital and reserves			
Share capital	10	11,645	11,645
Share premium account	10	6,440	6,440
Merger reserve	10	979	979
Revaluation reserve	10	9,810	9,144
Share option reserve	10	216	186
Profit and loss account	10	(4,911)	(4,097)
Equity shareholders' funds		24,179	24,297

These financial statements were approved by the Directors and authorised for issue on 25 March 2013 and are signed on their behalf by

M R WARNER
Director

Accounting Policies
Year ended 31 December 2012

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

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The loss after tax for the Company was £948,000 (2011: £339,000). There are no other recognised gains or losses in either year.

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

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

Freehold land and buildings are revalued on an annual basis.

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

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

Freehold land used in landfill activities is amortised over the life of the site on a usage basis. All other freehold land is not depreciated.

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

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

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

Share based payment transactions
An expense for equity instruments granted under employee share schemes and the Save-As-You-Earn Schemes is recognised in the financial statements based on their fair value at the date of grant. This expense is recognised over the vesting period of the scheme. The cumulative expense recognised at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Company has adopted the principles of the Black-Scholes Model for the purposes of computing fair value.

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Accounting Policies
Year ended 31 December 2012 (continued)

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

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

Carbon emissions allowances
The annual quota of carbon emissions allowed under the European Union Environment Agency regulations is recognised as an asset in the Balance Sheet as a Government Grant in accordance with SSAP 4.

A corresponding liability is recognised as carbon emissions are produced in the year.

Unused and acquired carbon emissions quotas held at the balance sheet date are recognised as intangible assets and are valued at open market value. Any gain or loss arising is recognised in the profit and loss account.

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

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

Notes to Company Financial Statements
Year ended 31 December 2012

1. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Equipment £'000	Motor Vehicles £'000	Site development £'000	Total £'000
Cost or valuation					
At 1 January 2012	17,988	295	44	155	18,482
Additions	-	-	-	170	170
Revaluation	800	-	-	-	800
At 31 December 2012	18,788	295	44	325	19,452
Depreciation					
At 1 January 2012	726	186	-	-	912
Charge for the year	194	34	15	-	243
At 31 December 2012	920	220	15	-	1,155
Net book value					
At 31 December 2012	17,868	75	29	325	18,297
At 31 December 2011	17,262	109	44	155	17,570

Revaluation of fixed assets

The Company's freehold property was valued by the directors on 31 December 2012, on a depreciated replacement cost basis for brickwork properties, and an existing use value for the land used for mineral extraction or waste disposal. Other property surplus to requirements has been valued at open market value. These valuations incorporated certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and landfill facilities. The directors adjusted these valuations in respect of the land used for mineral extraction or waste disposal where appropriate to do so.

The revaluation surplus of £800,000 in the year ended 31 December 2012 is in respect of the former factory land at Telford. The Directors have assessed the value at market value less costs associated with disposal.

Notes to Company Financial Statements (continued)
Year ended 31 December 2012

1. TANGIBLE FIXED ASSETS (continued)

The Company's freehold land and buildings were valued at £17,868,000 at 31 December 2012. In respect of the freehold property stated at a valuation, the comparable historical cost and depreciation values are as follows:

	2012 £'000	2011 £'000
Historical cost		
At 1 January 2012	8,112	8,106
Additions	–	6
At 31 December 2012	8,112	8,112

	2012 £'000	2011 £'000
Historical cost depreciation		
At 1 January 2012	–	-
Charge for the year	–	-
At 31 December 2012	–	-

2. INVESTMENTS – UNLISTED

	2012 £'000	2011 £'000
Cost		
At 1 January	10,288	10,245
Additions	–	43
At 31 December	10,288	10,288

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

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

Notes to Company Financial Statements (continued)
Year ended 31 December 2012

3. INTANGIBLE ASSETS

The intangible asset relates to carbon allowances.

