

9 May 2011

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

Final results for the year ended 31 December 2010

Michelmersh Brick Holdings PLC (AIM:MBH), the specialist brick, land development and landfill company, today announces its final results for the year ended 31 December 2010.

Financial Highlights

- Group turnover increased by 30% to £23.3 million (2009: £17.9 million)
- Operating profit before restructuring costs of £0.5 million (2009: loss of £0.4 million)
- Operating loss after restructuring costs of £6.9 million (2009: £0.4 million)
 - £7.4 million of restructuring costs
- Loss after taxation of £5.3 million (2009: loss of £0.8 million)
- Net assets up 20% to £37.1 million (2009: £30.4 million)
 - NAV per share of 63.8p* (2009: 75.2 p)
- Gearing of 35% (2009: 42%)
- Gross profit margins before restructuring at 26.3% (2009: 25.9%)

Operational Highlights

- Acquisition of Freshfield Lane Brickworks Limited (FLB) for £9.5 million
 - Raised £3.0 million through a Placing of 10 million shares
 - Secured £2.6 million of additional bank facilities for the acquisition of FLB
 - Proceeds from the sale of surplus assets totalled £2.6 million - £600,000 surplus to pre-acquisition value
- Business restructured and repositioned
 - Corporate rebranding- “Britain’s Brick Specialist”
 - Centralised Group sales force
 - Re-defined product range targeting RMI, specification, quality house building and stock merchants
 - Rationalised production at Telford to focus on paver and wire cut bricks
 - Centralised Group finance and administrative functions at FLB
- Acquisition of 25% shareholding in Jeffrey Building Products Limited (JBP) in April 2011

* NAV following issue of 17.69 million shares in 2010

Commenting on the results, Eric Gadsden, Chairman, said: “Michelmersh Brick is now a well invested business with a high degree of complementary products, giving us a good defensive position from which we can prosper in the current economic climate, benefit from any market upturn and be uniquely placed to participate in any restructuring of the industry. There are some positive market indicators and our market place is proving resilient.

With our strengthened management team and the support of our banks and shareholders, together with the lack of competition issues, we are of the firm view that we are ideally placed to take advantage of, or lead opportunities as they arise.”

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CHAIRMAN'S STATEMENT

This year has been one of considerable change and progress for the Group following the acquisition of Freshfield Lane Brickworks Limited ("FLB") in March 2010. Whilst the Group has always covered most of England and Wales, we now have a very firm footing in the South East of England, where business has proved to be more resilient during the recession.

I am pleased to announce that change and progress have contributed to the results for the year to 31 December 2010 in which the Group has produced an operating profit before restructuring charges of £504,000 against a comparative loss of £374,000 in 2009.

The acquisition of FLB provided the opportunity, impetus and the scale to allow us to restructure the business and position ourselves better to deal with the current market conditions, in what has become a constantly changing construction industry. This has allowed the Group to:

- centralise the sales force enabling it to cross-sell all our products in new geographical areas;
- re-define the product range incorporating the enlarged family of products targeted at specific industry sectors RMI, specified house building and merchants;
- centralise finance and administrative functions leading to efficiencies and cost savings;
- rationalise production at our Telford plant to focus on paver and specification wire cut bricks; and
- undertake a corporate rebranding.

We had operated previously, as a collection of businesses with centralised management and direction. The changes implemented in 2010 have positioned the brick making operations of the Group as a single business, operating across five manufacturing sites. These moves have focused the business on a strengthened sales offering, weighted more to the very important South East markets which have been very well received by the Group's market place.

Financial Highlights

	2010	2009
Turnover	£23.3m	£17.9m
Operating profit/(loss) before restructuring costs	£0.5m	(£0.4m)
Operating loss, after restructuring costs	£(6.9)m	£(0.4)m
Total assets	£71.5m	£60.3m
Net assets	£37.1 m	£30.4m
Net asset per share*	63.8 p	75.2 p
Gearing	35%	42%

* NAV following issue of 17.69 million shares in 2010

Following the acquisition of FLB, the Group took the opportunity to dispose of surplus land and property at FLB for £2.6 million with an excess of £600,000 over the recent external valuation included in the acquisition agreement. This 'profit' is not included in the Group's Income Statement, but has been reflected in the fair value of the assets acquired and has the effect of reducing the goodwill generated on acquisition being carried forward in the Balance Sheet. The proceeds of the sale of surplus land effectively reduced the net cost of the acquisition of FLB.

