MICHELMERSH
Brick Holdings PLC

Annual Report 2023

BRITAIN'S BRICK SPECIALISTS

Michelmersh Brick Holdings PLC
Company registration number: 03462378

FINANCIAL HIGHLIGHTS

Revenue	Gross Margin	Adjusted* Operating Profit
£77.3m	38.9%	£13.7m
Adjusted* EBITDA	Profit Before Tax	Cash flow from operations
£17.8m	£12.5m	£13.6m
Basic EPS	Adjusted* EPS	NAV per share
10.44p	11.91p	100.3p

*The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items, which are costs associated with acquisitions and the amortisation of acquired intangibles. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. Adjusted performance results are reconciled with statutory results in the table on page 19.

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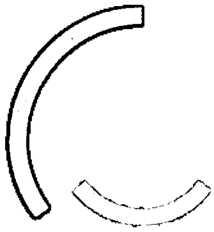
LIFETIME REVENUE SOURCES

FOUR LIFETIME REVENUE SOURCES:

Brick Manufacturing
Prefabricated Brick Components, Systems & Terra Cotta
Investment Land
New Acres Landfill



REVENUE BY END MARKET:

Non-residential & specification
New build residential

Michelmersh Brick Holdings PLC is a business with seven market leading brands: Blockleys, Carlton, FabSpeed, Freshfield Lane, Michelmersh, Floren and Hathern Terra Cotta. These divisions operate within a fully integrated business combining the manufacture of clay bricks, pavers, special shaped bricks, bespoke architectural terra cotta, prefabricated brick systems and architectural components. The Group also includes a landfill operator, New Acres Limited, and seeks to develop future landfill and development opportunities on ancillary land assets.

Established in 1997, the Company has grown through acquisition and organic growth into a profitable and asset rich business, producing over 120 million clay bricks and pavers per annum.

Michelmersh proudly owns most of the UK's premium manufacturing brick brands and is a leading specification brick and clay paving manufacturer with additional product and service capabilities to accommodate the off-site, prefabrication construction market.

Michelmersh strives to be a well-invested, long-term, sustainable, environmentally responsible business. Opportunity, training and security for all employees, whilst meeting the needs of stakeholders, are at the forefront of everything we do. We aim to lead the way in producing Britain's premium clay products and enhancing our environment by adding value to the architectural landscape for generations to come.

PREMIUM PRODUCTS

BRICK & FAÇADE SPECIALISTS

A COMMITMENT TO QUALITY

Michelmersh is the leading British manufacturer of premium bricks, pavers, special shaped bricks, hand-pressed architectural terra cotta and prefabricated brick components. Recognised for technical expertise and unrivalled customer service, whilst positioned as a leader in innovation and sustainability.

THE FULL FAÇADE SOLUTION

Britain's brick specialists have been producing premium, long-lasting and beautiful clay-facing bricks and pavers with over 100 years of experience which extends into traditional hand-pressed architectural terra cotta and faience. With the recent acquisition of FabSpeed into the Michelmersh Group, our specialist skills have expanded to include prefabricated brick components for modern off-site construction and complex masonry design specifications. In every product and service we produce or provide, we strive to lead in sustainable product innovation, driving collaboration to reach our decarbonisation net zero goals and add value to the architectural landscape for generations to come.

ENHANCED ROUTES TO MARKET

The Michelmersh Group will continue to position itself at the forefront of industry innovation with a broader product portfolio and enhanced routes to market, utilising our individual brand expertise to draw on our ever expanding customer base and distribution channels.

Michelmersh is proud to grow its portfolio, as we continue to be recognised as the most trusted name behind today's prestigious built environments. The Group welcomed FabSpeed in 2022, and is proud to lead a combined Group in clay and associated prefabricated products to offer the full façade solution.

The Group strives to continue leading the industry with a sustainable product offering in demand by the most prestigious architects, housebuilders and developers across the country and throughout Europe. It has experienced worldwide interest in its world-first HyBrick trial project alongside the launch of sustainblebrick.com which is ranked #1 in Google for "sustainable brick" and aims to promote collaboration in the ceramics sector to achieve positive change and decarbonisation.

WHY WE ARE SPECIALISTS

Michelmersh is dedicated to the highest standards of manufacturing and is extremely proud to continue to receive three star certification from the Brickmakers Quality Charter by the Brick Development Association after being the first manufacturer to receive the highest rating. Using modernised production methods that emphasise sustainable building solutions and adhere to the most stringent production requirements, Michelmersh guarantees high-quality product standards with a low ecological footprint. The Michelmersh Group takes its obligation to act as a responsible corporate citizen very seriously.

Michelmersh is playing a crucial role in the renaissance of brick, as it enters a new decade with brands that have evolved to create some of the most popular products and prestigious projects in today's built environment. With materials sourced from its own clay pits, Michelmersh is providing local products for local communities.

Michelmersh is proud to make environmentally friendly, natural, durable, thermally efficient products which will last for hundreds of years and can still be recycled. Britain's Brick Specialists inspire beautiful, comfortable, safe and sustainable architecture that will enhance our built environment for generations to come.

INTERNATIONAL DEVELOPMENT

◆ BRICK MANUFACTURING
Plants: 5

◆ BESPOKE TERRA COTTA & PREFABRICATION
Facilities: 4

"

Generally a pleasure to deal with. Good quality products, reasonably priced in comparison with others.

Always a pleasure to deal with, everyone gives 100%.

Always easy to deal with Michelmersh. People are pleasant, and always give an answer to my queries.

Quick response at all times, reliable and truthful with information and always go above and beyond to help!!

Michelmersh Group are a great company who we have been dealing with for many years. We enjoy selling their products as it's an easy company to deal with.

After many years in the industry I have had a great relationship with Michelmersh Brick, it's like the old days with that all important personal touch!!

Customer feedback - Customer Satisfaction Survey 2023.

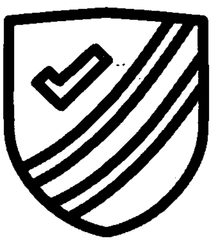
CORE VALUES

INTEGRITY, RESPECT, INNOVATION, SUSTAINABILITY

Michelmersh strives to be a well-invested, long-term, sustainable and environmentally responsible business, dedicated to delivering quality products. The Group aims to provide optimum training, security and career progression for all of its employees, whilst acting as a responsible corporate citizen and keeping stakeholder value at the forefront of every decision.

Michelmersh actively promotes and reinforces its four Core Company Values at the heart of its stakeholders.

IRIS
INTEGRITY

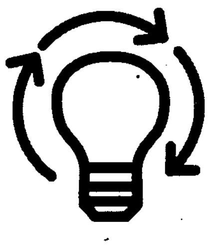


Retain strong moral principles, mirrored by Michelmersh's employees to act in an ethical manner in all areas of the business and uphold the qualities of being honest and reliable.

