

**MICHELMERSH BRICK HOLDINGS PLC**

**CONSOLIDATED ACCOUNTS**

**30 NOVEMBER 2002**



Company Registration Number 3462378

**MICHELMERSH BRICK HOLDINGS PLC**

**CONSOLIDATED ACCOUNTS**

**YEAR ENDED 30 NOVEMBER 2002**

---

<b>CONTENTS</b>	<b>PAGES</b>
Officers and Professional Advisers	1
Directors' Report	2
Independent Auditors' Report to the Shareholders	5
Consolidated Profit and Loss Account	7
Consolidated Statement of Total Recognised Gains and Losses	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Cash Flow Statement	11
Notes to the Consolidated Accounts	14

---

**MICHELMERSH BRICK HOLDINGS PLC**

**OFFICERS AND PROFESSIONAL ADVISERS**

---

**DIRECTORS**

E J S Gadsden  
M R Warner

**COMPANY SECRETARY**

C W Robinson

**REGISTERED OFFICE**

121 High Street  
Berkhamsted  
Hertfordshire  
HP4 2PJ

**AUDITORS**

Solomon Hare LLP  
Registered Auditors  
Chartered Accountants  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol BS8 2BN

# MICHELMERSH BRICK HOLDINGS PLC

## DIRECTORS' REPORT

### YEAR ENDED 30 NOVEMBER 2002

---

The directors present their report and the consolidated accounts of the group for the year ended 30 November 2002.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of the management and administration of its subsidiary companies. The main activity of the subsidiary companies was the manufacture of bricks, with one subsidiary operating a landfill site.

The directors are satisfied with the performance of the group for the year and with the position of the group at the end of it.

#### 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 attached accounts.

Dividends in respect of preference shares have been appropriated for the year (see notes 10 and 28).

	2002	2001
	£000	£000
Dividends on preference shares	<u>60</u>	<u>60</u>

#### 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:

	30 November 2002		30 November 2001	
	Preference shares of £1 each	Ordinary shares of £1 each	Preference shares of £1 each	Ordinary shares of £1 each
E J S Gadsden	600,000	5,100,000	600,000	600,000
M R Warner	<u>150,000</u>	<u>300,000</u>	<u>150,000</u>	<u>300,000</u>

During the year the company issued 4,500,000 Ordinary £1 shares to E J S Gadsden at par.

# MICHELMERSH BRICK HOLDINGS PLC

## DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 NOVEMBER 2002

---

### 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 all members of staff at all levels.

The equal opportunities policy followed by the group gives full and fair consideration to applicants for employment who are disabled and for continuing the employment of those who become disabled.

### POLICY ON THE PAYMENT OF CREDITORS

Whilst there is no formal creditor payment policy, it is the policy of the group to pay all creditors promptly. The average credit age for the group is 34 days (2001 - 48 days).

### FIXED ASSETS

The changes in fixed assets are summarised in note 12 to the accounts. The directors consider there to be no significant difference between the market value and book value of the freehold properties.

### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group at the end of the year and of the profit or loss of the group for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 14 to 15, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### DONATIONS

During the year the group made the following contributions:

	2002	2001
	£000	£000
Charitable	<u>2</u>	<u>2</u>

**MICHELMERSH BRICK HOLDINGS PLC**

**DIRECTORS' REPORT *(continued)***

**YEAR ENDED 30 NOVEMBER 2002**


---

**AUDITORS**

On 1 October 2002, Solomon Hare, the Company's and Group's auditor, transferred its entire business to Solomon Hare LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Solomon Hare as extending to Solomon Hare LLP with effect from 1 October 2002. A resolution to re-appoint Solomon Hare LLP as the Company's and Group's auditor will be put to the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the board

M R Warner  
Director



.....  
28/8/2003

# **MICHELMERSH BRICK HOLDINGS PLC**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**

**YEAR ENDED 30 NOVEMBER 2002**

---

We have audited the accounts on pages 7 to 31 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 14 to 15.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 THE DIRECTORS AND THE AUDITORS**

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company and the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**MICHELMERSH BRICK HOLDINGS PLC**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)***

**YEAR ENDED 30 NOVEMBER 2002**

---

**QUALIFIED OPINION ARISING FROM THE OMISSION OF RETIREMENT BENEFITS INFORMATION**

As explained in note 19, the accounts do not disclose certain information as required by Financial Reporting Standard 17 "Retirement Benefits".