The 2010 Income Statement comprises certain elements that make direct comparison with that of 2009 difficult, including the addition of FLB for nine months of the year, reduced capacity at Blockleys for the whole of 2010 and exceptional costs of the restructuring. However, the improved operating loss from continuing operations demonstrates an improvement in the underlying contribution of our business in 2010 that is now enhanced as FLB brings additional income while central costs are further reduced.

Operating cash flows are strong and show an improvement over 2009 and the disposal of the surplus land assets acquired with FLB referred to above generated £2.6 million in cash. Inventories have been reduced by £430,000 to £9.2 million, despite the increased size of the Group. Group net assets have increased through the issue of 17.69 million new Ordinary Shares as consideration for the acquisition of FLB and in an associated share placing at 30p per share.

The Income Statement includes a number of exceptional costs associated with the restructuring of the Group, comprising:

- the restructuring of Telford, our largest plant, due to the recessionary impacts of the last three years. This led to the early mothballing and subsequent closure of Plants 6 and 7 at Telford. The one-off impact is that plant and engineering stocks to the value of £6.6 million were written off. We are keeping all options open for this site in the light of opportunities in the industry;
- redundancy and re-organisation costs amounted to £600,000. This included the cost of centralising all of the Group's finance and administration functions at FLB's site but this will benefit future years by reducing overhead costs; and
- other costs, including the cost of re-branding and the FLB acquisition costs which totalled £300,000.

The Group's term loan and overdraft facilities with Barclays Bank are due to expire in June 2011. We are currently in discussions with Barclays which has confirmed that it expects to extend the facilities for at least 12 months. The asset based funding from Venture continues to operate within terms and affords adequate headroom through the trading cycle. Despite the acquisition of FLB in the year and the cost of restructuring, the Group has marginally decreased its gearing over 2009. Headroom is comfortable but we continue to monitor and improve the balance of our working capital. We work closely with both our principal banks and I would like to recognise their support.

Dividend

The Directors do not recommend 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 and Reserves Assets

We have continued to develop the potential of our residential land at Telford during 2010. We have completed the S106 Agreement for the residential planning permission for 16 acres. We have a clear strategy to bring matters to a conclusion in the near future to maximise shareholder value and to reduce debt. Overall there are at least 80 acres at Telford which will eventually be capable of being developed.

All our sites have clay reserves for a considerable period of time and where appropriate we will add additional reserves should the opportunity arise within the planning system.

The Board

The past year has seen a number of changes to the Board reflecting the changes to our business. Former FLB directors, Frank Hanna and Alan Hardy were appointed to the Board in March 2010. Frank, who heads up the commercial sales team, has contributed strongly to the product rationalisation, restructuring, centralising the commercial operations and re-branding. Alan Hardy brings his experience to the benefit of the Group as a non-executive Director.

Stephen Morgan joined the Group as Finance Director in November 2010 and has overseen the centralisation of Finance and Administration. These changes to the Executive team give balance and depth to our operational management.

People

We have a highly experienced workforce to which I extend my thanks. During the year, we have completed the process of staff restructuring which has been a difficult period and I also thank those involved and especially those who have moved or been directly affected by the reorganisation of the business.

I would like to thank a number of people who have served the Company for many years, who are retiring this year, in particular Jim Spencer at Charnwood who has retired after some 29 years in the business although we are delighted that he is still available to us as a consultant.

Outlook

We believe that economic conditions will for the foreseeable future, continue to be tough and activity in the construction industry is likely to remain flat. Funding for developers is restrained and Government cuts in capital expenditure have yet to be felt.