IRIS
RESPECT

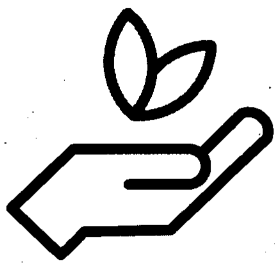
Michelmersh believes all people should be treated fairly and without fear of discrimination. The Group encourages a culture of consideration and value for each other through respect.

IRIS
INNOVATION



The Group constantly strives to advance and improve through modernising processes, training staff, updating technology or equipment and always being forward thinking.

IRIS
SUSTAINABILITY



Awareness of Michelmersh's social and environmental responsibilities is key to our business, to protect the future for generations to come.

Our culture and values are the guiding principles that define Michelmersh's purpose and objectives. As well as guiding our actions and behaviours internally, we shape our engagement with stakeholders externally on these values so that everyone we do business with, knows what to expect from everyone within the Group.

STATEMENT FROM THE CHAIR

MARTIN WARNER

I am very pleased to report on another positive year for the Group, with strong growth across our key financial metrics despite the decline in the broader construction industry.

We enter 2024 watchful of the interest rate environment and inflation trends and how these affect the timing of the anticipated increase in construction activity levels. Whilst we continue to closely monitor the impact from these macro cycles, we believe in our business model, maintaining a broad customer base across multiple end markets, and continue to see robust levels of order intake as a result.

As ever, the Group continues to focus on delivering both excellence in product and customer service and with the resilient qualities of our business model the Board remains confident in the strategic outlook of the business.

As I step down from the business after 35 years of involvement with brick making I would like to thank all my colleagues who have supported me over the years, past and present. The growth from small beginnings has only been possible by their dedication, skill and support in good times and bad.

I have no doubt that all that has been built in terms of plant and people will mean that the business will continue to prosper from a strong financial base for shareholders, customers and importantly for our employees who make it all happen. This business is truly unique in many ways.

I would also like to add my personal thanks to Frank Hanna as he steps down for pastures new. We have worked together in Industry Forums for many years and particularly since the acquisition of Freshfield Lane in 2010. He has been a valued colleague and I wish him every success in the future and as we continue our relationship in his new role.

DIVIDEND

The Board is pleased to continue to commit to our progressive dividend policy reflecting a balanced approach to generating and returning value to our shareholders, and as such, the Board is recommending a final dividend of 3.00 pence per share (2022: 2.95 pence per share), which, together with the 1.50 pence per share interim dividend (2022: 1.30 pence per share), gives a total dividend of 4.50 pence per share (2022: 4.25 pence per share), up 5.9% on last year. The proposed dividend will be paid on 10 July 2024 to members on the register on 7 June 2024 with shares being marked ex-div on 6 June 2024.

OUTLOOK

We are proud to have maintained our track record of consistent delivery against our strategic and financial targets despite the steep decline in construction activity over the last financial year. Despite these challenges, our singular vision of well-maintained and efficient operations that manufacture the highest quality premium brick products for our customers remains the integral element to our success. We believe in the resilient fundamentals of our business which is underpinned by the quality of our product portfolio and the strength of our customer and distributor relationships.

Despite the lower consumer demand in our markets, we remain well placed at the premium end of the brick market in the UK and Benelux markets. The long-term fundamentals of these markets are positive, with brick continuing to be the façade material of choice due to its longevity, sustainability and energy efficient qualities in use, low cost and broad aesthetic appeal. Importantly, the ongoing strength of our balance sheet provides us with financial strength and also the flexibility to invest in our strategic capital allocation options.

As we enter 2024, whilst there are more positive inflation and interest rate indicators across the UK and Northern Europe, the landscape remains uncertain as does the inflection point for improved activity levels in the construction industry. In our cost base, given the high energy requirements for brick manufacturing, the outlook for energy pricing looks to be improving and we will continue to target the appropriate balance of fixed price certainty alongside the opportunity to access the potential for improved pricing. With this balance in mind, we are deliberately hedged at 70% for 2024 with further contracts into 2025 and 2026.

As ever, we remain focused on mitigating our cost risks alongside maintaining appropriate portfolio pricing to support our customers, and as such, we have held prices at the start of 2024. The Group continues to prioritise a quality and balanced forward order book derived from our diverse and broad loyal customer and distributor relationships, supported by demand from across the social and specification housing, RMI and commercial sectors. We believe the quality fundamentals in our business will provide resilience and we are well placed to continue our strategic progress through 2024 and beyond.

MARTIN WARNER
Chair of the Board

REPORT FROM THE CHIEF EXECUTIVE

PETER SHARP

OVERVIEW

We are pleased to report on another positive year of progress for the Michelmersh Group, which has been significantly influenced by all of our staff in the UK and Belgium and their ongoing support in continuing to provide the highest quality product and service to all of our loyal customers.

At the centre of our strategy is the belief that sustainable growth is best supported through maintaining a broad range of end customers who cover the fullest spectrum of applications and channels within the construction industry. Despite a 30% decline in construction activity over the last twelve months, and the associated impact on brick despatches, we have achieved these positive results this year due to this strategic approach. Focusing our portfolio on diverse end markets, each with different supply and demand fundamentals, has created a business that continues to deliver growth in more challenging conditions. We remain very grateful for the longevity and depth of our customer relationships, which support this approach and our focus on providing excellent products and services alongside balancing the needs of all our stakeholders.

Despite the uncertainty in the construction sector, the fundamentals in our end markets remain positive with a critical shortage of both new residential and social housing and a significant legacy housing inventory constructed with brick façades, underpinning future Repairs, Maintenance and Improvement ("RMI") demand with continued requirements for brick cladding remedial solutions. It is also clear that the two major political parties remain committed to reversing the decades long decline in house building with the certainty of meaningful population growth in 2024 and beyond exacerbating the need for new housing.

Our fundamental core competency remains our significant strength in the premium end of the brick market in the UK and Benelux regions. We view the long-term fundamentals of these markets as positive, with brick continuing to be the façade material of choice due to its longevity, sustainable and energy efficiency qualities, low-cost base and broad aesthetic appeal. Demand for bricks across the sector has declined over the last twelve months in line with the consumer environment. Consequently, brick inventory volumes for the sector are above the five year average at c.575 million. In response, across the industry, a manufacturing capacity of approximately 25% has been mothballed or permanently closed in the UK with uncertainty at the point the market will return to 2022 levels. However, given this change in dynamics from 2021 and 2022, our ability to address the market's broad spectrum supports the resilience of our outlook.

As a complement to our core brick manufacturing business, we remain very pleased with our acquisition of FabSpeed, which we completed at the end of November 2022 and have had a successful first full year of ownership, focusing on its strategic integration into our commercial and operational teams. Subsequent to the acquisition, we have focused on the opportunities to combine FabSpeed with our existing clay product manufacturing business, as we aim to create a leading player in clay and associated pre-fabricated products, including brick cladding systems, brick clad chimneys and arches. We are excited about expanding the product offering, the enhanced routes to market, the complementary customer base and distribution channels that FabSpeed has now brought to the enlarged Group.

