

MICHELMERSH BRICK HOLDINGS PLC

CONSOLIDATED ACCOUNTS

30 NOVEMBER 2003

Company Registration Number 3462378



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MICHELMERSH BRICK HOLDINGS PLC

ACCOUNTS

YEAR ENDED 30 NOVEMBER 2003

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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 2003

The directors present their report and the consolidated accounts of the group for the year ended 30 November 2003.

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 9 and 27).

	2003 £000	2002 £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 2003		30 November 2002	
	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	5,100,000
M R Warner	<u>150,000</u>	<u>300,000</u>	<u>150,000</u>	<u>300,000</u>

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.

MICHELMERSH BRICK HOLDINGS PLC

DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 NOVEMBER 2003

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 47 days (2002 - 59 days).

FIXED ASSETS

The changes in fixed assets are summarised in notes 10 to 12 of the accounts. The directors consider there to be no significant difference between the market value and the book value of the freehold properties, the majority of which have been revalued at the year end.

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 12 to 13, 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

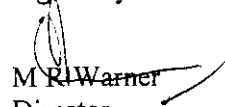
During the year the group made the following contributions:

	2003	2002
	£000	£000
Charitable	-	2

AUDITORS

A resolution to re-appoint Solomon Hare LLP as the Company'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

Approved by the Director on 19/05/04

MICHELMERSH BRICK HOLDINGS PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 NOVEMBER 2003

We have audited the accounts on pages 6 to 27 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 12 to 13.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is 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 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. Our responsibilities do not extend to any other information.

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's 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 2003

OPINION

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 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Signature UP

SOLOMON HARE LLP
Registered Auditors
Chartered Accountants

19/05/04.....

MICHELMERSH BRICK HOLDINGS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 NOVEMBER 2003

	Note	2003 £000	2002 £000
TURNOVER	2	18,871	16,666
Cost of sales		<u>(13,000)</u>	<u>(11,762)</u>
GROSS PROFIT		5,871	4,904
Administrative expenses – normal		(3,132)	(3,169)
Administrative expenses – exceptional	4	1,573	-
Other operating income	3	<u>64</u>	<u>8</u>
OPERATING PROFIT	4	4,376	1,743
Interest payable and similar charges	7	<u>(535)</u>	<u>(565)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,841	1,178
Tax on profit on ordinary activities	8	<u>(490)</u>	<u>(215)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,351	963
Dividends (non equity)	9	<u>(60)</u>	<u>(60)</u>
RETAINED PROFIT FOR THE YEAR		<u>3,291</u>	<u>903</u>

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

The notes on pages 12 to 27 form part of these accounts.

MICHELMERSH BRICK HOLDINGS PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 30 NOVEMBER 2003

	2003 £000	2002 £000
Profit for the financial year attributable to the shareholders	3,291	903
Unrealised profit on revaluation of freehold property	<u>9,793</u>	<u>-</u>
Total gains and losses recognised since the last annual report	<u>13,084</u>	<u>903</u>


The notes on pages 12 to 27 form part of these accounts.

MICHELMERSH BRICK HOLDINGS PLC
CONSOLIDATED BALANCE SHEET
30 NOVEMBER 2003

	Note	2003		2002	
		£000	£000	£000	£000
FIXED ASSETS					
Intangible assets – positive goodwill	10		86		128
Intangible asset – negative goodwill	10		-		(2,359)
			<u>86</u>		<u>(2,231)</u>
Tangible assets	11		34,908		24,217
Investments	12		-		-
			<u>34,994</u>		<u>21,986</u>
CURRENT ASSETS					
Stock	13	4,321		4,325	
Debtors	14	4,042		3,720	
Cash at bank and in hand		11		46	
		<u>8,374</u>		<u>8,091</u>	
CREDITORS: Amounts falling due within one year	15	<u>(9,465)</u>		<u>(9,473)</u>	
NET LIABILITIES			<u>(1,091)</u>		<u>(1,382)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			33,903		20,604
CREDITORS: Amounts falling due after more than one year	16		(6,421)		(6,756)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	19		<u>(1,209)</u>		<u>(719)</u>
NET ASSETS			<u>26,273</u>		<u>13,129</u>
CAPITAL AND RESERVES					
Called-up share capital	24		6,150		6,150
Revaluation reserve	25		15,199		5,406
Profit and loss account	26		4,924		1,573
SHAREHOLDERS' FUNDS	27		<u>26,273</u>		<u>13,129</u>
Equity shareholders' funds			<u>25,283</u>		<u>12,199</u>
Non equity shareholders' funds			<u>990</u>		<u>930</u>

These accounts were approved by the directors on 19 May 2004 and are signed on their behalf by:


E J S Gadsden
Director


M R Warner
Director

The notes on pages 12 to 27 form part of these accounts.

