

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

Half Year results for the six months to 30 June 2011

Michelmersh Brick Holdings Plc (AIM:MBH), the specialist brick manufacturer and landfill company, today announces half year results for the six months to 30 June 2011.

Financial Highlights

- Group turnover increased by 14% to £12.2 million (H1 2010: £10.7 million¹)
- Gross profit margin improved to 32% (H1 2010: 27%¹)
- Operating profit of £508,000 (H1 2010: loss of £152,000¹)
- Profit before tax of £105,000 (H1 2010: loss of £634,000¹)
- Earnings per share of 0.18p (H1 2010: loss per share of 1.3p¹)
- Net asset value of 64p per share (H1 2010: 60p per share¹)

¹Comparative figures for the six months to 30 June 2010 throughout this announcement have been restated as disclosed in note 3.

Operational Highlights

- Completion of group restructuring process – the six months to June 2011 reflect the new corporate structure with centralised sales, finance and administration functions
- Volume of bricks sold up 13% to 36 million (H1 2010: 32 million)
- 3% increase in average selling prices, achieved in difficult sector through cross selling, change in product mix and targeted marketing
- Telford factory reorganisation well progressed with an additional 15 acres released for development opportunity
- Persimmon option agreement for 15 acres of phase 1 in contractual process
- Landfill contributed turnover of £448,000 (H1 2010: £185,000) on a tonnage of 162,000
- Acquisition of 25% shareholding in Jeffery Building Products Limited (JBP)

Commenting on the results, Eric Gadsden, Chairman of Michelmersh Brick Holdings, said: “The business is now well positioned and resilient, benefiting not only from past investment, but also the measures taken over the last two years to direct output to a reduced market.

Our distinct product offering, geography and strength in the RMI market mean that we are well placed to maintain our strong independent position in the brick sector.”

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Chairman's Statement

I am pleased to report the Group's results for the six months ended 30 June 2011 reflecting for the first time, results from the restructured business. As you are aware, following the acquisition of Freshfield Lane Brickworks (FLB), we moved rapidly during 2010 to reorganise all areas of our businesses.

Reported turnover rose by 14% to £12.2 million against £10.7 million¹ in the comparable period of 2010. In part this was due to FLB being included for the whole period, offset by the reduction of productive output at Blockleys in Telford. With economies, productivity and progression in pricing coming through, we are reporting a profit before tax of £105,000 compared to a loss of £634,000¹ in the comparative period of 2010.

Having completed the integration of FLB and closure of plants in Telford last year, the brick business is performing well in the current trading environment and generating the expected margins.

With our focus on the South East of England, where the economy appears stronger and where the market for the Group's products fits well with the vernacular, demand has been better than anticipated for many of the Group's products reflecting our premium position in the market.

The business is now well placed and resilient, benefiting not only from past investment, but also the measures taken over the last two years to position output to a smaller market.

We are now focused on maximising returns where our product offering is clearly differentiated from our competitors. It is particularly pleasing that 11 of our projects we have been nominated for awards at the forthcoming Brick Awards. This confirms our strengths as 'Britain's Brick Specialist', where the highest quality of work is required.

Financial Results

The results for the six months to 30 June 2011 reflect actions taken in 2010 to centralise and unify the brick making businesses that had previously operated more independently under a group umbrella. Central finance and sales departments have reduced the cost structure and concentrated activity and management. The comparative figures for 2010 reflected the different structure of five independent companies and were not directly comparable with 2011. The figures for the six months to 30 June 2010 have therefore been restated (see note 3).

Turnover has increased and operating profit of £508,000 is a strong response to the operating loss of £152,000¹ in 2010, even after adjusting for restructuring costs in that period. A gross margin of 32% reflects the true contribution from brick manufacturing and landfill.

Overall, net current assets have increased by nearly £1 million over the last 12 months as the Group has worked hard to reduce brick stocks mainly at Telford where stock levels reflected the activity levels pre-closure of Plants 6 and 7.

Working capital funding is operating with healthy headroom. We are in discussions with our principal banking partner with a view to reconstitute existing loan structures within a new term facility that properly reflects the short and medium term group funding requirements.

Maximising our assets

We continuously review the forward options for all our sites – at Telford we have added to the outline 80 acres of developable residential land (of which 15 acres is fully consented), another 15 acres of surplus brownfield land released by closure of Plants 6 and 7. We now have confidence to progress options for this land in the light of recent land transactions and preliminary discussions with the planning authorities.