Following the decision to cease brick making operations at Charnwood in December 2022, we previously highlighted our intention to use the vacant factory space in the first phase of our growth strategy for FabSpeed, as we looked to repurpose the site and expand the operations and reach of our acquired prefabricated portfolio. The site renovation work was completed in March and FabSpeed began prefabricated operations, alongside the existing manufacturing of our bespoke Hathern Terra Cotta range, and will specifically focus on expanding the customer reach of our brick slip system portfolio. Later in the year we commenced remedial work on some vacant adjacent space at our Carlton plant with a view to further expanding our FabSpeed operations onto our owned sites and target further operational efficiency.

Our 2023 financial performance and strong balance sheet have allowed us to deliver on our core business priorities and equally

WHO WE ARE

120m+
Over 120+ million
Clay Bricks & Pavers made per year

7
7 Market Leading
Premium Brands

180+
Over 180
Core Range Products

Over 450
Skilled Employees

5 Plants 4 Facilities
Across the UK & Europe

TRUSTED BRANDS

Blockleys™ Carlton™ FabSpeed™ Floren.be™ Freshfield Lane™ Hathern Terra Cotta™ Michelmersh™

FINANCIAL HIGHLIGHTS

	Financial Highlights	31 Dec 2023	31 Dec 2022	Change
Statutory results	Revenue	£77.3m	£68.4m	13.0%
	Gross margin	38.9%	39.4%	(0.5%)
	Operating profit	£12.3m	£11.6m	6.0%
	Profit before tax	£12.5m	£11.4m	8.8%
	Basic earnings per share	10.44p	9.41p	10.9%
	Cash from operations	£13.6m	£19.7m	
	Net cash/(debt)	£11.0m	£10.6m	
	Dividend per share	4.50p	4.25p	5.9%
Adjusted results*	Adjusted EBITDA [1]	£17.8m	£16.7m	6.6%
	Adjusted operating profit	£13.7m	£12.7m	7.9%
	Adjusted profit before tax	£13.8m	£12.5m	10.4%
	Adjusted earnings per share	11.91p	10.61p	12.3%

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1 EBITDA is defined as earnings before interest, tax, depreciation, and amortisation.

ensure that we can continue to invest in the Group and continue to deliver against our sustainability initiatives. During the year we completed the new building to house the automated robot pallet mixing equipment in Floren and with the additional roof space added a further 25% of solar capacity on site to deliver 50% of our electricity requirement in Belgium on an annualised basis. Following the success at Floren, we obtained our licences to add solar panels at Blockleys, with installation completed in the second half of the financial year. As we look into 2024 and beyond, we will continue to add to the pipeline of sustainability and manufacturing initiatives to deliver incremental improvements to our processes.

Importantly, our year-end cash position of £11million and the undrawn £20million bank facility continues to provide us with both financial resilience and flexibility to continue pursuing and meeting our ongoing strategic objectives..

We remain fully committed to our progressive dividend policy with a full year dividend of 4.50 pence per share underlining our confidence in the resilient outlook for the business. All of this leaves us well-positioned to deliver further progress in our 2024 financial year and beyond.

Board Changes

We announced on 26 May 2023 that Frank Hanna had informed the Board of his decision to leave the Company to take up the position of CEO of the Brickability Group.

Frank and I were appointed Joint Chief Executive Officers ("JCEO") in January 2016 and since that time I am very proud of the significant growth and success the Company has achieved. Since 2016, the Group's annual brick output has increased from 70 million to over 122 million, the portfolio has broadened to include brick fabricated products and the Company has entered the European market with Floren. Frank has been associated with the Group for 32 years, joining officially in 2010, when as a shareholder of Freshfield Lane it was acquired by Michelmersh. Frank has been an excellent JCEO of Michelmersh and a highly valued colleague and member of the Board and he is leaving with our sincere thanks for his immense contribution in building a business with strong fundamentals underpinned by the longevity and depth of our customer relationships.

We also announced on 1 August 2023 that Martin Warner had informed the Board of his decision to retire as Chair at the AGM in May 2024. Martin will be succeeded by Tony Morris who is currently a Non-Executive Director. Alongside, we also announced that Rob Fenwick had joined the Company as Non-Executive Director.

Martin was appointed Chair in 2016, having previously been joint founder and Chief Executive Officer. He has overseen transformational growth over that period supporting the Group on its progressive journey to becoming a leading premium brick manufacturer and brick prefabrication specialist across the UK and Belgium. On a personal note, I would like to thank Martin for his valued support and guidance over many years. I look forward to continue working with Tony as we look to the future with confidence and the business being in a strong position to continue to deliver against our strategy.

Tony, who joined the Board in November 2020, has brought a wealth of experience in M&A and equity capital markets to the Group, and over the last three and a half years with Michelmersh has added significant construction industry and clay manufacturing sector knowledge, alongside his role as Chair of the Remuneration Committee.

Rob, who joined the Board in 2023, has extensive operational experience, having spent 20 years with Howden Joinery Group plc. Rob was Chief Operating Officer of the supply division at Howdens for 14 years before spending a year as Chief Governance Officer. Rob is also a Non-Executive Director of Andrew Marr International Ltd and Kronospan Holdings Ltd.

With these changes, we believe that the Board has the appropriate balance of skills and experience to support the Group as we continue to deliver against our strategic objectives.

Sustainability

The Group continues to believe in the importance of being a senior representative of the clay brick manufacturing industry and to champion the carbon and broader sustainability benefits of utilising our product portfolio in the built environments of the UK and northern Europe. As we highlighted last year, for Michelmersh this will always be focused on incremental improvements as we look to our internal knowledge and the right external partnerships to both develop and adopt the technical solutions that will continue to deliver against the outlined targets in our 2021 Sustainability Report. As a result, we are very pleased that during the year we have already achieved a 24.2% reduction in carbon intensity ratio since our 2016 baseline, well ahead of our target which we have now increased from 5% to 25% by 2030 which represents significant progress.

With the recognised importance in championing the sustainability of our portfolio, we were delighted to launch SustainableBrick.com, a new website that highlights the benefits of clay brick to our broad range of end customers. This information resource aims to reinforce to architects, the evolution and investment the industry is making towards innovative sustainability related improvements whilst showcasing the sustainable benefits of clay brick. The site is also targeted at the construction industry drawing out the many carbon calculation resources available to aid the sector in collectively and collaboratively achieving net zero. Through the products and initiatives showcased throughout the website we hope to lead the way in sustainable construction practices and illustrate how these can be adopted for future generations.

Awards and Recognition

We were delighted that our high-quality product portfolio was once again recognised in 2023 through our successes at the Brick Development Association ("BDA") industry awards. The 47th BDA awards saw the Group win five awards, alongside one commendation, which was almost a third of the awards presented during this year's event.