Except for the omission of certain information about retirement benefits, in our opinion the accounts give a true and fair view of the state of the company's and group's affairs as at 30 November 2002 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Solomon Hare LLP*

SOLOMON HARE LLP  
Registered Auditors  
Chartered Accountants  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol  
BS8 2BN

28 August 2003

**MICHELMERSH BRICK HOLDINGS PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 NOVEMBER 2002**

	Note	2002 £000	2001 £000
<b>TURNOVER</b>	2	16,666	15,518
Cost of sales:			
Normal		(11,762)	(11,709)
Exceptional		-	(240)
<b>GROSS PROFIT</b>		<u>4,904</u>	<u>3,569</u>
Administrative expenses		(3,169)	(2,248)
Amounts written off group debt	3	-	273
Other operating income	4	8	63
		<u>          </u>	<u>          </u>
<b>OPERATING PROFIT</b>	5	1,743	1,657
Interest payable and similar charges	8	(565)	(558)
		<u>          </u>	<u>          </u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,178	1,099
Tax on profit on ordinary activities	9	(215)	(30)
		<u>          </u>	<u>          </u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		963	1,069
Dividends (non equity)	10	(60)	(60)
		<u>          </u>	<u>          </u>
<b>RETAINED PROFIT FOR THE YEAR</b>		<u>903</u>	<u>1,009</u>

All of the activities of the group are classed as continuing.

The notes on pages 14 to 31 form part of these accounts.

**MICHELMERSH BRICK HOLDINGS PLC**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**YEAR ENDED 30 NOVEMBER 2002**

---

	Year ended 30 November 2002 £000	Year ended 30 November 2001 £000
Profit for the year	903	1,009
Unrealised surplus on revaluation of freehold land and buildings	-	5,406
Total recognised gains and losses for the year	<u>903</u>	<u>6,415</u>

The notes on pages 14 to 31 form part of these accounts.

---

**MICHELMERSH BRICK HOLDINGS PLC**

**CONSOLIDATED BALANCE SHEET**

**30 NOVEMBER 2002**

	Note	2002		2001	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Intangible assets – positive goodwill	11		128		170
Intangible asset – negative goodwill	11		(2,359)		(3,145)
			(2,231)		(2,975)
Tangible assets	12		24,217		23,052
Investments	13		-		-
			<u>21,986</u>		<u>20,077</u>
<b>CURRENT ASSETS</b>					
Stock	14	4,325		3,601	
Debtors	15	3,720		3,128	
Cash at bank and in hand		46		6	
		<u>8,091</u>		<u>6,735</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(9,473)</u>		<u>(7,961)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(1,382)</u>		<u>(1,226)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			20,604		18,851
<b>CREDITORS: Amounts falling due after more than one year</b>	17		(6,756)		(10,681)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	20		(719)		(504)
<b>NET ASSETS</b>			<u>13,129</u>		<u>7,666</u>
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	25		6,150		1,650
Revaluation reserve	26		5,406		5,406
Profit and loss account	27		1,573		610
<b>SHAREHOLDERS' FUNDS</b>	28		<u>13,129</u>		<u>7,666</u>
Equity shareholders' funds			<u>12,199</u>		<u>6,796</u>
Non equity shareholders' funds			<u>930</u>		<u>870</u>

These accounts were approved by the directors on 28/8/2003 and are signed on their behalf by:

M R Warner  
Director

The notes on pages 14 to 31 form part of these accounts.