The Board has resolved to maximise the value of our consented 15 acres of land and we continue to make progress with Persimmon and we are now in a time driven, contractual process to reach a settlement on the price payable.

There is potential for landfill opportunities at other sites which will eventually add to our successful operations at Telford.

Operational Review

During the period bricks sold amounted to 36 million (2010: 32 million). These figures are not like for like as they reflect only three months sales from FLB in 2010 although this included sales from the now discontinued range at Blockleys.

Now that the work on consolidation is completed, there are further opportunities to maximise our product range and create further efficiencies. There is also the potential to invest in the business, but whilst industry returns are at current levels and the future shape of the industry is uncertain, we will not progress these at this time.

We continue to promote our position as “Britain’s Brick Specialist” with a host of key attributes that set us apart as a business. The results from cross selling our products have given us increased market share in the repair and maintenance and improvement (RMI) sector. Our new centre of excellence at Charnwood and the Group’s continued, proven track record of being able to deliver bespoke product for complex buildings has maintained our ability to command greater than average industry prices.

In spite of cost pressures, the selling price of bricks across the industry has remained flat. MBH has, however, achieved pricing uplifts over the first half with average prices at £336 per ‘000 (2010: £326). We have continued to see further increase since then.

The rebranding carried out in 2010 has increased our exposure on a national and international basis with specifiers, quality house builders and distributors recognising the Group as the safe, stable UK option.

Our marketing strategy is generating new enquiries and we are seeing a greater range of building diversity. This is emphasised by the range of projects for which we have been shortlisted for in the 2011 BDA awards; be it the craftsmanship of de Laszlo House; the contemporary Coleridge Primary School, through to the newly opened Syon Park Waldorf Astoria Hotel.

Forward orders remain strong for the balance of Q3 and into Q4.

Following the painful decisions taken in 2010 to restructure our Blockleys plant at Telford, we have seen the benefits in performance and we continue to concentrate on output and energy efficiencies. We have recently commissioned a small project for our tunnel kiln at Blockleys that will reduce our unit energy use and increase output by around 5%.

Landfill has generated strong turnover at £448,000 (2010: £185,000) although we anticipate reduced activity in the second half. Input amounted to 162,000 tonnes (2010: 49,000 tonnes).

Outlook

Our distinct product offering, geography and strength in the RMI market mean that we are well placed to maintain our strong independent position in the brick sector. Despite cost pressures, in particular energy costs, throughout the brick manufacturing industry, the larger companies are holding prices at 2007 levels. Margins are therefore under pressure but will recover in an industry where the barriers to entry are high.

We are well invested and can only benefit positively as these factors play out, whatever the timing. In the meantime the business is sustainable, unique and our strategic position in the market has only been strengthened in these difficult times.

Whilst our main focus is on brick manufacturing, we will continue to take advantage of opportunities that we can engineer, to maximise our land assets and landfill potential, as well as ‘Green Energy’ options that may sit comfortably alongside our other operations.

As flagged on many occasions, there is likely to be a significant restructuring of the brick industry in coming months. Should this occur, we are very well placed to benefit and participate in view of the competition issues facing the limited number of potential participants. We continue to keep a close watch on any such developments.

Eric Gadsden
Chairman
19 September 2011

Consolidated Income Statement

	6 months to 30 June 2011 £'000 Unaudited	6 months to 30 June 2010 £'000 Restated Unaudited	12 months to 31 December 2010 £'000 Audited
Revenue	12,246	10,733	23,340
Cost of sales –underlying business	(8,357)	(7,606)	(17,210)
- restructuring costs	-	(273)	(6,866)
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Gross profit/(loss)	3,889	2,854	(736)
Administrative expenses			
- underlying business	(3,426)	(2,955)	(6,032)
- restructuring costs	-	(120)	(554)
Other income	45	69	406
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Operating profit/(loss)	508	(152)	(6,916)
Finance costs	(403)	(482)	(815)
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Profit/(loss) before taxation	105	(634)	(7,731)
Taxation	-	-	2,458
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Profit/(loss) for the financial period	105	(634)	(5,273)
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Earnings per share (note 4)			
Earnings per share	0.18p	(1.3)p	(9.82)p
Diluted earnings per share	0.18p	(1.3)p	(9.82)p