This year's awards showcased the ever-expanding utilisation of brick across the construction industry, with notable contributions in the Urban Regeneration, Innovation and Refurbishment categories as well as celebrating brick architecture across the wide spectrum of more traditional uses. These accolades are a testament to the pivotal role that our products play in housing developments, public buildings and commercial developments, underscoring the exceptional environmental and sustainability attributes of clay brick across the country.

Among our awards was recognition for Archio's Becontree Estate as part of a significant house-building initiative in the London Borough of Barking and Dagenham. Becontree Estate used Freshfield Lane's First Quality Multi which helped successfully blend this project into the area's historic London environment.

Further success came with MAST Architects winning the Urban Regeneration Award with a mixed-use project in Clydebank, Scotland, located on a former shipyard site. It represents the initial phase of a residential development plan to reintegrate the waterfront with the town, and utilised Blockley's Porcelain White Smooth and complementary products to harmonise the build with its nautical surroundings.

Winning the Commercial Award, Feilden Clegg Bradley Studios, designed a six-story office building with a focus on sustainability and community integration. Utilising Freshfield Lane's First Quality Multi, the building's brickwork demonstrated that energy-efficient features, beauty, functionality and sustainability can coexist.

The recognition of these influential projects and the wider success at the National RIBA awards on additional educational, urban regeneration and retrofit developments further highlights that as Britain's Brick Specialists, the Group aims to inspire beautiful, comfortable, safe and sustainable architecture for a future built environment we can be proud of.

Charity

Our commitment to being a socially engaged and responsible employer did not change this year and we carried on from our charitable commitments in 2022 by increasing our donations and the provision of support to charities and community projects. As part of our decision-making process in selecting charities to support, we invite all staff to put forward nominations for the following financial year. We continued the process for this year and the charities we supported were all nominated by our people. The two main charities we selected from the nominations were The Lighthouse Construction Project and The Brain Tumour Centre.

The Lighthouse Construction charity carries out incredible work in the breadth of the support they provide to workers and their families in the construction industry. The Brain Tumour Centre not only invests heavily in scientific research but also looks at ways they can help improve the lives of all those who have been diagnosed with a brain tumour. In addition to the annual staff nominations, we also supported numerous community events local to our manufacturing facilities as well as donating to individual staff charity fundraisers throughout the year.

Supporting Education

We have been proud supporters of colleges for many years, which was cemented by the Group with the official launch of "Pledge 100" in 2020 to encourage youth training in skill-based occupations and those embarking on careers in the construction industry. The industry continues to face a very well-publicised shortage of skilled bricklayers, with gaps in funded support across all sectors of construction and we believe this additional assistance is vital to encourage the next generation to apply for construction-focused employment as the country faces the challenge of meeting the critical shortage of both new houses alongside the importance of well-maintained older housing stock.

We have once again supported this commitment to training the next generation of bricklayers by donating over 120,000 bricks through our "Pledge 100" initiative, ahead of the 100,000 we achieved annually since 2020. Supporting industry education and training, including bricklayers and architectural design courses, remains one of our core commitments.

Throughout 2023 we supported 14 institutions across the UK through the provision of bricks they need to ensure students can learn the appropriate skills necessary to fulfil their training as bricklayers of the future. With the additional bricks this year we also supported five community and charity led projects that support local communities surrounding our factories. In addition to offering products for students to learn with in practical lessons, we also continued to supply hundreds of copies of the "Guide to Successful Brickwork" to vocational training courses.

PETER SHARP

Chief Executive Officer

FINANCIAL REVIEW

Group Results

As a result of the strong trading performance across the business, the Group delivered positive growth for the 2023 financial year. The 2023 results include the positive impact of FabSpeed, our prefabricated building product acquisition in November 2022 and for comparison purposes, we include like-for-like narrative to remove the full year of benefit in 2023 and the one month contribution in 2022 for our key financial metrics.

INCOME STATEMENT

	Year ended 31 Dec 2023	Year ended 31 Dec 2022	Change
Revenue	£77.3m	£68.4m	13.0%
Gross margin	38.9%	39.4%	(0.5%)
Adjusted* EBITDA[1]	£17.8m	£16.7m	6.6%
Adjusted* operating profit	£13.7m	£12.7m	7.9%
Operating profit	£12.3m	£11.6m	6.0%
Adjusted* profit before tax	£13.8m	£12.5m	10.4%
Profit before tax	£12.5m	£11.4m	8.8%
Adjusted* basic earnings per share	11.91p	10.61p	12.3%
Basic earnings per share	10.44p	9.41p	10.9%
Dividend per share	4.50p	4.25p	5.9%

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[1] EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

Revenue for the year increased by 13.0% to £77.3 million (2022: £68.4 million) over the equivalent period in 2022. Removing the impact of FabSpeed, revenue increased by 1.3% which was supported by a price increase implemented across the portfolio from the start of the year, as we continued to target mitigating the increase in our input costs, offset by a 10% reduction in despatches predominantly due to more challenging conditions in the final quarter. The Group revenue performance undoubtedly benefited from the broader reach of our portfolio across our diverse customer base with the construction sector activity declining year on year by around 30%. Despite the reduction in despatches in the fourth quarter, we took the decision to both, maintain normal production volumes as we targeted maximum operational leverage from our broader manufacturing base, and invest in the appropriate inventory levels to support our FY24 expectations and to provide our loyal customer base with a consistent supply of our product portfolio.

As a result of the positive revenue performance, operating profit of £12.3 million was up 6.0% on the comparative period (2022: £11.6 million) and profit before tax of £12.5 million was up 8.8% (2022: £11.4 million). On a like-for-like basis, removing FabSpeed, these increases were 5.3% and 8.1% respectively. The lower contribution from FabSpeed to our profit performance reflected our focus in our first full year of ownership on integration initiatives as we aligned our commercial teams and embedded our operational processes and procedures across the four acquired operational sites. Equally, at acquisition, FabSpeed's product portfolio was more aligned to the new build environment and as such our margins and profit were impacted more than the organic business by the broader decline in construction activity, particularly for the volume house builders.

Following over two years of significant cost base volatility we continued to closely manage our input costs through the year. As such, we benefited from the stability of securing the price for 90% of our energy requirements across 2023 and we have energy contracts in place

NET CASH AND WORKING CAPITAL

Cash generated from operations for the year was £13.6 million, compared to £19.7 million in 2022 which was an exceptionally strong year for the Group, and was supported by our resilient trading through the year. Our operational cash flow was impacted by the decision to invest in our inventory position through increased raw material stocks and finished goods in support of our expectations for 2024. As a result, operating cash conversion from adjusted EBITDA was lower at 76.4% compared to 117.9% in 2022 although this is still seen as a very positive performance given the broader construction activity decline.

