

15 April 2010



Michelmersh Brick Holdings plc
(“Michelmersh”, the “Company”, or the “Group”)

Final results for the year ended 31 December 2009

Michelmersh Brick Holdings plc (AIM: MBH), the specialist brick, land development and landfill company, today announces final results for the year ended 31 December 2009.

Highlights

- Revenue reduced to £17.9 million (2008: £24.2 million)
- Gross profit increased to £4.6 million (2008: £3.9 million)
- Operating loss reduced to £374,000 (2008: loss of £1.8 million)
- Loss before tax reduced to £996,000 (2008: loss of £2.8 million)
- Net assets of £30.4 million (2008: £31.0 million)
- Production in line with targets and sales close to budgeted levels
- Gross margins increased to 25.9 per cent. (2008: 16.2 per cent.)
- Successfully renegotiated banking facilities and covenants
- The Group has established a new faience and terracotta business – Hathern Terracotta, which will considerably strengthen niche product range

Post period end:

- Successfully raised £3.0 million by way of a Placing of 10.0 million shares at a price of 30p
- Acquisition of Freshfield Lane Brickworks Limited
- Planning consent achieved for 170 units on 16 acres at Telford
- Strengthening of management and operations team through the appointment of Alan Hardy and Frank Hanna

Commenting on the results, Eric Gadsden, Chairman, said: “We must continue to be cautious in the current economic situation particularly with the General Election before us; demand however is picking up across each of our works and I am therefore more optimistic than in recent statements.

We also believe that, with 90% of brick production in the hands of three internationally owned companies, capacity and consolidation issues will be resolved over the next 24 months. We are well

placed to participate in any opportunities should they arise and, with our experienced management team, are ambitious to do so.”

For further information:

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Chairman's Statement

I am pleased to report our results for 2009 which, despite being a very challenging year, have laid strong foundations for the Group's future. In my Interim Statement in September last year I highlighted several potential opportunities for the business which have now been progressed during and since the end of the period.

Results are in line with forecasts and are near break even at the operating level despite lower revenues resulting from reduced production. Revenue reduced to £17.9 million compared to £24.2 million in 2008, although gross profit increased to £4.6 million compared to £3.9 million in the previous year.

The brick industry as a whole has consolidated throughout the year with many plants being closed or mothballed. We have stressed for a number of years the pending rationalisation of the sector and a large part of that has now occurred, driven by lower demand.

Michelmersh concentrates on the specialist end of the market and, post the year end, in March 2010, we completed the acquisition of Freshfield Lane Brickworks (FLB) which enhances our position as a supplier to the more resilient south and south-east areas of the country. In January we also rationalised production at Telford to focus on our specialist wire cut and clay paviour products. These moves concentrate the business on specialist products and increasingly differentiate us from our competitors.

After some four years in the system, Persimmon, assisted by the Michelmersh team, has achieved detailed planning consent for 170 units on 16 of the 85 acres zoned for residential development at Telford and we are finalising the Section 106 agreement. On conclusion, expected during the second half of this year, we will receive payment from Persimmon for this first tranche of land which will be applied to reducing indebtedness.

We have also moved swiftly to dispose of some £1.5 million of assets at FLB which will reduce the effective purchase consideration and improve our return on capital. It is our expectation that asset sales over the coming five years will defray existing debt or release funding for other acquisitions.

These are key accomplishments which open up a number of options for the business going forward. At present we are working through an integration process for our brick manufacturing business.

Financial Highlights

Turnover for the year amounted to £17.9 million (2008 - £24.2 million) and the profit before interest and depreciation was £1.3 million compared to the loss in 2008 of £0.1 million.

Risks previously associated with fluctuations in fuel prices have been mitigated by our current strategic gas buying policy, of using an energy broker to advise and take forward positions within the market where considered appropriate.

In order to maximise cash flow during the year we have continued to manage stock levels against demand, through restricted production. Sales during the second half of the year were less than originally budgeted but stock levels continue to be lower than the industry average.

Administrative expenditure reduced to £5.2 million for the year (2008 - £5.9 million) reflecting the reorganisation that took place within the Group during 2008. The operating loss for the year totalled £0.4 million (2008 - £1.8 million).

Bad debts were minimal during the period, reflecting the benefit of our rigorous credit control procedures currently being used throughout the Group.

The Group's balance sheet remains strong with net assets at 31 December 2009 of £30.4 million (2008 - £31.0 million).

In March 2010 we successfully raised £3.0 million (gross) by way of a Placing of 10.0 million shares at a price of 30 pence.

Dividend

Under the current circumstances the Board intends to conserve cash and is therefore not proposing a dividend for the year under review. However, as the market recovers and debt is paid down the Board will review this approach and intends to resume the payment of dividends.