MICHELMERSH BRICK HOLDINGS PLC

COMPANY BALANCE SHEET

30 NOVEMBER 2003

		2003		2002	
		£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	11		14,160		8,851
Investments	12		551		551
			<u>14,711</u>		<u>9,402</u>
CURRENT ASSETS					
Debtors – due within one year	14	902		690	
Debtors - due after one year	14	<u>7,705</u>		<u>7,566</u>	
		8,607		8,256	
CREDITORS: Amounts falling due within one year	15	<u>(2,806)</u>		<u>(1,916)</u>	
NET CURRENT ASSETS			<u>5,801</u>		<u>6,340</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			20,512		15,742
CREDITORS: Amounts falling due after more than one year	16		(6,201)		(6,585)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	19		(49)		-
NET ASSETS			<u>14,262</u>		<u>9,157</u>
CAPITAL AND RESERVES					
Called-up share capital	24		6,150		6,150
Revaluation reserve	25		9,046		3,737
Profit and loss account	26		(934)		(730)
SHAREHOLDERS' FUNDS	27		<u>14,262</u>		<u>9,157</u>
Equity shareholders' funds			<u>13,272</u>		<u>8,227</u>
Non-equity shareholders' funds			<u>990</u>		<u>930</u>

These accounts were approved by the directors on 19 May 2004 and are signed on their behalf by:


E J S Gadsden
Director


M R Warner
Director

The notes on pages 12 to 27 form part of these accounts.

MICHELMERSH BRICK HOLDINGS PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 NOVEMBER 2003

	Note	2003 £000	£000	2002 £000	£000
Net cash inflow from operating activities	1		3,389		818
Returns on investments and servicing of finance					
Interest paid		(497)		(565)	
Net cash outflow from returns on investments and servicing of finance			(497)		(565)
Taxation					
Corporation tax received/(paid)		-		-	
Taxation paid			-		-
Capital expenditure					
Purchase of tangible fixed assets		(1,903)		(2,435)	
Sale of tangible fixed assets		6		1	
Net cash outflow from capital expenditure			(1,897)		(2,434)
Net cash inflow/(outflow) before financing			995		(2,181)
Financing					
Capital element of hire purchase payments		(8)		(20)	
Increase in long term loan		-		1,000	
Repayment of bank loan		(363)		(350)	
Net cash (outflow)/inflow from financing			(371)		630
Increase/(decrease) in cash in the year	2		624		(1,551)

MAJOR NON-CASH TRANSACTIONS

During the year ended 30 November 2002, the company converted a loan of £4,500,000 into ordinary share capital. The comparatives have been restated to reflect the fact that this was a non-cash transaction. This has had no impact on the decrease in cash in that year.

The notes on pages 12 to 27 form part of these accounts.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

YEAR ENDED 30 NOVEMBER 2003

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

	2003 £000	2002 £000
Operating profit	4,376	1,743
Depreciation	1,028	1,269
Amortisation	(2,317)	(744)
Profit on the sale of tangible fixed assets	(4)	-
Decrease/(increase) in stock	4	(724)
Increase in debtors	(322)	(592)
Increase/(decrease) in creditors	624	(134)
Net cash inflow from operating activities	<u>3,389</u>	<u>818</u>

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

	2003 £000	2002 £000
Increase/(decrease) in cash in year	624	(1,551)
Cash outflow/(inflow) from debt	363	(650)
Cash outflow from decreases in hire purchase agreements	8	20
Movement in net debt arising from cash flows	<u>995</u>	<u>(2,181)</u>
New hire purchase agreements in year	(25)	-
Debt converted to shares	-	4,500
Movement in net debt	970	2,319
Net debt at beginning of year	<u>(13,850)</u>	<u>(16,169)</u>
Net debt at end of year	<u>(12,880)</u>	<u>(13,850)</u>