**MICHELMERSH BRICK HOLDINGS PLC**

**BALANCE SHEET**

**30 NOVEMBER 2002**

		2002		2001
		£000	£000	£000
<b>FIXED ASSETS</b>				
Tangible assets	12		8,851	8,851
Investments	13		551	551
			<u>9,402</u>	<u>9,402</u>
<b>CURRENT ASSETS</b>				
Debtors – due within one year	15	690		575
Debtors - due after one year	15	<u>7,566</u>		<u>7,491</u>
		8,256		8,066
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(1,916)</u>		<u>(2,177)</u>
<b>NET CURRENT ASSETS</b>			<u>6,340</u>	<u>5,889</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			15,742	15,291
<b>CREDITORS: Amounts falling due after more than one year</b>	17		(6,585)	(10,509)
<b>NET ASSETS</b>			<u>9,157</u>	<u>4,782</u>
<b>CAPITAL AND RESERVES</b>				
Called-up share capital	25		6,150	1,650
Revaluation reserve	26		3,737	3,737
Profit and loss account	27		(730)	(605)
<b>SHAREHOLDERS FUNDS</b>	28		<u>9,157</u>	<u>4,782</u>
Equity shareholders' funds			<u>8,227</u>	<u>3,912</u>
Non-equity shareholders' funds			<u>930</u>	<u>870</u>

These accounts were approved by the directors on 28/8/2003, and are signed on their behalf by:



M R Warner  
Director

The notes on pages 14 to 31 form part of these accounts.

**MICHELMERSH BRICK HOLDINGS PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 30 NOVEMBER 2002**

	Note	2002 £000	£000	2001 £000	£000
<b>Net cash inflow from operating activities</b>	1		818		1,781
<b>Returns on investments and servicing of finance</b>					
Interest paid		<u>(565)</u>		<u>(558)</u>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(565)		(558)
<b>Taxation</b>					
Corporation tax received/(paid)		<u>-</u>		<u>(2)</u>	
<b>Taxation paid</b>			-		(2)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(2,435)		(3,475)	
Sale of tangible fixed assets		<u>1</u>		<u>11</u>	
<b>Net cash outflow from capital expenditure</b>			(2,434)		(3,464)
<b>Net cash outflow before financing</b>			<u>(2,181)</u>		<u>(2,243)</u>
<b>Financing</b>					
Capital element of HP rental payments		(20)		(43)	
Proceeds from issue of new shares		4,500		-	
Repayment of long term loan		(4,500)		-	
Increase in long term loan		1,000		-	
Repayment of bank loan		<u>(350)</u>		<u>(298)</u>	
<b>Net cash inflow/(outflow) from financing</b>			<u>630</u>		<u>(341)</u>
<b>Decrease in cash in the period</b>	2		<u>(1,551)</u>		<u>(2,584)</u>

The notes on pages 14 to 31 form part of these accounts.

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**YEAR ENDED 30 NOVEMBER 2002**

---

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2002 £000	2001 £000
Operating profit	1,743	1,657
Depreciation	1,269	1,134
Amortisation	(744)	(744)
Increase in stock	(724)	(733)
(Increase)/decrease in debtors	(592)	318
(Decrease)/increase in creditors	(134)	149
	<u>818</u>	<u>1,781</u>
Net cash inflow from operating activities	<u>818</u>	<u>1,781</u>

**2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2002 £000	2001 £000
Decrease in cash in year	(1,551)	(2,584)
Net cash outflow from debt	3,850	298
Cash outflow from decreases in hire purchase agreements	20	43
	<u>2,319</u>	<u>(2,243)</u>
Movement in net debt	2,319	(2,243)
Net debt at beginning of year	(16,169)	(13,926)
Net debt at end of year	<u>(13,850)</u>	<u>(16,169)</u>

The notes on pages 14 to 31 form part of these accounts

---

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***

**YEAR ENDED 30 NOVEMBER 2002**

---

**3. ANALYSIS OF NET DEBT**

	At 1 December 2001 £000	Cash Flow £000	At 30 November 2002 £000
Cash at bank	6	40	46
Bank overdraft	<u>(5,308)</u>	<u>(1,591)</u>	<u>(6,899)</u>
	<u>(5,302)</u>	<u>(1,551)</u>	<u>(6,853)</u>
Debt less than one year	(267)	(74)	(341)
Debt more than one year	(10,579)	3,924	(6,655)
Hire purchase liabilities	<u>(21)</u>	<u>20</u>	<u>(1)</u>
	<u>(10,867)</u>	<u>3,870</u>	<u>(6,997)</u>
Net Debt	<u>(16,169)</u>	<u>(2,319)</u>	<u>(13,850)</u>

A loan from a director has been classified as financing due to its long term nature. This has had no impact on the results of the group.

The notes on pages 14 to 31 form part of these accounts.