People

As previously stated, it has been a difficult year and my thanks go to all those who have worked so hard to contribute to this result.

I would also like to take this opportunity to welcome Alan Hardy and Frank Hanna, who were directors of FLB, to the Board of Michelmersh Brick Holdings and I am sure they will make a very valuable contribution to the future of the business.

Alan will lead the integration of FLB into the Group and Frank will focus on the commercial and marketing aspects of the business.

Outlook

We must continue to be cautious in the current economic climate particularly with the General Election before us; demand, however, is picking up across each of our works and I am therefore more optimistic than in recent statements.

Markets have stabilised and stocks of new homes for sale remain low. Most housebuilders have sold excess stock and are now starting to build again and this is reflected in national brick demand.

We also believe that, with 90% of brick production in the hands of three internationally owned companies, capacity and consolidation issues will be resolved over the next 24 months. We are well placed to participate in any opportunities should they arise and, with our experienced management team, are ambitious to do so.

In FLB, we have made an important strategic acquisition with potential to release value across the Group and whilst we will focus our efforts on extracting synergies we will also continue to consider other opportunities as well as progress our land and landfill assets.

Eric Gadsden
Chairman
15 April 2010

Chief Executive's Review

As noted in the Chairman's Statement we have had a busy year and have taken significant steps forward in both the brickmaking and land management areas of our business.

Clay Products

We have continued to focus our efforts on our niche product range. This drive to distinguish ourselves and focus on high quality products has resulted in satisfactory results, under the circumstances, from each of our works.

Production was in line with our targets and sales close to budgeted levels. Average selling prices were strong having increased to £350 per thousand from £305 per thousand in 2008.

In the first quarter of the new financial year we have completed the acquisition of Freshfield Lane Brickworks (FLB) and mothballed production at our Heritage plant at Telford.

FLB is an important strategic acquisition for us. It is a well located and well invested business with a strong, well recognised brand name that fits well with the Group's existing brands.

The product is well liked and respected and will sell alongside our existing products, strengthening the Group's position in the stronger South East England market.

The combined group is uniquely placed to provide a complementary range of clay products across a wider customer base and will differentiate the business even more from its volume competitors. Our focus is on premium products, popular with discerning specifiers and planners.

We continue to make good progress with the establishment of our Hathern Terracotta business and have already won high profile work including the refurbishment of the prestigious Savoy Hotel in London.

Landfill

Our landfill operation at Telford continues to operate well, achieving a turnover of £410,000 (2008 - £652,000) on reduced input levels of 67,000 tonnes (2008 - 110,000 tonnes) but rates remained firm at an average of £6.20 per tonne (2008 - £5.90) Over the course of the year, we increased our available void space to some 1.5 million tonnes.

We are also pursuing opportunities at our Charnwood, Dunton and FLB sites.

Development land

As previously noted in the Chairman's Statement the land at Telford is now fully restored and the Section 106 agreement nearing finalisation. Accordingly we are now in final negotiations with Persimmon and are agreeing a timetable for passing the site over to them for building work to commence.

Assets

We have again reviewed the value our assets and believe that no further impairment is needed and we are of course mindful of the planning consent obtained and value of surplus assets at FLB.

Outlook

Whilst we continue to take a cautious view of the market there is undoubtedly more activity and we are now experiencing good demand for all our products. Sales for the period to date are on budget, despite the difficult weather conditions in January.

We are swiftly integrating our operations with our new acquisition, releasing value from our assets, reducing debt and planning production across our works to maximise profitability.

Our business is cyclical and whilst we believe that housebuilding levels will remain at low levels, we do believe that demand has stabilised.

During 2009, we have strengthened our brand, continued to develop our land asset base and look forward to the future with cautious optimism. There will be challenges this year but we will progress our plans for product sales and development, and move to effect land asset sales to reduce debt.

Martin Warner
Chief Executive
15 April 2010

Consolidated Income Statement for the year ended 31 December 2009	Notes	2009 £'000	2008 £'000
Revenue		17,850	24,245
Cost of sales		<u>(13,232)</u>	<u>(20,329)</u>
Gross profit		4,618	3,916
Administrative expenses		(5,156)	(5,909)
Other income		<u>164</u>	<u>176</u>
Operating loss		(374)	(1,817)
Finance costs		<u>(622)</u>	<u>(1,053)</u>
Loss before taxation		(996)	(2,870)
Taxation		<u>202</u>	<u>286</u>
Loss for the financial year		<u>(794)</u>	<u>(2,584)</u>
Earnings per share	4	(1.96)p	(6.40)p
Diluted earnings per share	4	(1.96)p	(6.40)p