Figures for the 6 months ended 30 June 2010 have been restated – see note 3

Consolidated Statement of Comprehensive Income

	6 months to 30 June 2011 £'000 Unaudited	6 months to 30 June 2010 £'000 Restated Unaudited	12 months to 31 December 2010 £'000 Audited
Profit/(loss) for the financial period	105	(634)	(5,273)
Other comprehensive income			
Revaluation of property, plant & equipment	-	-	9,259
Deferred tax on revaluation	-	-	(2,500)
Net income/(expense) recognised directly in equity	-	-	6,759
Total comprehensive income/(expense) for the financial period	105	(634)	1,486

Figures for the 6 months ended 30 June 2010 have been restated – see note 3

Consolidated Statement of Financial Position

	As at 30 June 2011 £'000 Unaudited	As at 30 June 2010 £'000 Restated Unaudited	As at 31 December 2010 £'000 Audited
Assets			
Non-current assets			
Intangible assets	2,341	2,404	2,404
Property, plant and equipment	52,269	51,616	53,073
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Total non-current assets	54,610	54,020	55,477
	<hr/>	<hr/>	<hr/>
Current assets			
Inventories	8,844	10,375	9,171
Trade and other receivables	6,622	6,115	5,147
Investments	83	91	91
Cash and cash equivalents	333	272	1,566
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Total current assets	15,882	16,853	15,975
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Total assets	70,492	70,873	71,452
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Liabilities			
Current liabilities			
Trade and other payables	3,034	3,985	3,558
Interest bearing borrowings	20,414	7,279	18,873
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	23,448	11,264	22,431
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Non-current liabilities			
Deferred tax liabilities	8,836	8,866	8,836
Interest bearing borrowings	965	15,767	3,089
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	9,801	24,633	11,925
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Total liabilities	33,249	35,897	34,356
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Net assets	37,243	34,976	37,096
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Equity attributable to equity holders			
Share capital (see note 5)	11,645	11,620	11,620
Share premium account	6,439	6,422	6,422
Reserves	22,460	16,033	22,662
Retained earnings	(3,301)	901	(3,608)
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Total equity	37,243	34,976	37,096
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Figures for the 6 months ended 30 June 2010 have been restated – see note 3

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 Equity £'000
As at 1 January 2010	8,083	183	-	5,703	14,955	1,451	30,375
Loss for the period	-	-	-	-	-	(634)	(634)
Total comprehensive expense for the period	-	-	-	-	-	(634)	(634)
Shares issued in the period	3,537	-	979	719	-	-	5,235
Transfer to retained earnings	-	-	-	-	(84)	84	-
As at 30 June 2010	11,620	183	979	6,422	14,871	901	34,976
Loss for the period	-	-	-	-	-	(4,639)	(4,639)
Revaluation in the period	-	-	-	-	9,259	-	9,259
Deferred tax on revaluation	-	-	-	-	(2,500)	-	(2,500)
Total comprehensive income /(expense) for the period	-	-	-	-	6,759	(4,639)	2,120
Transfer to retained earnings	-	-	-	-	(130)	130	-
As at 31 December 2010	11,620	183	979	6,422	21,500	(3,608)	37,096
Loss for the period	-	-	-	-	-	105	105
Total comprehensive income for the period	-	-	-	-	-	105	105
Shares issued in the period	25	-	-	17	-	-	42
Transfer to retained earnings	-	-	-	-	(202)	202	-
As at 30 June 2011	11,645	183	979	6,439	21,298	(3,301)	37,243

Figures for the 6 months ended 30 June 2010 have been restated – see note 3

Consolidated Statement of Cash Flows

	6 months to 30 June 2011 £'000	6 months to 30 June 2010 £'000	12 months to 31 December 2010 £'000
	Unaudited	Unaudited	Audited
Net cash (used in) / generated by operating activities	(704)	(1,092)	376
Cash flows from investing activities			
Purchase of property, plant and equipment	(28)	(58)	(201)
Proceeds on disposal of property, plant and equipment	36	1,643	2,812
Proceeds on disposal of investment	48	-	-
Acquisition of a subsidiary	-	(5,000)	(5,000)
Overdraft acquired on acquisition of subsidiary	-	(357)	(357)
Net cash generated by / (used in) investing activities	56	(3,772)	(2,746)
Cash flows from financing activities			
Issue of share capital	-	2,769	2,699
Repayment of loans	(958)	1,930	2,210
Repayment of finance lease obligations	(60)	(26)	(53)
Net cash (used in) / generated financing activities	(1,018)	4,673	4,856
Net (decrease)/ increase in cash and cash equivalents	(1,666)	(191)	2,486
Cash and cash equivalents at beginning of period	(1,756)	(4,242)	(4,242)
Cash and cash equivalents at end of period	(3,422)	(4,433)	(1,756)
Cash and cash equivalents comprise:			
Cash at bank and in hand	333	272	1,566
Bank overdraft	(3,755)	(4,705)	(3,322)
	(3,422)	(4,433)	(1,756)