---

**MICHELMERSH BRICK HOLDINGS PLC**  
**NOTES TO THE CONSOLIDATED ACCOUNTS**  
**YEAR ENDED 30 NOVEMBER 2002**

---

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

**Consolidation**

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the year ended 30 November 2002 using the acquisition method of accounting, and excludes all intra-group transactions. No profit and loss account is presented by the parent company as permitted by Section 230 of the Companies Act 1985.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax and intra group sales, by the group in the ordinary course of business.

**Goodwill**

Purchased goodwill, representing the difference between the fair values of the consideration and the underlying assets and liabilities acquired is capitalised and depreciated on a straight line basis over its useful economic life.

The directors believe that an appropriate period of amortisation that releases the goodwill over its estimated economic life is 6 years. A full year's amortisation is charged in the year of acquisition.

**Investments**

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

**Depreciation**

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

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

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

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

The company and group has adopted the transitional provisions of Financial Reporting Standard 15 'Tangible Fixed Assets' in that it has adopted a policy not to update the valuation applied to Freehold Land and Buildings as at 30 November 2001.

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2002

---

### 1. ACCOUNTING POLICIES *(continued)*

#### **Stocks and work-in-progress**

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

#### **Hire purchase agreements**

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

#### **Operating lease agreements**

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

#### **Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy in accordance with FRS 19 'Deferred Tax'. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. There has been no effect on the current or prior year results as a consequence of this change in policy.

#### **Pension costs**

A subsidiary of the group operated a defined benefit pension scheme under which retirement benefits for employees were funded by contributions from the subsidiary and employees as described in note 19. The group accounts for pension costs in accordance with SSAP 24. This scheme was operated until 30 November 2000 and is now in the process of being wound up.

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

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

### YEAR ENDED 30 NOVEMBER 2002

---

#### 2. TURNOVER

Turnover and profit before tax are attributable to the principal activity of the group.

An analysis of turnover is given below:

	2002 £000	2001 £000
United Kingdom	16,268	14,917
Europe	398	601
	<u>16,666</u>	<u>15,518</u>

The directors consider that the landfill operations conducted by the group are not material to the results of the group and have therefore not been separately disclosed.

#### 3. AMOUNTS WRITTEN OFF GROUP DEBT

	2002 £000	2001 £000
Write back of group company balances	<u>-</u>	<u>273</u>

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

#### 4. OTHER OPERATING INCOME

	2002 £000	2001 £000
Rent receivable	<u>8</u>	<u>63</u>

#### 5. OPERATING PROFIT

Operating profit is stated after charging:

	2002 £000	2001 £000
Amortisation	(744)	(744)
Depreciation	1,269	1,134
Auditors remuneration - audit services	15	26
- other	8	28
Operating lease costs:		
- Plant and machinery	35	30
- Motor vehicles	47	41
	<u>47</u>	<u>41</u>

---

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

---

**6. PARTICULARS OF EMPLOYEES**

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

	2002 No.	2001 No.
Manufacture and supply of bricks	250	250
Administration	50	48
	<u>300</u>	<u>298</u>

The aggregate payroll costs of the above were:

	2002 £000	2001 £000
Wages and salaries	6,172	5,650
Social security costs	554	527
Other pension costs	179	161
	<u>6,905</u>	<u>6,338</u>

**7. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £000	2001 £000
Aggregate Emoluments	<u>69</u>	<u>54</u>

There were no pension costs in respect of directors during the year.

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2002 £000	2001 £000
Bank interest payable	564	554
Finance charges	1	4
	<u>565</u>	<u>558</u>

---

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The company has adopted Financial Reporting Standard No 19 'Deferred Tax' in the current year.

a) Charge for the year

	Year ended 30 Nov 2002	Year ended 30 Nov 2001
	£ 000's	£ 000's
<b>Current tax</b>		
Corporation tax based on the results for the period	-	-
Adjustment to provision in previous years	-	-
Total current tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	215	30
Tax on profit on ordinary activities	<u>215</u>	<u>30</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	Year ended 30 Nov 2002	Year ended 30 Nov 2001
	£ 000's	£ 000's
Profit before tax	<u>1,178</u>	<u>1,099</u>
Tax on profit before tax at standard UK corporation tax rate of 30%	353	330
Effects of:		
Income not taxable	(234)	(318)
Expenses disallowed	10	30
Capital allowances in excess of depreciation	240	200
Tax losses utilised	(358)	(253)
Provision movement	(11)	11
Current tax	<u>-</u>	<u>-</u>

c) Factors affecting future tax charges

As at 30 November 2002 the group had tax losses carried forward of approximately £2,531,000 (2001 - £3,759,000).