3. ANALYSIS OF NET DEBT

	At 1 December 2002 £000	Cash Flow £000	Non Cash £000	At 30 November 2003 £000
<i>Net Cash:</i>				
Cash at bank	46	(35)	-	11
Bank overdraft	(6,899)	659	-	(6,240)
	<u>(6,853)</u>	<u>624</u>	<u>-</u>	<u>(6,229)</u>
Debt less than one year	(341)	(21)	-	(362)
Debt more than one year	(6,655)	384	-	(6,271)
Hire purchase liabilities	(1)	(8)	(25)	(18)
	<u>(6,997)</u>	<u>371</u>	<u>(25)</u>	<u>(6,651)</u>
Net Debt	<u>(13,850)</u>	<u>995</u>	<u>(25)</u>	<u>(12,880)</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 12 to 27 form part of these accounts.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 NOVEMBER 2003

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 2003 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. The loss after tax for the year, dealt with in the accounts of the parent company amounted to £204,000 (2002 - £125,000).

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.

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.

During the year the directors reviewed the estimated economic life of the negative goodwill and as a result the remaining £1,573,000 of negative goodwill at 30 November 2003 has been released to the profit and loss account in the year.

Investments

Investments held as fixed assets are stated at cost less any provision for 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

The directors have reviewed the useful economic life of certain items of plant and machinery and as a result the depreciation charge for the year has been reduced by £257,000 and the net book value increased by the same amount.

Site development costs plus the discounted cost of any estimated final site restoration 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.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2003

1. ACCOUNTING POLICIES *(continued)*

Depreciation *(continued)*

During the year the directors reviewed the market values of freehold property resulting in adjustments to the revaluation reserve, in accordance with FRS 15.

Stocks and work in progress

Stock 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. Provision is made for any foreseeable losses where appropriate. No element of profit 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 taxation 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 taxation balance has not been discounted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

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 company and employees as described in note 18. 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 2003

2. TURNOVER

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

An analysis of turnover is given below:

	2003 £000	2002 £000
United Kingdom	18,318	16,268
Europe	553	398
	<u>18,871</u>	<u>16,666</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. OTHER OPERATING INCOME

	2003 £000	2002 £000
Rent receivable	<u>64</u>	<u>8</u>

4. OPERATING PROFIT

Operating profit is stated after (crediting)/charging:

	2003 £000	2002 £000
Amortisation – normal	(744)	(744)
Amortisation – exceptional	(1,573)	-
Depreciation	1,028	1,269
Auditors remuneration - audit services	20	15
- other	8	8
Profit on disposal of fixed assets	4	-
Operating lease costs:		
Plant and machinery	94	35
Motor vehicles	<u>45</u>	<u>47</u>

The exceptional credit of £1,573,000 represents the release of the remaining negative goodwill as at 30 November 2003 as detailed in note 10 to the accounts.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 30 NOVEMBER 2003

5 PARTICULARS OF EMPLOYEES

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

	2003 No.	2002 No.
Manufacture and supply of bricks	250	250
Administration	51	50
	<u>301</u>	<u>300</u>

The aggregate payroll costs of the above were:

	2003 £000	2002 £000
Wages and salaries	6,460	6,172
Social security costs	607	554
Other pension costs	204	179
	<u>7,271</u>	<u>6,905</u>

6. DIRECTORS' EMOLUMENTS

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

	2003 £000	2002 £000
Aggregate Emoluments	<u>89</u>	<u>69</u>

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

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £000	2002 £000
Bank interest payable	497	564
Interest on other loans	38	-
Finance charges	-	1
	<u>535</u>	<u>565</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Charge for the year

	2003 £000	2002 £000
Current tax		
Corporation tax based on the results for the year	-	-
Adjustment to provision in previous years	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	<u>490</u>	<u>215</u>
Tax on profit on ordinary activities	<u>490</u>	<u>215</u>

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 30 NOVEMBER 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

b) Factors affecting the tax charge for the period

The tax assessed for the year is lower (2002 – lower) than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are explained below.

	2003	2002
	£000	£000
Profit on ordinary activities before tax	3,841	1,178
Tax on profit on ordinary activities multiplied by the standard UK corporation tax rate of 30%	1,152	353
Effects of:		
Income not taxable	(695)	(234)
Expenses disallowed	17	10
Capital allowances in excess of depreciation	101	240
Tax losses utilised	(549)	(358)
Provision movement	(26)	(11)
Current tax (note 8(a))	-	-

c) Factors affecting future tax charges

As at 30 November 2003 the group had tax losses carried forward of approximately £738,000 (2002 - £2,531,000).