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Net cash generated from operations	£13.6m	£19.7m
Tax paid	(£2.8m)	(£1.7m)
Interest received/(paid)	£0.1m	(£0.2m)
Purchase of property, plant and equipment	(£3.1m)	(£3.0m)
Proceeds from land sale	£1.1m	-
Debt repaid	-	(£0.8m)
Own shares acquired	(£1.9m)	(£1.5m)
Settlement for cancelled share options	(£1.8m)	-
Acquisition of FabSpeed (net of cash)	-	(£6.1m)
Lease payments	(£0.9m)	(£0.7m)
Dividend paid	(£4.0m)	(£3.3m)
Other	£0.1m	-
Net increase in cash and cash equivalents	£0.4m	£2.4m
Net cash before lease liabilities	£11.0m	£10.6m

At the year end the Group had net cash before lease liabilities of £11.0 million (2022: £10.6 million). In addition to our growing cash position, our £20.0 million Sterling and Euro denominated bank facility remains undrawn (2022: £20 million and undrawn) and is committed to 22 December 2026, following the exercise in November of the second of our two one year extension options.

As we enter 2024, the cash generating fundamentals of the Group, net cash position and strong balance sheet provide us with the capacity to continue to invest in the business to support both capital initiatives and our commitment to maintaining our progressive dividend policy. Importantly, the strength of our balance sheet provides us with significant confidence in our financial stability as we continue to trade in an uncertain economic environment.

Our long-term policy is to maintain a strong financial position and keep the ratio of net debt to adjusted EBITDA comfortably under two times.

PURCHASE OF OWN SHARES

We launched a share buyback programme at the end of November 2022, which continued to the end of September 2023, to reduce the share capital of the Group in order to return value to shareholders; as at 31 December 2023 the Group had purchased 2,225,000 shares (2022: 60,000) shares for a total consideration of £2 million (2022: £0.05 million). The shares continue to be held as treasury shares.

for 70% of our expected requirements in 2024 with further contracts into 2025 and 2026 in line with this approach. Whilst remaining watchful of the impact of global macro factors, on balance we see utility pricing returning to a more consistent level in the medium term. The profit metrics and cost management strategy underline the Company's continuing success of managing our operational efficiency to maximise our financial returns, whilst importantly maintaining a close relationship with our loyal customers through our ability to deliver a greater degree of pricing visibility and inventory availability certainty.

On a reported basis, the results include the impact of the amortisation of acquired intangibles which increased by £0.2million year on year as a result of beginning to amortise the intangible assets capitalised from our FabSpeed acquisition. On an adjusted basis, to remove the impact of these items, adjusted EBITDA of £17.8 million (2022: £16.7 million) is ahead by 6.6% against 2022 and 4.8% on a like-for-like basis. As we highlighted in our 2022 year-end results, this was at a slightly reduced adjusted EBITDA margin of 23.0% (2022: 24.4%), reflecting the importance of a balanced pricing strategy for our customers and earnings growth alongside the necessity to secure robust forward demand in our core markets with a significant decline in construction activity.

After a tax charge of £2.8 million (2022: £2.5 million), the Group recorded a profit for the year after tax of £9.7 million (2022: £8.9 million), an increase of 9.0%. The tax rate of 22.4% (2022: 22.1%) reflects our effective Group tax rate for the year, which is a small increase on 2022, and follows the change announced in the 2021 Budget and ratified by parliament which increased the standard rate of UK corporation tax from 19% to 25% effective from 1 April 2023.

Basic earnings per share increased by 10.9% to 10.44p (2022: 9.41p). This increase ahead of profit was due to the benefits of a balanced capital allocation strategy with our strong balance sheet supporting a buyback programme which ran from November 2022 to September 2023 and reduced the basic shares in issue by 2.25 million shares with our focus on continuing to return value to shareholders and also to reduce the impact of share dilution.

The table below (Adjusted Performance measures) provides a clear reconciliation of the adjusted performance to the reported numbers.

ADJUSTED PERFORMANCE MEASURES

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000	Change
Operating profit	12,338	11,609	6.0%
Adjustments:			
Amortisation of acquired intangibles	1,370	1,133	
Adjusted operating profit [a]	13,708	12,742	7.9%
Depreciation	4,105	3,915	
Adjusted EBITDA [a]	17,813	16,657	6.6%
Finance income/(expense)	119	(214)	
Depreciation	(4,105)	(3,915)	
Adjusted profit before taxation [a]	13,827	12,528	10.4%
Basic earnings per shares	10.44p	9.41p	10.9%
Adjusted basic earnings per share [a]	11.91p	10.61p	12.3%

[a] Includes adjustments to exclude amortisation of acquired intangibles.

Alongside the buyback programme, we continue to prioritise the future expected returns of shareholders by focusing on the volume of our issued share capital. As a result, 2 million 2017 LTIP options were cancelled in November 2022 and converted to a cash settlement. The cash settlement value of £1.8 million was paid in the year which included all associated employment tax obligations.

PROPERTY, PLANT AND EQUIPMENT

The capital expenditure invested in the year highlights our continued broader focus on delivering technically feasible sustainability improvements. The principal expenditure was focused on Floren where we have completed the construction of a building to house automated robot pallet mixing equipment and utilised the roof to add additional solar capacity which now collectively provides over 50% of our electricity needs. Given the proven success in Floren, we applied for a G99 Connection through the National Grid to add solar panels to Blockleys, which we received during the first half and completed the addition of the solar panels in H2. Alongside, we continued our programme of planned roll-outs to electrify our fork-lift fleet which during the year was focused on Michelmersh.

Additionally, over the last few years, we have focused on preparing non-core land at Blockleys ahead of its release for alternative use. The sale of surplus investment land remains an important pillar of our lifetime revenue sources. During the year we received £1.1 million from the sale of this surplus land with the price agreed under the terms of a legacy option agreement. The land had previously been valued at the option price so the sale was released at our balance sheet carrying value with no one-off impact to the earnings statement.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chair's Statement and the Chief Executive's Review on pages 12 to 17. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Group meets its funding requirements through a combination of cash balances and an undrawn £20million revolving credit facility.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ESG STRATEGY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability is at the core of Michelmersh's values; and it is committed to playing its part in the move to a lower-carbon economy, in line with the government's legally binding target of net zero emissions by 2050.

"Our ESG strategy and decarbonisation road map, are intertwined with our core company values (IRIS), showcasing how Michelmersh believes in the importance of being a senior representative of the clay brick manufacturing industry for both sustainability and innovation. Our exemplary decarbonisation trials, coupled with our long-term strategy and significant current KPI performance are testament to ensuring the importance we place on continuing to evaluate the Group's impact on the environment, its people, the local community and wider economy. Our dedication to high-quality products and processes, guided by motivated and inspiring people are pivotal drivers in making sustainable products for the future, that will enhance our built environment for generations to come," Sarah Le Gresley, Innovation Director and Sustainability Group Chair.