**MICHELMERSH BRICK HOLDINGS PLC****NOTES TO THE CONSOLIDATED ACCOUNTS (continued)****YEAR ENDED 30 NOVEMBER 2002**

---

**10. DIVIDENDS**

The following dividends have been appropriated in respect of the year:

	2002 £000	2001 £000
Dividends on non-equity shares	<u>60</u>	<u>60</u>

**11. INTANGIBLE FIXED ASSETS - GROUP**

	Positive goodwill £000	Negative goodwill £000	Total goodwill £000
<b>COST</b>			
At 1 December 2001 and 30 November 2002	<u>254</u>	<u>(4,717)</u>	<u>(4,463)</u>
<b>AMORTISATION</b>			
At 1 December 2001	(84)	1,572	1,488
(Charge)/credit for the year	<u>(42)</u>	<u>786</u>	<u>744</u>
At 30 November 2002	<u>(126)</u>	<u>2,358</u>	<u>2,232</u>
<b>NET BOOK VALUE</b>			
At 30 November 2002	<u>128</u>	<u>(2,359)</u>	<u>(2,231)</u>
At 30 November 2001	<u>170</u>	<u>(3,145)</u>	<u>(2,975)</u>

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**12. TANGIBLE FIXED ASSETS - GROUP**

	Freehold land & buildings	Assets in the course of construction	Site Development	Motor vehicles	Plant & machinery	Equipment	Fixtures & Fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>COST OR VALUATION</b>								
At 1 December 2001	9,503	2,526	29	122	19,380	517	156	32,233
Additions	18	1,281	-	-	1,127	6	3	2,435
Disposals	-	-	-	-	-	(1)	-	(1)
Transfers	2,526	(2,526)	-	-	-	-	-	-
At 30 November 2002	<u>12,047</u>	<u>1,281</u>	<u>29</u>	<u>122</u>	<u>20,507</u>	<u>522</u>	<u>159</u>	<u>34,667</u>
<b>DEPRECIATION</b>								
At 1 December 2001	-	-	29	84	8,607	378	83	9,181
On disposals	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	35	1,171	38	25	1,269
At 30 November 2002	<u>-</u>	<u>-</u>	<u>29</u>	<u>119</u>	<u>9,778</u>	<u>416</u>	<u>108</u>	<u>10,450</u>
<b>NET BOOK VALUE</b>								
At 30 November 2002	<u>12,047</u>	<u>1,281</u>	<u>-</u>	<u>3</u>	<u>10,729</u>	<u>106</u>	<u>51</u>	<u>24,217</u>
At 30 November 2001	<u>9,503</u>	<u>2,526</u>	<u>-</u>	<u>38</u>	<u>10,773</u>	<u>139</u>	<u>73</u>	<u>23,052</u>

**Hire purchase agreements**

Included within the net book value of £24,217,000 is £5,000 (2001 - £25,000) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the period in respect of such interests amounted to £4,000 (2001 - £28,000).

**Capital commitments**

	2002 £000	2001 £000
Contracted but not provided for in the accounts	<u>208</u>	<u>466</u>

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**12. TANGIBLE FIXED ASSETS – COMPANY**

	Assets in the course of construction £000	Freehold property £000	Total £000
<b>COST OR VALUATION</b>			
At 1 December 2001	2,526	6,325	8,851
Transfer	<u>(2,526)</u>	<u>2,526</u>	<u>-</u>
At 30 November 2002	<u>-</u>	<u>8,851</u>	<u>8,851</u>
<b>DEPRECIATION</b>			
At 1 December 2001	-	-	-
Charge for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 30 November 2002	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET BOOK VALUE</b>			
At 30 November 2002	<u>-</u>	<u>8,851</u>	<u>8,851</u>
At 30 November 2001	<u>2,526</u>	<u>6,325</u>	<u>8,851</u>

**Revaluation of fixed assets**

The group's freehold land and buildings were revalued by the directors on 30 November 2001 following a professional valuation in February 2000.