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Michelmersh Brick Holdings Plc (“the Company”) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 3462378). The Company is domiciled in the United Kingdom and its registered address is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH. The Company’s Ordinary Shares are traded on the AIM Market of the London Stock Exchange plc. Copies of the Interim Report and Annual Report and Accounts may be obtained from the address above, or at www.mbhplc.co.uk.

2. ACCOUNTING POLICIES

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 December 2011.

Non-statutory accounts.

The financial information for the period ended 30 June 2011 set out in this interim report does not constitute the Group’s statutory accounts for that period. The statutory accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The financial information for the 6 months ended 30 June 2011 and 30 June 2010 is unaudited.

3. RESTATEMENT OF PRIOR YEAR

The comparative figures for the 6 months ended 30 June 2010 have been restated from those originally published in September 2010 for the following reasons:

- i. Arising out of a change in estimate of fair value of the acquired assets of Freshfield Lane Brickworks Limited and to recognise the merger reserve as reflected in the audited accounts for the year ended 31 December 2010.
- ii. Following the reorganisation of the Group’s brick making business, the reporting of performance is different from that displayed previously. In the opinion of the Directors, the new format better reflects to activity and performance of the Group and the comparative figures have been restated accordingly.

Consolidated Income Statement

		£'000
Revenue	Originally stated	10,674
	Reallocate sundry income	184
	Rebate reallocated	(125)
	Restated	<u>10,733</u>
	Cost of sales	Originally stated
Reallocate sundry income		(78)
Rebate reallocated		125
Reallocate redundancy payments		273
Reallocate works salaries		(86)
Restated		<u>(7,606)</u>
Administrative expenses	Originally stated	(2,769)
	Reallocate sundry income	(51)
	Reallocate redundancy payments	(273)
	Reallocate works salaries	86
	Change in estimate of acquisition cost	52
	Restated	<u>(2,955)</u>
Other Income	Originally stated	465

Reallocate sundry income	(55)
Change in estimate of fair values	<u>(341)</u>
Restated	<u>69</u>

Consolidated Balance sheet (all adjustments relate to changes in estimates of fair value of the acquired net assets of Freshfled Lane brickworks)	Original £'000	Adjustment £'000	Restated £'000
Intangible assets	1,772	632	2,404
Tangible fixed assets	51,325	291	51,616
Trade and other receivables	6,206	(91)	6,115
Investments	-	91	91
Deferred tax	<u>(7,602)</u>	<u>(1,264)</u>	<u>(8,866)</u>
Share Capital	11,621	(1)	11,620
Share Premium Account	7,452	(1,030)	6,422
Reserves	15,054	979	16,033
Retained earnings	1,190	(289)	901
Total equity	<u>35,317</u>	<u>(341)</u>	<u>34,976</u>

4. EARNINGS PER SHARE

The calculation of earnings per share is based on a profit of £105,000 (6 months to 30 June 2010 – loss of £634,000; 12 months to 31 December 2010 – loss of £5,273,000) and 58,161,000 (6 months to 30 June 2010 – 49,256,000; 12 months to 31 December 2010 – 53,679,000) being the weighted average number of ordinary shares in issue.

Diluted

The diluted figure is based on the same figures as above since the options in place during the periods are anti-dilutive for the six months to 30 June 2011 and 2010 and for the 12 months to 31 December 2010. At 30 June 2011 there were a total of 227,201 share options held by employees which are not considered dilutive (30 June 2010 - 669,538; 31 December 2010 – 262,201).

5. SHARE CAPITAL

On 5 April 2011, the company issued 125,000 ordinary shares of 20p in consideration for a 25% shareholding in Jeffery Building Products Limited, a brick distribution business covering the North of England. The total consideration of £50,000 was satisfied by the issue of ordinary shares valued at 40p per share. Following Admission of these shares, the Company's issued share capital consisted of 58,227,154 ordinary shares of 20p each with voting rights.

The investment is not consolidated in the above income statement on the grounds of materiality.