The brick manufacturing market is increasingly divided into premium products, which is our expertise, and volume bricks, which can only be sold on price. It is the latter market that has been more adversely affected by the reduced building programmes of the major house builders. In fact, these house builders have cut back severely on their starter homes programmes and are concentrating more on higher value houses, which offers opportunities for us. We are also

seeing that our customers are increasingly conscious of their carbon footprint and seeking to use local and regional suppliers.

Energy is becoming an even greater issue as recent political uncertainties in the oil producing regions have accelerated the long term trend of energy cost increases. We are concerned about the lack of strategic decision making, by the Government in particular, on long-term energy supplies and we are reviewing opportunities in respect of waste to energy link ups with emerging suppliers. These issues will certainly impact future investment in the industry.

Against this background, the message is slowly getting across that traditional, quality bricks are a long lasting, energy efficient, building material and their aesthetic qualities add value.

Our products are selling across a wider area and our market share is increasing, although industry pricing is holding back profitability at this time. We do not believe that the current situation is sustainable and have commented on many occasions that while the market is supplied by three multi-national manufacturers, there is a very strong likelihood of further rationalisation, changes in ownership, or business combination.

As a result of all the changes within the Group in 2010 Michelmersh Brick is now a well invested business with a high degree of complementary products, giving us a good defensive position from which we can prosper in the current economic climate, benefit from any market upturn and be uniquely placed to participate in any restructuring of the industry. There are some positive market indicators and our market place is proving resilient.

With our strengthened management team and the support of our banks and shareholders, together with the lack of competition issues, we are of the firm view that we are ideally placed to take advantage of, or lead opportunities as they arise.

Eric Gadsden

Chairman

9 May 2011

CHIEF EXECUTIVE'S REVIEW

Clay Products

The year has been one of great significance and accomplishment for Michelmersh Brick. During 2010, we worked hard to reposition our operational structure. Previously, with five separate businesses, there were areas of overlap and of duplication. By the end of the year, we had completed a process of amalgamating all clay product operations into one manufacturing company, and implemented centralised sales and finance functions. The production and sales functions are closely integrated around a strategy of product offerings targeted at specific markets.

The acquisition of Freshfield Lane Brickworks (FLB) has cemented our position as 'Britain's Brick Specialist' with a range of brands and a market offering which is unique and cannot be replicated. These businesses are iconic and their contribution to the vernacular is of inestimable value, not only to shareholders, but to the communities they serve.

The mix of repair, maintenance and improvement ("RMI"), specification and premium housing can be noted in some of the following current projects being supplied by the Group:

- Les Beaucamps High School, Castel, Guernsey. Product – using an FLB special blend;
- Marlborough College, Marlborough - Michelmersh Hand Made Vintage tiles for re-roofing the College, a building dating back to 1843;
- New Visitor Centre, Royal Armouries, Fort Nelson, Fareham - incorporating Charnwood Handmade Rutec Farnham Red; and
- New Sainsbury's Superstore, within Grade 2 listed former McMullen Brewery, Hertford, for which we supplied Michelmersh Handmade Edwardian Downs Blend plus bespoke Imperial bricks for the refurbishment of brewery.

Hathern Terracotta is involved in a number of key restoration projects underway in London, notably the Henry Cole building at the Victoria and Albert Museum, and Bury House, Bury Street, Piccadilly. Elsewhere, we are supplying product for the fire damage restoration of the Florence Institute in Liverpool, and also for the Australia Provident Mutual Society Building in Wellington, New Zealand.

Finally, we have successfully launched our new London Yellow product from Dunton, with a host of new enquiries and substantial orders being received for the new product, and deliveries due to commence this month.

Our strategy is to maximise the market entry points created by those seeking products which are a part of the local landscape around the Group's various production facilities and by cross-selling other complementary Group products through a focused sales force. At the same time we have sought to use the most modern technology consistent with retaining the natural characteristics of our bricks, tiles and pavers.

Over the past five years, the market for bricks has reduced by around 40%, from some 2.6 billion to 1.5 billion and with this, there has been intense acquisition activity and the closure of works, resulting in the majority of bricks now being produced in large manufacturing units. As this process has continued, and I believe that the market has now almost certainly bottomed out, Michelmersh Brick is in a strengthened position. Our strategy as set out above, which has been strengthened by the geographical location and product offering from FLB, has proved successful and resilient.