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009	2009 £'000	2008 £'000
Loss for the financial year	(794)	(2,584)
Other comprehensive income		
Gain/(loss) on revaluation of property, plant and equipment	182	(14,202)
Deferred tax on revaluation movement	<u>(51)</u>	<u>3,666</u>
Net income/(expense) recognised directly in equity	<u>131</u>	<u>(10,536)</u>
Total comprehensive income for the year	<u>(663)</u>	<u>(13,120)</u>

Consolidated Balance Sheet as at 31 December 2009	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Intangible assets		65	67
Property, plant and equipment	5	<u>46,922</u>	<u>48,121</u>
Total non-current assets		<u>46,987</u>	<u>48,188</u>
Current assets			
Inventories		9,601	8,235
Trade and other receivables		3,226	3,377
Cash and cash equivalents		<u>505</u>	<u>225</u>
Total current assets		<u>13,332</u>	<u>11,837</u>
Total assets		<u>60,319</u>	<u>60,025</u>
Liabilities			
Current liabilities			
Trade and other payables		3,947	4,327
Interest bearing borrowings		<u>5,191</u>	<u>16,290</u>
Total current liabilities		<u>9,138</u>	<u>20,617</u>
Non-current liabilities			
Deferred tax liabilities		7,441	7,592
Interest bearing borrowings		<u>13,365</u>	<u>778</u>
		<u>20,806</u>	<u>8,370</u>
Total liabilities		<u>29,944</u>	<u>28,987</u>
Net assets		<u>30,375</u>	<u>31,038</u>
Equity attributable to equity holders			
Share capital		8,083	8,083
Share premium account		5,703	5,703
Reserves		15,138	15,204
Retained earnings		<u>1,451</u>	<u>2,048</u>
Total equity		<u>30,375</u>	<u>31,038</u>

Statement of Changes in Equity	Share capital	Share option reserve	Share premium	Revaluation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2008	8,073	195	5,671	25,908	4,725	44,572
Loss for the year	-	-	-	-	(2,584)	(2,584)
Equity dividends paid	-	-	-	-	(444)	(444)
Revaluation in the year	-	-	-	(14,202)	-	(14,202)
Deferred tax on revaluation	-	-	-	3,666	-	3,666
Transfer to retained earnings	-	-	-	(351)	351	-
Shares issued in the year	10	(12)	32	-	-	30
As at 31 December 2008	8,083	183	5,703	15,021	2,048	31,038
Loss for the year	-	-	-	-	(794)	(794)
Revaluation in the year	-	-	-	182	-	182
Deferred tax on revaluation	-	-	-	(51)	-	(51)
Transfer to retained earnings	-	-	-	(197)	197	-
As at 31 December 2009	8,083	183	5,703	14,955	1,451	30,375

Summarised Consolidated Cash Flow Statement	2009	2008
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	(996)	(2,870)
Finance costs	622	1,053
Depreciation & amortisation	1,629	1,677
Other non-cash items	-	(41)
	<u>1,255</u>	<u>(181)</u>
Operating profit/(loss) before changes in working capital	1,255	(181)
Net movement in working capital	(1,484)	782
	<u>(229)</u>	<u>601</u>
Net cash (used in)/generated by operations	(229)	601
Interest paid	(622)	(1,056)
	<u>(851)</u>	<u>(455)</u>
Net cash used in operating activities	(851)	(455)
Cash flows from investing activities		
Purchase of tangible and intangible assets	(387)	(1,388)
Proceeds on disposal of tangible and intangible assets	-	520
	<u>(387)</u>	<u>(868)</u>
Net cash used in investing activities	(387)	(868)
Cash flows from financing activities		
Issue of share capital	-	30
Net repayment of interest bearing borrowings	(377)	(597)
Repayment of hire purchase and finance lease obligations	(69)	(41)
Dividends paid to shareholders	-	(135)
	<u>(446)</u>	<u>(743)</u>
Net cash used in financing activities	(446)	(743)
Net decrease in cash and cash equivalents	(1,684)	(2,066)
Cash and cash equivalents at beginning of year	(2,558)	(492)
	<u>(4,242)</u>	<u>(2,558)</u>
Cash and cash equivalents at end of year	(4,242)	(2,558)
Comprised of:		
Cash at bank and in hand	505	225
Bank overdraft	(4,747)	(2,783)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. There have been no changes to the accounting policies adopted since the last consolidated financial statements were published. The consolidated financial statements for the financial years ended 31 December 2009 and 31 December 2008 have been prepared under the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Review 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 Venture Finance Plc, together with an overdraft facility provided by Barclays Bank Plc. The Venture facility was put in place for 3 years from May 2009, and has been renegotiated following the acquisition of Freshfield Lane Brickworks Limited in March 2010 to include an additional facility of £1.8m and to extend a further 5 years from this date. The long term borrowing with Barclays has also been renegotiated in the year, and is now due for renewal in June 2011.