	2012 £'000	2011 £'000
Cost		
At 1 January	–	–
Additions	131	–
At 31 December	131	-

4. DEBTORS

Amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	8,977	12,326
Other debtors	–	28
Prepayments and accrued income	191	186
	9,168	12,540

5. CREDITORS: Amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans due within one year	4,231	4,087
Other creditors	–	215
Other loans	136	1,364
Accruals and deferred income	205	254
Hire purchase	5	5
	4,577	5,925

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

	2012 £'000	2011 £'000
Bank loans	8,005	8,980
Hire purchase	24	29
Other Loans	1,000	1,136
	9,029	10,145

7. CREDITORS - CAPITAL INSTRUMENTS

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

	2012 £'000	2011 £'000
In one year or less, or on demand	4,235	4,092
Between one and two years	915	1,005
Between two and five years	3,000	3,024
Over five years	4,115	4,980
	12,265	13,101

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

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

8. PROVISIONS FOR LIABILITIES

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

	2012 £'000	2011 £'000
At 1 January	45	119
Increase/(decrease) in provision	54	(74)
At 31 December	99	45

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

	2012 £'000	2011 £'000
Excess of taxation allowances over depreciation on fixed assets	99	45

Amounts unprovided at the year end are as follows:

	2012 £'000	2011 £'000
Revalued properties	1,434	1,710

8. PROVISIONS FOR LIABILITIES (continued)

The balance of unprovided deferred tax of £1,434,000 (2011: £1,710,000) relating to revalued properties represents the tax on the deferred capital gain on the revaluation of the freehold property. It is the Directors' intention to keep the trading property for use in the business, and as such the gain is unlikely to crystallise and therefore the deferred tax liability has not been recognised, in accordance with Financial Reporting Standard 19 'Deferred Tax'. The deferred tax on the element of the gain in respect of land subject to an option to sell for residential development in the future has not been provided at 31 December 2012 as the Company has not yet entered into a binding agreement to sell the land. Provisions will be made on a phased basis as and when building agreements are signed. Deferred tax assets in respect of other timing differences and tax losses available amounting to £577,000 (2011: £745,000) have not been provided, as the Directors do not consider their recovery to be sufficiently certain in the near future.

9. RELATED PARTY TRANSACTIONS

The Company has taken the exemption in FRS 8 not to disclose transactions with other Group companies.

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	Share option reserve £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total share-holders' funds £'000
Balance at 1 January 2011	11,620	183	6,422	979	16,377	(4,057)	31,524
Loss for the year	–	–	–	–	–	(339)	(339)
Shares issued in the year	25	–	18	–	–	–	43
Share save option	–	3	–	–	–	–	3
Revaluation of freehold land and buildings	–	–	–	–	(6,934)	–	(6,934)
Transfer to profit and loss	–	–	–	–	(299)	299	–
Balance at 31 December 2011	11,645	186	6,440	979	9,144	(4,097)	24,297
Loss for the year	–	–	–	–	–	(948)	(948)
Share save option	–	30	–	–	–	–	30
Revaluation of freehold land and buildings	–	–	–	–	800	–	800
Transfer to profit and loss	–	–	–	–	(134)	134	–
Balance at 31 December 2012	11,645	216	6,440	979	9,810	(4,911)	24,179

11. CONTINGENCIES

The bank holds a cross guarantee between the Company and its subsidiaries dated 30 December 2012. At the year end the total Group bank borrowings were £17,287,000 (2011: £17,258,000).

Notice of the Annual General Meeting

This year's annual general meeting will be held at 11.00 a.m. on 22 May 2013 at 131 Finsbury Pavement, London EC2A 1NT. You will be asked to consider and pass the resolutions below. Resolutions 5, 6, and 7 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary Business

1 To receive the Company's Accounts and Reports of the directors and the auditors for the financial year ended 31 December 2012.

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

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

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

Special Business

5 That the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the 2006 Act) of £3,881,810.

6 That, subject to the passing of resolution 5, the directors of the Company be and they are hereby empowered pursuant to sections 570 of the Companies Act 2006 (the "**2006 Act**") to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority conferred by resolution 6 as if section 561 of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash:

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

(b) in the case of the authority granted under resolution 5, and otherwise than pursuant to paragraph (a) of this resolution, for cash up to an aggregate nominal amount of £582,272 being 5% of the Company's issued ordinary share capital as at the date of this Notice.