9. DIVIDENDS

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

	2003	2002
	£000	£000
Dividends on non-equity shares	60	60

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2003

10. INTANGIBLE FIXED ASSETS - GROUP

	Positive goodwill £000	Negative goodwill £000	Total goodwill £000
Cost			
At 1 December 2002 and 30 November 2003	254	(4,717)	(4,463)
AMORTISATION			
At 1 December 2002	(126)	2,358	2,232
(Charge)/credit for the year	(42)	2,359	2,317
At 30 November 2003	(168)	4,717	4,549
NET BOOK VALUE			
At 30 November 2003	86	-	86
At 30 November 2002	128	(2,359)	(2,231)

The directors reviewed the carrying value of the negative goodwill as at 30 November 2003, and decided that due to the trade relating to the goodwill being fully integrated into the Group's activities, the remaining balance should be fully written back at the year-end. This has resulted in an additional credit to the profit and loss account for the year of £1,573,000.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 30 NOVEMBER 2003

11. TANGIBLE FIXED ASSETS - GROUP

COST OR VALUATION

	Freehold land & buildings £000	Assets in the course of construction £000	Site development £000	Motor vehicles £000	Plant & machinery £000	Equipment £000	Fixtures & fittings £000	Total £000
At 1 December 2002	12,047	1,218	29	122	20,570	522	159	34,667
Additions	30	-	-	12	1,840	36	10	1,928
Disposals	-	-	-	(23)	-	-	-	(23)
Revaluation	9,793	-	-	-	-	-	-	9,793
Transfers	-	(1,218)	-	-	1,218	-	-	-
At 30 November 2003	<u>21,870</u>	<u>-</u>	<u>29</u>	<u>111</u>	<u>23,628</u>	<u>558</u>	<u>169</u>	<u>46,365</u>

DEPRECIATION

At 1 December 2002	-	-	29	119	9,778	416	108	10,450
On disposals	-	-	-	(21)	-	-	-	(21)
Charge for the year	-	-	-	13	956	35	24	1,028
Transfers	-	-	-	-	-	-	-	-
At 30 November 2003	<u>-</u>	<u>-</u>	<u>29</u>	<u>111</u>	<u>10,734</u>	<u>451</u>	<u>132</u>	<u>11,457</u>

NET BOOK VALUE

At 30 November 2003	<u>21,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,894</u>	<u>107</u>	<u>37</u>	<u>34,908</u>
At 30 November 2002	<u>12,047</u>	<u>1,218</u>	<u>-</u>	<u>3</u>	<u>10,792</u>	<u>106</u>	<u>51</u>	<u>24,217</u>

Hire purchase agreements

Included within the net book value of £34,908,000 is £23,000 (2002 - £5,000) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the period in respect of such interests amounted to £2,000 (2002 - £4,000).

Capital commitments

	2003 £000	2002 £000
Contracted but not provided for in the accounts	<u>618</u>	<u>208</u>

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 30 NOVEMBER 2003

11. TANGIBLE FIXED ASSETS – COMPANY

	Freehold property £000	Total £000
COST OR VALUATION		
At 1 December 2002	8,851	8,851
Additions	-	-
Revaluation	5,309	5,309
	<u>14,160</u>	<u>14,160</u>
At 30 November 2003	<u>14,160</u>	<u>14,160</u>
DEPRECIATION		
At 1 December 2002	-	-
Charge for the year	-	-
	<u>-</u>	<u>-</u>
At 30 November 2003	<u>-</u>	<u>-</u>
NET BOOK VALUE		
At 30 November 2003	<u>14,160</u>	<u>14,160</u>
At 30 November 2002	<u>8,851</u>	<u>8,851</u>

Revaluation of fixed assets

The group's freehold property was revalued by the directors on 30 November 2003, based on a valuation carried out by Carter Jonas LLP, Chartered Surveyors, on a depreciated replacement cost basis for brickwork properties, and an existing use value for land used for mineral extraction or waste disposal. Other property has been valued at open market value. These valuations incorporate certain assumptions in relation to the future use of the properties and the estimated useful economic life relating to clay extraction and landfill facilities. The freehold property was valued at £21,870,000, resulting in an increase in the revaluation reserve of £9,793,000.