The professional valuation was conducted on the basis of open market value, and in the opinion of the directors this represents the existing use in value of the property at the balance sheet date.

All other tangible assets are stated at historical cost.

The historical cost of land and buildings is:

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Cost	6,641	5,114	4,097	2,588
Accumulated depreciation based on historic cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Historical cost net book value	<u>6,641</u>	<u>5,114</u>	<u>4,097</u>	<u>2,588</u>

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**13. INVESTMENTS - UNLISTED**

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
<b>COST</b>				
At 1 December 2001 and at 30 November 2002	-	551	-	551

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

<b>Company</b>	<b>Country of incorporation</b>	<b>Class of shares held</b>	<b>%age holding</b>	<b>Nature of business</b>
Dunton Brothers Limited	England	Ordinary	100	Manufacture of bricks
Michelmersh Brick & Tile Company Limited	England	Ordinary	100	Manufacture of bricks
Blockleys Brick Limited	England	Ordinary	100	Manufacture of Bricks
New Acres Limited	England	Ordinary	100	Landfill operations
Charnwood Forest Brick Limited	England	Ordinary	100	Manufacture of bricks

The results of these subsidiary companies have been included within the consolidated accounts, and are as follows:

	Capital & reserves 2002 £000	Capital & reserves 2001 £000	Profit/(loss) for the year 2002 £000	Profit/(loss) for the year 2001 £000
Dunton Brothers Limited	455	558	(103)	254
Michelmersh Brick & Tile Company Limited	1,977	1,912	65	348
Blockleys Brick Limited	2,996	2,995	1	(141)
New Acres Limited	653	432	221	(4)
Charnwood Forest Brick Limited	674	514	160	131

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**14. STOCKS - GROUP**

	2002 £000	2001 £000
Raw materials	1,024	838
Work in progress	195	255
Finished goods	3,106	2,508
	<u>4,325</u>	<u>3,601</u>

**15. DEBTORS**

**Debtors – amounts falling due within one year**

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Trade debtors	3,460	-	2,962	-
Amounts owed by group undertakings	-	670	-	575
Other debtors	36	20	-	-
Prepayments and accrued income	224	-	166	-
	<u>3,720</u>	<u>690</u>	<u>3,128</u>	<u>575</u>

**Debtors – amounts falling due after one year**

	Company 2002 £000	Company 2001 £000
Amounts owed by group undertakings	<u>7,566</u>	<u>7,491</u>

**16. CREDITORS: Amounts falling due within one year**

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Bank loans and overdrafts	7,240	1,661	5,575	1,900
Trade creditors	1,099	-	1,441	-
Amounts owed to group undertakings	-	223	-	247
Other taxation and social security	660	5	472	-
Hire purchase agreements	1	-	20	-
Other creditors	47	-	58	-
Corporation tax	-	-	-	-
Accruals and deferred income	426	27	395	30
	<u>9,473</u>	<u>1,916</u>	<u>7,961</u>	<u>2,177</u>

Included in the group figure for other taxes and social security is an amount of £34,160 (2001 - £11,168) relating to pension contributions not paid across to the scheme at the year-end.

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

### YEAR ENDED 30 NOVEMBER 2002

---

#### 17. CREDITORS: Amounts falling due after more than one year

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Bank loans	2,860	2,860	3,284	3,284
Other loans	70	-	70	-
Directors loan accounts	3,826	3,725	7,326	7,225
Hire purchase agreements	-	-	1	-
	<u>6,756</u>	<u>6,585</u>	<u>10,681</u>	<u>10,509</u>

#### 18. CREDITORS – CAPITAL INSTRUMENTS

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

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
In one year or less, or on demand	7,240	1,661	5,575	1,900
Between one and two years	341	341	287	287
Between two and five years	1,023	1,023	998	998
After five years	1,496	1,496	1,999	1,999
	<u>10,100</u>	<u>4,521</u>	<u>8,859</u>	<u>5,184</u>

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

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

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

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

### YEAR ENDED 30 NOVEMBER 2002

---

#### 19. PENSIONS

##### **Defined Contribution Scheme**

The group operates a defined contribution scheme for a number of employees. The assets of the scheme are held separately from those of the group in trustee administered funds. The pension charge for contributions made by the group to the defined contribution scheme amounted to £179,000 (2001 - £161,000).