Michelmersh understands the importance of its net zero disclosures to its stakeholders, highlighting its commitment to reducing greenhouse gas ("GHG") emissions and its focus on Environmental, Social and Governance ("ESG") reporting.

Michelmersh first introduced its ESG strategy into the 2022 Annual Report and continues to transparently declare its methodology, KPI performance and the progression of its reporting methods one year on. This has elevated the importance of sustainability throughout the business, and whilst the Group observes the pace of change within the ESG reporting landscape, it recognises the requirement to constantly evolve its Sustainability Strategy and governance thereof. The Michelmersh Group currently chooses to voluntarily report on KPIs beyond its obligatory capacity, however it also acknowledges its need to further investigate a clear climate transition plan and to map climate-related risks and opportunities to ensure that its short, mid and long-term targets are accurately reviewed and aligned to reaching net zero by 2050 at the latest, thereby limiting global warming to 1.5°.
The aims of this strategy report are:

- Highlight the Group's corporate alignment with investment values.
- Prove credibility of plans and performance against commitments.
- Provide transparent and clear GHG footprint and reporting.
- Highlight clear governance and management aims, incentives and accountability.

Many of the elements highlighted in this report already form part of Michelmersh's Streamlined Energy and Carbon Reporting ("SECR") requirements and will aim to disclose further methodology and performance data to support the Group's future ambition to include the Task Force on Climate-Related Financial Disclosures ("TCFD") as indicated by the strategy and ESG roadmap contained within this report. In 2022 Michelmersh engaged in an external ESG strategy assessment by independent advisors, resulting in a comprehensive ESG strategy and roadmap being created to support the Group with progressive change aligned to its current levels of knowledge and business understanding of ESG. Implementing this strategy will allow Michelmersh to continue to embed ESG into strategic decision-making, entrench it into core business activities and ultimately provide the ability to publicly disclose ESG performance via additional frameworks. The strategy supports continual improvement methodologies, aligned with Michelmersh's existing environmental and other management systems, to ensure benefits are increasingly embedded into business processes over time, with corresponding improved performance.

BENEFITS OF CLAY BRICK

Michelmersh is proud to make environmentally friendly, natural, durable and thermally efficient products that will last for hundreds of years and can still be recycled or reused. This inherently tactile, natural and non-toxic product has a multitude of aesthetic qualities; colour, tone, texture, finish and size, all of which add to the flexibility of brick. Ever-increasing in popularity for its credible fire-resistant properties and flood resilience, its sense of safety, solidity and security continue to be the reason housebuilders and homeowners trust in brick to add value to their properties. Brick is additionally recognised for its inherent sustainable credentials, boasting impressive longevity, low maintenance, zero operational carbon, thermally efficient qualities and can continue to be reused through the lives of several buildings, shaping our architectural environment for generations to come.

Whole-life cycle analysis is supported by the Michelmersh Group, reflected in the main aim of its "Think Longer" campaign in 2021. Understanding the full and lasting impact of design choices to encourage architects, housebuilders and wider government initiatives to design homes and spaces in our built environment, that will last for 200 years not 20, using longer-term sustainability goals to improve emissions for the planet and passing down our built assets for generational use. Bricks have been around for many thousands of years. Durable products with extensive longevity such as clay brick will prolong the expected life of a building resulting in a lower-carbon footprint for every year of use. The Environmental Product Declarations ("EPDs") used by the clay brick industry showcase its low operational carbon and how the product has been evaluated for its whole-life including: manufacture, transportation to site, construction phase, building maintenance, replacement, adaptation and end-of-life, including recycling and reuse (cradle-to-cradle).

Low lifetime cost
- Low cost & strong value
- Low maintenance
- Financially underwritten
- Competitive whole-life cost

Industry preference
- Matches UK vernacular
- Favoured by planners
- Product quality standards
- Established supply chain
- Aesthetics
- Forgiving of tolerance
- Variety of colours

Sustainability
- Longevity
- Durability
- Recycled content
- Low operational carbon
- Adaptability
- Reusable
- Climate resilience
- Locally sourced

High product performance
- Thermal performance
- Air quality
- Flood resilience
- Overheating
- Non-combustible
- Cavity wall construction
- Class 0 fire rating above 18m

SUSTAINABLEBRICK.COM

Michelmersh was excited to release SustainableBrick.com in 2023, a bold new initiative that aims to showcase the many benefits of clay brick to specifiers, construction professionals, homeowners and housebuilders. This platform aims to reinforce to architectural professionals, the evolution and investment the industry is making towards innovative sustainability related improvements whilst showcasing the sustainable benefits of clay brick. It also hopes to educate and inform SMEs amongst its peers within the construction industry of the many carbon calculation resources available to aid the sector in collectively and collaboratively achieving net zero. Through the products and initiatives showcased throughout the website, it aims to inspire and revolutionise the way sustainable construction practices can be adopted for future generations.

REUSABLE DEMATERIALISATION LONGEVITY NATURAL AUTOMATION

SustainableBrick
A Michelmersh Initiative

RENEWABLE DURABLE OPTIMISED CIRCULAR INNOVATION

GROUP OBJECTIVES

KEY OBJECTIVES

In the past few years, we have experienced: a Covid-19 pandemic, energy fluctuations and economic inflationary pressures. As a responsible business, being able to identify and respond quickly to threats and opportunities will have a positive impact on the environmental, operational and commercial pillars of the business. This strategy gives Michelmersh a route to build on existing sustainability practices and embeds ESG into core business and strategic decisions, providing a roadmap to enable disclosure to further ESG frameworks.

While Michelmersh is not currently mandated to report on ESG, there are growing expectations to disclose ESG performance. The Group recognises increased stakeholder scrutiny, evolving legislation and ethical procurement drivers, which is why Michelmersh wants to be transparent and clear by including these non-financial disclosures beyond its obligations, continuing to retain its high level of trust and integrity with all stakeholders.

The ESG strategy is tailored to address ESG risks and opportunities that are of the greatest importance and impact to Michelmersh and its stakeholders. Through the primary materiality assessment published in the 2022 strategy report, focused areas included: Heath, Safety and Well-being, GHG/Carbon emissions, Governance Processes, Financial Performance, Material Consumption, Innovation, Biodiversity as well as Climate Change. Within this second ESG strategy report we have elaborated further on how these climate-related impacts will be evaluated to contribute to the strategic design making of the future business.

Aligned with the Group's IRIS values, the objectives below empower employees to utilise ESG data to adjust the manufacturing, materials and energy, processes or sources which will contribute towards better performance against ESG targets in the future.