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

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Historical cost:				
At 1 December 2002	6,641	5,114	6,641	5,114
Cost of assets revalued for the first time in year	30	-	-	-
At 30 November 2003	<u>6,671</u>	<u>5,114</u>	<u>6,641</u>	<u>5,114</u>

No depreciation has been charged in respect of the above assets.

All other tangible assets are stated at historical cost.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 30 NOVEMBER 2003

12. INVESTMENTS - UNLISTED

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
COST				
At 1 December 2002 and at 30 November 2003	-	551	-	551

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

Company	Country of incorporation	Class of shares held	%age holding	Nature of business
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

13. STOCKS - GROUP

	2003 £000	2002 £000
Raw materials	964	1,024
Work in progress	265	195
Finished goods	3,092	3,106
	<u>4,321</u>	<u>4,325</u>

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2003

14. DEBTORS

Debtors – amounts falling due within one year

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Trade debtors	3,809	-	3,460	-
Amounts owed by group undertakings	-	885	-	670
Other debtors	17	17	36	20
Prepayments and accrued income	216	-	224	-
	<u>4,042</u>	<u>902</u>	<u>3,720</u>	<u>690</u>

Debtors – amounts falling due after one year

	Company 2003 £000	Company 2002 £000
Amounts owed by group undertakings	<u>7,705</u>	<u>7,566</u>

15. CREDITORS: Amounts falling due within one year

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Bank loans and overdrafts	6,602	2,545	7,240	1,661
Trade creditors	1,035	-	1,099	-
Amounts owed to group undertakings	-	219	-	223
Other taxation and social security	637	11	660	5
Hire purchase agreements	7	-	1	-
Other creditors	13	6	47	-
Corporation tax	-	-	-	-
Accruals and deferred income	1,171	25	426	27
	<u>9,465</u>	<u>2,806</u>	<u>9,473</u>	<u>1,916</u>

Included in creditors falling due within one year is an amount of £22,903 (2002 - £34,160) 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 2003

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

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Bank loans	2,476		2,860	2,860
Other loans	108	2,476	70	-
Director's loan accounts	3,826	3,725	3,826	3,725
Hire purchase agreements	11	-	-	-
	<u>6,421</u>	<u>6,201</u>	<u>6,756</u>	<u>6,585</u>

17. CREDITORS – CAPITAL INSTRUMENTS

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

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
In one year or less, or on demand	6,602	2,545	7,240	1,661
Between one and two years	362	362	341	341
Between two and five years	1,086	1,086	1,023	1,023
After five years	1,028	1,028	1,496	1,496
	<u>9,078</u>	<u>5,021</u>	<u>10,100</u>	<u>4,521</u>

Interest is charged on the bank loan at 1.5% above base rate per annum. The loan 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 2003

18. PENSIONS

Defined Contribution Scheme

The group operates a defined contribution scheme for their 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 £204,000 (2002 - £179,000).

Defined Benefit Scheme

The company operated a defined benefit scheme until 30 November 2000, on which date the scheme was placed into wind-up.

The latest actuarial valuation of the scheme was at 31 July 2002 performed by an independent actuary. 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 company was required to comply with FRS 17 in its accounts for the year ended 30 November 2002. The scheme is close to fully winding up. Actuarial calculations show that the employer is unlikely to have a legal or constructive liability on wind up or receive a refund of contributions from the scheme. Hence, no provision or asset has been included in the Group's accounts and FRS 17 disclosures for the scheme are not required.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2003

19. DEFERRED TAXATION

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

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Provision brought forward	719	-	504	-
Increase in provision	490	49	215	-
Provision carried forward	<u>1,209</u>	<u>49</u>	<u>719</u>	<u>-</u>

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

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Excess of taxation allowances over depreciation on fixed assets	1,314	108	1,301	-
Tax losses available	(97)	(59)	(582)	-
Other timing differences	(8)	-	-	-
Provision carried forward	<u>1,209</u>	<u>49</u>	<u>719</u>	<u>-</u>

Amounts unprovided at the year end are as follows:

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Excess taxation allowances over depreciation on fixed assets	41	-	72	20
Tax losses available	(125)	-	(213)	(59)
Other timing differences	(7)	-	-	-
Revalued properties	4,364	2,611	1,519	1,088
	<u>4,273</u>	<u>2,611</u>	<u>1,378</u>	<u>1,049</u>

The balance of £4,364,000 (2002 - £1,519,000) relating to revalued properties represents the deferred capital gain on the revaluation of the freehold property. 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 Financial Reporting Standard 19 'Deferred Tax'.