Aside from our success in our local markets, we have enjoyed success with exporting our clay pavers to the Middle East and our bricks to niche markets in Eastern Europe. Although we hope to see growth in exports, it is our home patch in the UK which is the focus of our main efforts.

As noted in the Chairman's Statement, comparisons with our 2009 results are difficult, due to the addition of FLB for nine months of the year and reduced capacity at Blockleys. However, we sold 67 million bricks and tiles over the year (2009:50 million), at a healthy average selling price of £330 per thousand (2009:£350 per thousand), despite the adverse weather conditions in both January and December 2010. The reduction in average prices reflects the changed product mix resulting from the FLB acquisition.

We have a management structure that closely monitors performance of each of our production sites and their sales performance. Our principal Key Performance Indicators ("KPIs") are average selling price; cost of production; and, carbon usage. We also monitor environmental, health and safety and employment indices. KPIs are monitored by production unit, across a range of products and processes.

The Group is exposed to energy prices, principally gas, used in the production process. Traditionally, we have taken a defensive position and have the ability to hedge forward our gas purchases. In the current uncertain conditions, we have fixed forward 53% of our gas requirements for the next 12 months with further strategic fixes thereafter. As a result, we

are satisfied that we are not at risk from further significant movements in prices. As gas prices peaked, so did the carbon market and we took advantage of that situation and sold surplus carbon credits available for the next 12 months to balance the increased cost of gas. The Group continues to monitor the short to medium term gas and carbon markets in order to protect costs and margins.

Staff Development

During 2010, we developed a tailored, in-house health and safety training programme for our employees covering key areas such as manual handling, noise and machinery guarding. Employees from Charnwood and Michelmersh have completed the programme that is delivered by our Group Health and Safety Manager. In 2010, we also expanded our successful 'Lean Manufacturing' programme at Blockleys where we have set up several improvement teams that are delivering process improvements while gaining valuable NVQ qualifications.

A key focus for 2011 is the continuing development of our site management teams. Managers from various sites are currently undertaking NVQ management training and will also be focusing on quarry and environmental management. We will also continue to expand and develop our successful Lean Manufacturing and Health and Safety programmes.

Landfill

Our landfill operation at Telford continues to perform well, achieving an increased turnover of £531,000 (2009: £410,000) on input levels of 171,000 tonnes (2009: 67,000 tonnes). Rates achieved of £3.10 per tonne (2009: £6.10) reflected the competitive market in a period of falling demand. There has been a strong pick-up in demand in the first months of 2011.

We continue to pursue other landfill opportunities at our Charnwood, Dunton and FLB sites.

Land Assets

As noted in the Chairman's Statement, our 16 acres of land at Telford is now fully permitted for the development of 168 dwellings. We have had extensive negotiations with Persimmon plc but, to date, these have not resulted in a proposal which accords with our expectations. The time this complex process is taking is frustrating, but we believe that we remain in a strong position and will only reach agreement when we believe we have secured the correct outcome for the Group. A process driven by the timeline set out in the Option Agreement with Persimmon is now underway.

With the opportunities potentially available in the brick market over the forthcoming period, we will look to maximise the return from the restored land whilst not ruling out other options for the remainder of the site.

Outlook

2011 has started strongly with orders, sales and production of brick products ahead of budget and increasing demand at our landfill operation. Our challenge, as with other manufacturers, is to achieve price recovery. However, I believe this will come as we face up to a future of increasing energy costs. We believe that our market share is increasing, and we will continue to compete in the current difficult market by offering quality and range to our chosen markets. We have recently announced our investment in a brick distribution business in the North East of England that is a strategic move into an area where Michelmersh Brick products have hitherto had limited penetration. There are now few opportunities to acquire one-off manufacturing sites. However, we will continue to consider these as and when they present themselves. More importantly though, the business, its market place, products and team are uniquely placed to play a key role in what will shape the brick industry in the UK, in years to come.