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 the level of this increased facility.

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 the annual financial statements.

2. FINANCIAL INFORMATION

The financial information set out in this Preliminary Announcement does not constitute the Group's statutory financial statements for the years ended 31 December 2009 or 2008. These financial statements will be finalised on the basis of the financial information presented by the Directors in this Preliminary Announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The audit report on the Group's statutory financial statements for the year ended 31 December 2009 has not yet been signed.

The financial information for the year ended 31 December 2008 has been derived from the Group's statutory financial statements for 2008 and have been delivered to the Registrar of Companies. The auditors have reported on the Group's statutory financial statements for the year ended 31 December 2008; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The financial information is presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

3. DIVIDENDS

No dividends have been paid or proposed in the year.

4. EARNINGS PER SHARE

Basic

The calculation of earnings per share is based on the loss for the year of £794,000 (2008: loss of £2,584,000) and 40,409,779 (2008: 40,397,377) weighted average number of ordinary shares.

Diluted

The diluted figure is based on the same figures as above since the options in place during the year are anti-dilutive for the years ended 31 December 2009 and 2008. At 31 December 2009 there were a total of 669,538 share options held by employees, which are not considered dilutive.

5. PROPERTY PLANT & 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							
At 1 January 2008	43,719	234	171	33,491	896	258	78,769
Additions	916	-	-	452	20	-	1,388
Disposals	-	-	-	(4)	-	-	(4)
Transfers to inventories	(44)	-	-	-	-	-	(44)
Revaluation in the year	(14,202)	-	-	-	-	-	(14,202)
At 31 December 2008	30,389	234	171	33,939	916	258	65,907
Additions	223	-	-	157	7	-	387
Disposals	-	-	-	(40)	(6)	-	(46)
Transfers to inventories	(141)	-	-	-	-	-	(141)
At 31 December 2009	30,471	234	171	34,056	917	258	66,107
Depreciation							
At 1 January 2008	-	39	150	15,068	654	198	16,109
Charge for the year	287	3	7	1,335	32	13	1,677
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
At 31 December 2008	287	42	157	16,403	686	211	17,786
Charge for the year	197	3	5	1,375	32	13	1,625
Disposals	-	-	-	(39)	(5)	-	(44)
Revaluation in the year	(182)	-	-	-	-	-	(182)
At 31 December 2009	302	45	162	17,739	713	224	19,185
Net book value							
At 31 December 2009	30,169	189	9	16,317	204	34	46,922
At 31 December 2008	30,102	192	14	17,536	230	47	48,121

Capital Commitments

	2009 £'000	2008 £'000
Contracted but not provided for in the financial Statements	-	-

5. PROPERTY PLANT & EQUIPMENT (continued)

Revaluation of property, plant and equipment

The Group's freehold land and buildings were revalued by the Directors on 31 December 2009, 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 landfill facilities. The Directors updated these valuations in respect of the land used for mineral extraction and waste disposal where appropriate to do so. The Group's freehold land and buildings were valued at £30,169,000 at 31 December 2009, resulting in an increase in the revaluation reserve of £182,000 at that date. Deferred tax liabilities were increased by £51,000 in respect of this and have been debited to the revaluation reserve.

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

	2009	2008
	£'000	£'000
Historical cost		
At 1 January 2009	10,051	9,135
Additions	223	916
Transfer to inventories	(27)	-
	<hr/>	<hr/>
At 31 December 2009	10,247	10,051
	<hr/>	<hr/>
	2009	2008
	£'000	£'000
Historical cost depreciation		
At 1 January 2009	32	23
Charge for the year	9	9
	<hr/>	<hr/>
At 31 December 2009	41	32
	<hr/>	<hr/>

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

6. POST BALANCE SHEET EVENTS

On 31 March 2010 the group acquired the entire equity share capital of Freshfield Lane Brickworks Limited for a consideration of £10.0m, comprising:

Cash consideration	£5.0m
7,692,308 equity shares	£3.0m
Loan notes 2012	£2.0m

In order to fund this acquisition, a Placing of 10.0m ordinary shares for a consideration of 30p each was completed on 31 March 2010, raising £3.0m before associated costs. A further issue of £2.0m of loan notes to Mr Gadsden, a director of the group, was also made at this date, and these are repayable in June 2012.

7. REPORT & ACCOUNTS

Copies of the Annual Report will be available on the Group's website <http://www.michelmersh.com> and from the Company's registered office at 121 High Street, Berkhamsted, Hertfordshire, HP4 2PJ.