##### **Defined Benefit Scheme**

The group operated a defined benefit scheme until 30 November 2000, on which date the scheme was wound up.

The latest actuarial valuation of the scheme, performed by an independent actuary, was at 31 July 2002. The purpose of the valuation was to investigate the solvency of the scheme, given that benefits ceased to accrue from 30 November 2000 and the scheme commenced winding up from that date. The report included the provisional results of the actuary's investigation into solvency on the prescribed minimum funding requirement ("MFR") basis. At the 31 July 2002 the market value of the assets of the scheme was £2,297,300.

The principal findings of the valuation are summarised below.

The provisional funding level of the accrued benefits under the scheme on the valuation date exceeded 120% on the MFR basis. However the actuary noted that this did not rule out the possibility of a statutory debt attributable to participating employers.

The funding level of the accrued benefits under the scheme on a transfer value basis on the valuation date was 129%. This assumed that all members that had not yet had benefits secured were provided with cash equivalent transfer values, or were provided with an immediate pension where the transfer value option is not applicable.

The funding level of the accrued benefits under the scheme on a buy-out basis at the valuation date was 86%. This assumed that all members who were not entitled to payment of benefits at the date of valuation were provided with non profit deferred annuities which guarantee scheme benefits and immediate annuities are purchased for any members entitled to immediate payment of benefits.

##### **Financial Reporting Standard 17 'Retirement Benefits' ("FRS17")**

The group is required to comply with FRS17 in its accounts for the year ended 30 November 2002. The transitional arrangements allowed under FRS17 require certain disclosures to be made in preparation for full implementation of the Financial Reporting Standard, as detailed below.

Main financial assumptions used at the balance sheet date, disclosing individually:

- Inflation assumption
- Rate of increase in salaries
- Rate of increase for pensions in payment and deferred pensions
- Rate used to discount scheme liabilities

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

### YEAR ENDED 30 NOVEMBER 2002

---

#### 19. PENSIONS *(continued)*

Fair value of scheme assets at the balance sheet date, analysed between classes, disclosing the expected rate of return for the period and the subsequent period:

- Equities
- Bonds
- Other

Fair value of scheme assets (in aggregate), present value of the scheme liabilities, and resulting surplus or deficit.

An analysis of reserves distinguishing the amount relating to the defined benefit schemes' asset or liability net of the related deferred tax.

An analysis of the profit and loss account disclosures had the group adopted FRS17 early including:

- Amounts charged to the profit and loss account
- Amounts included as other finance costs
- Amounts recognised in the statement of total recognised gains and losses
- Movement in the surplus or deficit in the year

A five year history to be built up over time.

An actuarial valuation was carried out at 31 July 2002. It has not been possible to obtain the information from the actuary to update this valuation to 30 November 2002 on an FRS17 basis and to make the necessary disclosures.

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**20. DEFERRED TAXATION**

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

	Group 2002 £000	Group 2001 £000
Provision brought forward	504	474
Increase in provision	215	30
Provision carried forward	<u>719</u>	<u>504</u>

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

	Group 2002 £000	Group 2001 £000
Excess of taxation allowances over depreciation on fixed assets	1,301	1,693
Tax losses available	(582)	(1,147)
Other timing differences	-	(42)
	<u>719</u>	<u>504</u>

Amounts unprovided at the year end are as follows:

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Excess taxation allowances over depreciation on fixed assets	72	20	67	-
Tax losses available	(213)	(59)	(212)	(57)
Other timing differences	-	-	(11)	-
Revalued properties	1,519	1,088	1,519	1,088
	<u>1,378</u>	<u>1,049</u>	<u>1,363</u>	<u>1,031</u>

The balance of £1,519,000 (2001 - £1,519,000) relating to unprovided deferred taxation represents the deferred capital gain on the revaluation of the freehold land and buildings. As it is the directors' intention to keep the property for use in the business the gain is unlikely to crystallise and therefore the deferred tax liability has not been recognised in accordance with FRS19 'Deferred Tax'.