We are confident that with our good market coverage, enhanced executive management team, careful control of costs and rationalisation completed, we can go forward despite the rigours of the economy.

Martin Warner

Chief Executive

9 May 2011

Consolidated Income Statement for the year ended 31 December 2010	<i>Underlying business £'000</i>	<i>Restructuring Costs £'000</i>	2010 £'000	2009 £'000
Revenue	23,340	-	23,340	17,850
Cost of sales	(17,210)	(6,866)	(24,076)	(13,232)
Gross profit/(loss)	6,130	(6,866)	(736)	4,618
Administrative expenses	(6,032)	(554)	(6,586)	(5,156)
Other Income	406	-	406	164
Operating profit/(loss)	504	(7,420)	(6,916)	(374)
Finance Costs			(815)	(622)
Loss before taxation			(7,731)	(996)
Taxation			2,458	202
Loss for the financial year			(5,273)	(794)
Basic loss per share			(9.82)p	(1.96)p
Diluted loss per share			(9.82)p	(1.96)p
Consolidated Statement of Comprehensive Income for the year ended 31 December 2010			2010 £'000	2009 £'000
Loss for the financial year			(5,273)	(794)
Other comprehensive income:				
Gain /(loss) on revaluation of property, plant and equipment			9,259	182
Deferred tax on revaluation movement			(2,500)	(51)
			6,759	131
Total comprehensive profit/(loss) for the year			1,486	(663)

Consolidated Balance Sheet as at 31 December 2010	2010 £'000	2009 £'000
Assets		
Non-current assets		
Intangible assets	2,404	65
Property, plant and equipment	53,073	46,922
Total non-current assets	<u>55,477</u>	<u>46,987</u>
Current assets		
Inventories	9,171	9,601
Trade and other receivables	5,147	3,226
Investments	91	-
Cash and cash equivalents	1,566	505
Total current assets	<u>15,975</u>	<u>13,332</u>
Total assets	<u>71,452</u>	<u>60,319</u>
Liabilities		
Current liabilities		
Trade and other payables	3,558	3,947
Interest bearing borrowings	18,873	5,191
Total current liabilities	<u>22,431</u>	<u>9,138</u>
Non-current liabilities		
Deferred tax liabilities	8,836	7,441
Interest bearing borrowings	3,089	13,365
	11,925	20,806
Total liabilities	<u>34,356</u>	<u>29,944</u>
Net assets	<u>37,096</u>	<u>30,375</u>
Equity attributable to equity holders		
Share capital	11,620	8,083
Share premium account	6,422	5,703
Reserves	22,662	15,138
Retained earnings	(3,608)	1,451
Total equity	<u>37,096</u>	<u>30,375</u>

Consolidated Statement of Changes in Equity	Share capital	Share option reserve	Merger reserve	Share premium	Revaluation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2009	8,083	183	-	5,703	15,021	2,048	31,038
Loss for the year	-	-	-	-	-	(794)	(794)
Revaluation in the year	-	-	-	-	182	-	182
Deferred taxation on revaluation	-	-	-	-	(51)	-	(51)
Total comprehensive income /(expense)	-	-	-	-	131	(794)	(663)
Transfer to retained earnings	-	-	-	-	(197)	197	-
As at 31 December 2009	8,083	183	-	5,703	14,955	1,451	30,375
Loss for the year	-	-	-	-	-	(5,273)	(5,273)
Revaluation in the year	-	-	-	-	9,259	-	9,259
Deferred taxation on revaluation	-	-	-	-	(2,500)	-	(2,500)
Total comprehensive income/(expense)	-	-	-	-	6,759	(5,273)	1,486
Shares issued during the year	3,537	-	979	719	-	-	5,235
Transfer to retained earnings	-	-	-	-	(214)	214	-
As at 31 December 2010	11,620	183	979	6,422	21,500	(3,608)	37,096