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

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

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 5,822,715 (representing 10 per cent. of the Company's issued ordinary share capital);

Notice of the Annual General Meeting
(continued)

(b) the minimum price (exclusive of expenses) which may be paid for each ordinary share shall be the lower of the nominal value or an amount not less than 5 per cent. below the average of the middle market quotations for an ordinary share, as derived from the AIM section of the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

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

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

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

25 March 2013

By order of the Board
Stephen Morgan
Company Secretary

Registered Office:
Freshfield Lane
Danehill
Haywards Heath
West Sussex
RH17 7HH

Notice of the Annual General Meeting
(continued)

Notes

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

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

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

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

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

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

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

Notice of the Annual General Meeting
(continued)

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

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

Resolutions 1 to 4 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 5 to 7 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

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

Resolution 5: Authority to allot shares
This resolution proposes that the Directors' authority to allot shares be renewed. The authority previously given to the Directors at the last AGM of the Company will expire at this year's AGM. Under the Companies Act 2006, the Directors of the Company may only allot shares or grant rights to subscribe for or convert into shares if authorised to do so.

Resolution 5 will allow the Directors to allot new shares or grant rights up to an aggregate nominal value of £3,881,810, which is equal to approximately one third of the total issued ordinary share capital of the Company as at the date of this Notice.

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

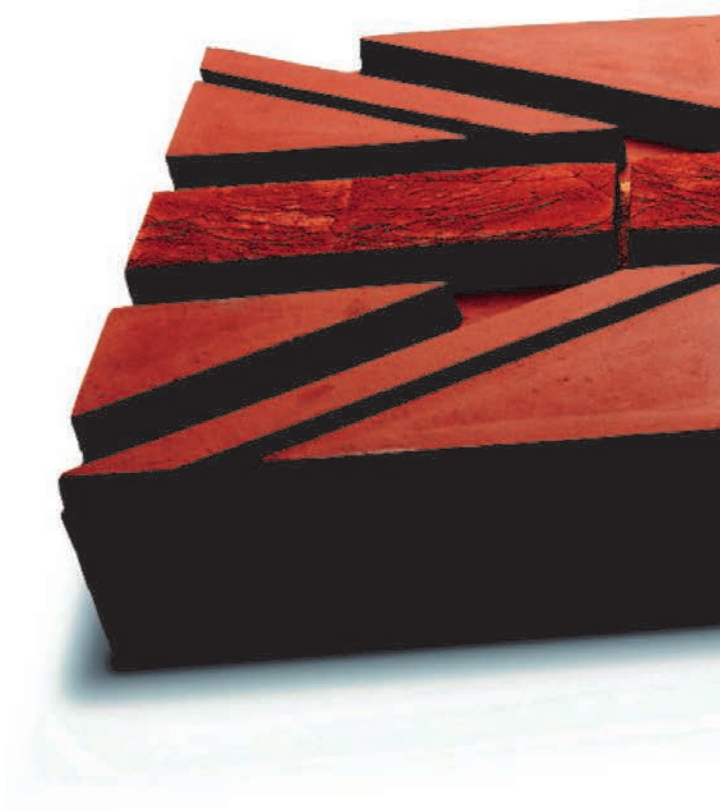
Resolution 6: Disapplication of pre-emption rights
Under the Companies Act 2006, if the Directors wish to allot shares for cash (other than in connection with an employee share scheme) they must first offer them to existing shareholders in proportion to their holdings ("a pre-emption offer"). There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emption offer to existing shareholders.

This resolution seeks to renew the directors' power to allot equity securities in certain limited circumstances otherwise than to in relation to pre-emption offers. The power granted at the last AGM is due to expire at this year's AGM. Apart from pre-emption offers, the power is limited to the allotment of equity securities for cash up to an aggregate nominal value of £582,272 (being 5% of the issued ordinary share capital as at the date of this Notice. If given, this power will expire at the conclusion of the 2014 AGM.

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

Resolution 7: Authority to purchase Company shares
This resolution renews the Company's general authority to repurchase up to 5,822,715 its own shares in the market (being 10% of the Company's issued share capital as at the date of this notice), at or between the maximum and minimum prices specified in the resolution giving the authority.

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



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