MISSION

- Maintain and improve high standards of Health, Safety and Well-being
- To reduce the energy and carbon intensity of our products
- To reduce our raw material usage and embed circular economy principles
- Continue to increase our support for education and local communities
- Evolve our core offering, delivering lower embodied carbon products through innovative product development, technologies or solutions
- Maintain high standards of environmental compliance whilst improving the biodiversity of our land/estates
- Continuous improvement of employee skills and development

ENVIRONMENT KPI TARGETS

(table assessed against baseline data in 2016)

	KPI	TARGET	2023 DATA	YEAR	METRIC
1	Energy	10% intensity reduction (2025) 15% intensity reduction (2030)	-18.95%	2025 & 2030	kWh/tonne (gas and electric)
2	Carbon	25% intensity reduction (Previously 5%)	-24.24%	2030	kg CO_2 per tonne, excluding distribution
3	Fleet (forklift)	100% to be electric	30.77%	2030	% of vehicles
4	Fleet (car)	100% to be hybrid/electric	53.33%	2030	% of vehicles
5	Waste	ZERO non-hazardous waste to landfill	31.12	2025	no. of tonnes
6	Plastic	7% intensity reduction in all plastic use	-3.93%	2030	kg per saleable tonne
7	Paper	100% paper used for packaging to be made from 100% recycled content	100%	2030	% of absolute use
8	Wood	70% intensity reduction of virgin wood pallets. Pallets re-sourced from second hand sources	-71.05%	2030	kg per saleable tonne
9	Water	5% intensity reduction in potable mains water	-45.49%	2030	use of m^3 per tonne of production
10	Biodiversity	Continued commitment to sustainable land use with restoration and Biodiversity Action Plans		2030	

SOCIAL & GOVERNANCE KPI TARGETS

(table assessed against baseline data in 2016)

	KPI	TARGET	2023 DATA	YEAR	METRIC
11	Donations	100,000 bricks per year	119,764	Annual	no. of products donated
12	Charitable	15% year on year increase of charitable financial donations from baseline	20.49%	Annual	% of charitable contributions against annual target
13	Environmental Complaints	ZERO environmental complaints	7	2030	no. of complaints (UK only)
14	Internal Environmental Incidents	ZERO internal environmental incidents	22	2030	no. of incidents (UK only)
15	Suppliers	100% of material suppliers/contractors signed up to the Michelmersh Supplier Charter (UK only by 2025)	0%	2030	% of suppliers
16	Training	60hrs training per employee	38.56hrs	2030	*average no. of training hours per employee*
17	Mental Health	100% senior managers to be trained in Mental Health Awareness	92.31%	2030	% of senior managers
18	Zero Harm	50% increase in proactive reporting to promote zero harm to employees	1,948.30%	2030	% increase in reporting frequency
19	Health & Safety	Achieve ISO 45001 Health & Safety Management System (UK only by 2025)	00.00%	2025	% of progress of deliverables/ actions

All KPIs cover Scope 1 & 2 emissions, measured from a 2016 baseline, first announced within the 2021 Sustainability Report. All the KPIs above are measured in Group-wide performance, including the newest acquisition FabSpeed, unless otherwise stated.

The Michelmersh Group has achieved another year of industry leading accomplishments since setting the 2030 KPI targets, highlighting specifically the 24.24% CO_2 reduction in carbon intensity of the Group's products. The majority has been achieved through steady and continuous implementation of repurposing strategic assets, energy procurement, investments in efficiency improvement projects and enhanced engagement campaigns.

The Sustainability Group reviews the performance and relevance of its KPIs quarterly, including whether the intensity of the targets set should be maintained, reduced or raised depending on the stability of continuous performance. As is evident from the highlights to the right, the Michelmersh Group's performance against many of these targets is extremely encouraging and positive, even with the inclusion of the acquisition of FabSpeed for 2023 which has a differing product portfolio and the added complexity of implementing and integrating its data. The Sustainability Group has decided to take a considered approach to the re-evaluation of its KPI targets over the following year, to maintain the majority of its current targets. The target year for the car fleet to reach 100% electric or hybrid vehicles has risen from 2025 to 2030 due to the addition of the newly acquired FabSpeed vehicle assets and lease contracts and the lack of electrical/hybrid vehicles which were available during 2023. Importantly, the carbon reduction target was raised from a 5% reduction by 2030 to a 25% reduction due to the significant performance that the Michelmersh Group has already achieved. The Board Sustainability Group sponsor, Peter Sharp, supported the alterations to the KPI targets and is extremely pleased to witness the progressive behaviour adopted by Michelmersh employees in achieving the targets, testament to the success of its significant carbon and wider objectives performance to date.

2023 KPI ACHIEVEMENT HIGHLIGHTS

24.24% reduction in CO_2 per tonne of production
Against 2016 baseline

84.92% of the Group's electricity is from renewable sources
From October 2022

18.95% reduction in energy (gas and electric)
kWh per tonne against 2016 baseline

We have reduced our potable water usage by 45.49%
m^3/tonne of production against 2016 baseline

100% of paper used is from 100% recycled content
In 2023

71.05% reduction in virgin wood pallets
kg/tonne against 2016 baseline

1948.30% increase in proactive reporting. On average 2.1 instances per head have been reported, indicating the workforce are actively engaged in proactive Health & Safety reporting
Against 2016 baseline

119,764 bricks were donated to education or social/community led projects
In 2023

> 85% of the Group's raw materials are sourced within 2.5 km of our brick manufacturing plants
In 2023

3.93% reduction in plastic use (kg per saleable tonne)
Against 2016 baseline

ENERGY & CARBON REPORTING

ENERGY AND CARBON REPORTING

	2023	2022
Group Energy Use (kWh):	216,782,696	226,832,324
Associated Greenhouse Gas Emissions (tCO_{2e}):	55,486	60,330
Group Intensity Ratio (tonnes CO_{2e}/tonne fired product):	0.203	0.219

METHODOLOGY

Figures are based on all Scope 1 & Scope 2 activities including transport. In line with recommended good practice, Scope 3 transmission & distribution losses have been included in electricity figures.

Activity data is determined using regulatory-approved Emission Trading Scheme methodologies. Calorific values and emissions factors used are those published in relevant national inventories for the reporting year. Fired product tonnage counts only saleable masonry products and does not include any fired production waste, which is sold as an aggregate substitute.

The intensity ratio is chosen to reflect our principal environmental impact and aligns with the Group's wider sustainability performance indicators.

The Company has chosen to offset its carbon emissions for both electricity and gas for the reporting year of 2023, through verified carbon offsets and the purchase of REGOs, equivalent to 34,486 tonnes of CO_{2e}. This reduces our market-based carbon intensity to 0.077 tCO_{2e} per tonne from 0.203 tCO_{2e}, whilst the chosen reporting methodology is location-based as published above in the table.

COMMITMENT TO CARBON REDUCTION

Michelmersh has long been committed to the reduction of energy consumption and emissions throughout its operations and will continue to invest in more efficient equipment and lower emission processes.