Consolidated Cash Flow Statement for the year ended 31 December 2010	2010 £'000	2009 £'000
Cash flows from operating activities		
Loss before taxation	(7,731)	(996)
Write off plant and machinery	5,785	-
Write off value of investments	6	-
Finance costs	815	622
Depreciation	1,640	1,625
Amortisation	2	2
Usage of carbon emissions quota	662	382
Grant of carbon emissions quota	(723)	(458)
(Profit)/loss on sale of property, plant and equipment	-	2
Cash flows from operations before changes in working capital	456	1,179
Decrease/(increase) in inventories	2,297	(1,225)
(Increase)/decrease in receivables	(402)	251
(Decrease)/increase in payables	(1,160)	(434)
Net cash generated by / (used in) operations	1,191	(229)
Interest paid	(815)	(622)
Net cash generated by /(used in) operating activities	376	(851)
Cash flows from investing activities		
Acquisition of subsidiary undertaking	(5,000)	-
Overdraft balance assumed on acquisition of subsidiary undertaking	(357)	-
Purchase of property, plant and equipment	(201)	(387)
Proceeds of disposal of property, plant and equipment	2,812	-
Net cash used in investing activities	(2,746)	(387)
Cash flows from financing activities		
Net proceeds from issue of share capital	2,699	-
Proceeds/(repayment) of interest bearing borrowings	2,210	(377)
Repayment of hire purchase and finance lease obligations	(53)	(69)
Net cash generated by /(used in) financing activities	4,856	(446)
Net increase/(decrease) in cash and cash equivalents	2,486	(1,684)
Cash and cash equivalents at the beginning of the year	(4,242)	(2,558)
Cash and cash equivalents at the end of the year	(1,756)	(4,242)
Cash and cash equivalents comprise:		
Cash at bank and in hand	1,566	505
Bank overdraft	(3,322)	(4,747)
	(1,756)	(4,242)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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. There have been no changes to the accounting policies adopted since the last consolidated financial statements were published other than the adoption of IFRS 3 (revised) "Business Combinations". The consolidated financial statements for the financial years ended 31 December 2010 and 31 December 2009 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 term borrowing with Barclays was also 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 2010 or 2009. The financial statements for 31 December 2010 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 2010 has not yet been signed.

The financial information for the year ended 31 December 2009 has been derived from the Group's statutory financial statements for 2009 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 2009; 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 498(2) or (3) of the Companies Act 2006.

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

3. EARNINGS PER SHARE

Basic

The calculation of earnings per share is based upon the loss for the year of £5,273,000 (2009: £794,000) and 53,679,077 (2009: 40,409,779) 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 2010 and 2009. At 31 December 2010 there were a total of 271,000 share options held by employees which are not considered dilutive.

4. ACQUISITION OF SUBSIDIARY

On 31 March 2010, the Group acquired 100 % of the issued share capital of Freshfield Lane Brickworks Limited for a consideration of £9.5 million. Freshfield Lane Brickworks Limited is a manufacturer of high quality clamp fired bricks based in Danehill in Sussex. The reasons for the acquisition are outlined in the Chairman's and Chief Executives Reports. This transaction has been accounted for by the acquisition method of accounting in accordance with IFRS 3 (revised).

Net assets acquired	Book Value	Fair Value
	£'000	£'000
Property, plant and equipment	6,392	7,034
Inventories	1,809	1,764
Trade and other receivables	1,614	1,614
Cash and cash equivalents	1	1
Trade and other payables	(723)	(780)
Interest bearing borrowings	(984)	(984)
Deferred tax liabilities	(162)	(1,391)
	<hr/>	
Net assets	7,945	7,258
Goodwill		2,280
Total consideration		<hr/> 9,538 <hr/>
Satisfied by		
Cash		5,000
Loan notes		2,000
Ordinary shares		2,538
		<hr/> 9,538 <hr/>
Net cash outflow on acquisition		
Cash consideration		5,000
Transaction costs charged to administrative expenses		121
Transaction costs charged netted off merger reserve		20
Overdraft acquired		(357)
		<hr/> 4,784 <hr/>

5. REPORT & ACCOUNTS

Copies of the Annual Report will be available on the Group's website www.mbhplc.co.uk and from the Company's registered office at Freshfield Lane, Danehill, Haywards Heath, West Sussex RH17 7HH.