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

### YEAR ENDED 30 NOVEMBER 2002

---

#### 21. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group 2002 £000	Group 2001 £000
Amounts payable within 1 year	1	20
Amounts payable between 1 and 2 years	-	1
	<u>1</u>	<u>21</u>

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

#### 22. CONTINGENCIES

The bank holds a cross guarantee between the company and its subsidiaries dated 12 January 1998. At the year-end the total group bank borrowings were £10,100,000 (2001 - £8,904,000).

#### 23. COMMITMENTS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases in respect of plant and machinery as set out below (company: £nil).

	Group 2002 £000	Group 2001 £000
Operating leases which expire:		
Within one year	27	9
Within two to five years	95	41
	<u>122</u>	<u>50</u>

#### 24. RELATED PARTY TRANSACTIONS

The group owed W E Black Limited, a company related by virtue of common directorship, the sum of £70,101 (2001 - £70,101). There is currently no repayment structure for this loan.

As at 30 November 2002 the group owed E J S Gadsden, a director, £3,826,000 (2001 - £7,326,000) of which £3,725,000 was owed by the company (2001 - £7,225,000). The loan is interest free and there is no repayment structure.

# MICHELMERSH BRICK HOLDINGS PLC

## NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2002

---

### 25. SHARE CAPITAL

#### Authorised share capital:

	2002 £000	2001 £000
6,000,000 ordinary shares of £1 each	6,000	1,250
1,500,000 8% cumulative convertible preference shares of £1 each	1,500	750
	<u>7,500</u>	<u>2,000</u>

#### Allotted, called up and fully paid:

	2002 £000	2001 £000
Ordinary shares	5,400	900
8% cumulative convertible preference shares	750	750
	<u>6,150</u>	<u>1,650</u>

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

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

#### Rights of shares

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

The preference share holders are entitled to a fixed cumulative dividend of 8% payable in preference to the ordinary shareholders.

### 26. REVALUATION RESERVE

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Balance brought forward	5,406	3,737	-	-
Revaluation of freehold land and buildings	-	-	5,406	3,737
Balance carried forward	<u>5,406</u>	<u>3,737</u>	<u>5,406</u>	<u>3,737</u>

---

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS (continued)**

**YEAR ENDED 30 NOVEMBER 2002**

**27. PROFIT AND LOSS ACCOUNT**

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Balance brought forward	610	(605)	(459)	(342)
Profit/(Loss) for the year	903	(185)	1,009	(323)
Preference dividend unpaid	60	60	60	60
	<u>1,573</u>	<u>(730)</u>	<u>610</u>	<u>(605)</u>

**28. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Group 2002 £000	Company 2002 £000	Group 2001 £000	Company 2001 £000
Profit/(Loss) for the financial year	963	(125)	1,069	(263)
Dividends	(60)	(60)	(60)	(60)
	<u>903</u>	<u>(185)</u>	<u>1,009</u>	<u>(323)</u>
Preference dividend unpaid	60	60	60	60
New share capital subscribed				
- ordinary shares	4,500	4,500	-	-
Unrealised surplus on revaluation	-	-	5,406	3,737
Net addition to funds	<u>5,463</u>	<u>4,375</u>	<u>6,475</u>	<u>3,474</u>
Opening shareholders funds	<u>7,666</u>	<u>4,782</u>	<u>1,191</u>	<u>1,308</u>
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<u>13,129</u>	<u>9,157</u>	<u>7,666</u>	<u>4,782</u>

**NON EQUITY SHAREHOLDERS' FUNDS**

Opening non-equity shareholders' funds	870	870	810	810
Preference dividend	60	60	60	60
<b>CLOSING NON-EQUITY SHAREHOLDERS' FUNDS</b>	<u>930</u>	<u>930</u>	<u>870</u>	<u>870</u>
<b>CLOSING EQUITY SHAREHOLDERS' FUND</b>	<u>12,199</u>	<u>8,227</u>	<u>6,796</u>	<u>3,912</u>

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

**MICHELMERSH BRICK HOLDINGS PLC**

**NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)***

**YEAR ENDED 30 NOVEMBER 2002**

---

**29. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is E J S Gadsden who is a director and the majority shareholder.