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS *(continued)*

YEAR ENDED 30 NOVEMBER 2003

20. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group 2003 £000	Group 2002 £000
Amounts payable within 1 year	7	1
Amounts payable between 1 and 2 years	11	-
	<u>18</u>	<u>1</u>

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

21. 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 £9,078,000 (2002 - £10,100,000).

22. COMMITMENTS UNDER OPERATING LEASES

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

	Group 2003 £000	Group 2002 £000
Operating leases which expire:		
Within one year	5	27
Within two to five years	133	95
	<u>138</u>	<u>122</u>

23. RELATED PARTY TRANSACTIONS

The group owed W E Black Limited, a company related by virtue of the common directorship of E J S Gadsden, the sum of £108,101 (2002 - £70,101). Interest amounting to £38,000 (2002 - £nil) was charged on the loan during the year. There is currently no repayment structure for this loan.

As at 30 November 2003 the group owed E J S Gadsden, a director, £3,826,000 (2002 - £3,826,000) of which £3,725,000 was owed by the company (2002 - £3,725,000). 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 2003

24. SHARE CAPITAL

Authorised share capital:

	2003 £000	2002 £000
6,000,000 ordinary shares of £1 each	6,000	6,000
1,500,000 8% cumulative convertible preference shares of £1 each	<u>1,500</u>	<u>1,500</u>
	<u>7,500</u>	<u>7,500</u>

Allotted, called up and fully paid:

	2003 £000	2002 £000
Ordinary shares	5,400	5,400
8% cumulative convertible preference shares	<u>750</u>	<u>750</u>
	<u>6,150</u>	<u>6,150</u>

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 shareholders are entitled to repayment of their capital and repayment of their dividend due in priority to ordinary shareholders.

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

25. REVALUATION RESERVE

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Balance brought forward	5,406	3,737	5,406	3,737
Revaluation of freehold land and buildings	<u>9,793</u>	<u>5,309</u>	-	-
Balance carried forward	<u>15,199</u>	<u>9,046</u>	<u>5,406</u>	<u>3,737</u>

MICHELMERSH BRICK HOLDINGS PLC

NOTES TO THE CONSOLIDATED ACCOUNTS (continued)

YEAR ENDED 30 NOVEMBER 2003

26. PROFIT AND LOSS ACCOUNT

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Balance brought forward	1,573	(730)	610	(605)
Profit/(loss) for the year	3,291	(264)	903	(185)
Preference dividend – unpaid	60	60	60	60
	<u>4,924</u>	<u>(934)</u>	<u>1,573</u>	<u>(730)</u>

27. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Profit/(loss) for the financial year	3,351	(204)	963	(125)
Dividends	(60)	(60)	(60)	(60)
	<u>3,291</u>	<u>(264)</u>	<u>903</u>	<u>(185)</u>
Preference dividend - unpaid	60	60	60	60
New share capital subscribed				
- ordinary shares	-	-	4,500	4,500
Unrealised surplus on revaluation	9,793	5,309	-	-
Net addition to funds	13,144	5,105	5,463	4,375
Opening shareholders funds	13,129	9,157	7,666	4,782
CLOSING SHAREHOLDERS' FUNDS	<u>26,273</u>	<u>14,262</u>	<u>13,129</u>	<u>9,157</u>

NON EQUITY SHAREHOLDERS' FUNDS

Opening non-equity shareholders' funds	930	930	870	870
Preference dividend	60	60	60	60
CLOSING NON-EQUITY SHAREHOLDERS' FUNDS	<u>990</u>	<u>990</u>	<u>930</u>	<u>930</u>
CLOSING EQUITY SHAREHOLDERS' FUNDS	<u>25,283</u>	<u>13,272</u>	<u>12,199</u>	<u>8,227</u>

The non-equity shareholders' funds of £990,000 (2002 - £930,000) includes £240,000 (2002 - £180,000) fixed cumulative dividend. It represents the unpaid dividend on the 8% cumulative convertible preference shares in issue.

28. ULTIMATE CONTROLLING PARTY

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