There was an incremental improvement in the intensity ratio in tonnes CO_2 per tonne for 2022 compared to 2021 of just under 1% and a further incremental improvement of just over 4% during the last 12 months to the end of 2023, with the Group currently publishing a 24.24% reduction below the 2016 baseline intensity value. CO_2 affects the climate regardless of its emission point and we have chosen to include our Floren product facility in Belgium and our most recent acquisition FabSpeed in all Michelmersh SECR reporting data for 2023. Reporting this separately would potentially reveal commercially sensitive figures and we believe that every brickworks has a collective responsibility in meeting our energy and carbon performance targets.

With climate change high on the societal and political agenda, and the UK taking the opportunity to be the first major economy to commit to "net zero" carbon emissions by 2050, the next three decades will see profound changes as the industry continues its decarbonisation journey. Michelmersh is committed to achieving the UK's target of net zero by 2050 and will therefore be looking to introduce further KPI targets in coming years regarding the Group's mid to long-term goals and bridging the gap for the following 20 year period.

Ceramic manufacturing is by virtue an energy-intensive sector requiring high temperatures to generate desired product characteristics. Affected by energy, climate and environmental legislation, Michelmersh will keep abreast of the evolving economic and legislative drivers as the UK transitions to net zero. The Group has contributed data towards the Industry Decarbonisation Roadmap published by Ceramics UK, the national trade association, in early 2024 and fully endorses the roadmap to highlight future industry ambitions. Wider roll-out of more energy and resource-efficient production, alternative new technologies or fuels (such as hydrogen, biomass or electrification), whilst also addressing process emissions (from clays), carbon capture, usage and storage and product development are all being considered, in addition to the final stage of offsetting towards Michelmersh's net zero target.

Ceramics fulfil many essential roles across the economy and manufacturers have continually invested in upgrading processes and technologies (over £750 million over the last 10 years alone), however 75% of companies in the sector are small/medium-sized businesses who may struggle to afford to rebuild or retrofit sites with new, emerging technologies/fuels expected over the coming decades. Further decarbonisation, even by larger companies, will be very challenging, complex and conditional on many factors outside the industry's direct control, with various transition needs that can only be delivered through collaboration and support from government and other stakeholders. Energy decarbonisation is a key consideration in the long-term business investment decision making for the Michelmersh Group.

THREE-STAR ACCREDITATION

The Brickmakers Quality Charter ("BQC") is a quality mark accreditation scheme by the Brick Development Association. It promotes responsible sourcing of clay bricks and provides the supply chain with assurances of high-quality product, manufacturing and ethical standards. Michelmersh is dedicated to ensuring the highest standards of manufacturing and is extremely proud to be the first UK manufacturer to be awarded the highest, three-star accreditation with corresponding certifications, satisfying all eight critical assessment points ("CAPs") for the last three years.

CULTURE & MATERIALITY

CULTURE, EDUCATION AND SOCIAL SUPPORT

Michelmersh is continuously building on the social value of its products, services and wider business by investing in its people, the core Company culture and extending its support to local communities to provide a positive impact. Its employees are of utmost importance to the management of the Group and running a sustainable business, taking corporate responsibility very seriously. The Group actively encourages learning and development programmes, positive mental health and the opportunity of being nurtured to develop their careers.

Michelmersh continues to exceed expectations on both charitable financial donations and product donations through its Pledge 100 initiative, further substantiated by its social targets increasing in 2022's ESG strategy report. In 2023 the Group continued to exceed its charitable targets donating over 20% more products, supplying almost 120,000 products to 14 brickwork college courses and five community led charitable product support requests, to help local communities and educational initiatives surrounding its factories.

Michelmersh is proud to continue to be a supportive partner of the Supply Chain Sustainability School ("SCSS"), involved in speaking at school events and featuring on videos for the school's learning resources. In 2023, Sarah Le Gresley, Innovation Director and the Michelmersh Sustainability Group chair, was interviewed by the school for a dedicated educational video regarding the HyBrick project titled: Reducing Carbon in Brick Manufacture: Michelmersh HyBrick Trial Case Study. Further to individual employees collaborating on the School's groups, it was agreed to continue to enhance the engagement rate, culture and wider understanding of sustainability topics amongst Michelmersh employees during 2023, which entailed the SCSS developing two bespoke internal learning sessions for its managers, sales staff and senior managers across the business regarding:

- Operational vs Embodied Carbon Workshop
- Intro to Carbon/Carbon reporting - where it is going and what that means for the sector

Alongside Group-wide sustainability training, the Board recognises the need for focused senior leadership training and therefore the current chair of the Sustainability Group completed in 2023 the University of Cambridge Institute of Sustainability Leadership, Business and Climate Change: Towards Net Zero Emissions course and also the TCFD Knowledge Hub's Climate-related disclosure 101 course.

In 2022 Michelmersh won the Decarbonisation Trailblazer award at Ceramics UK, Delivering Net Zero for British Ceramics conference which promotes and celebrates industry best practice, research and collaboration. In 2023 Michelmersh continued its success at this conference with its Sustainability Group chair; Sarah Le Gresley winning a Special Recognition Award, honouring outstanding contribution to the ceramics industry over many years and whose determination, commitment and total dedication has been an inspiration to all with a lasting impact on the sector.

MATERIALITY

Working with independent sustainability consultants on the ESG strategy, a select group of Michelmersh Associate Directors conducted a materiality assessment to identify those issues of most importance to the Group's stakeholders and that had the greatest impact on the Company. The tables included in the 2022 ESG Strategy Report within the Annual Report is not exhaustive, however, it does illustrate the key priorities. Due to the subjective nature of materiality assessments, the Sustainability Group would like to conduct a more thorough and far-reaching assessment over the coming two years with a wider sub-group of stakeholders. The information is based on desktop reviews and people surveys and seeks to best capture the perspectives of all our stakeholders. This has formed the basis of future consideration for the Group's evolving ESG strategy by reducing risks and enabling action on opportunities over the coming years. It is underpinned by the Michelmersh Group's practice of existing responsible business governance:

ENVIRONMENTAL MATERIALITY

The Group's most material environmental factors were found to be Carbon and Climate Change. Therefore, recommended objectives within the ESG strategy focus on these themes heavily and are highly considered when choosing the most suitable reporting framework to comply with. Michelmersh's world-leading HyBrick decarbonisation project also aligned with carbon emissions represented higher up on the environmental materiality assessment.

MATERIALITY CONTINUED

SOCIAL MATERIALITY

The most material social factors at Michelmersh are health, safety and well-being, supply chain standards and charitable support, promoting the ethos of being a good corporate citizen at all levels. External engagement with training and development closely follows. Due to its many social campaigns such as proactive reporting of general safety concerns and the Pledge 100 initiatives, the Group is already on a positive pathway with regard to the wider industry.

GOVERNANCE MATERIALITY

The Group's most material governance topics highlighted are governance process and financial performance, which is consistent with the business drivers for ESG, to grow the value of the business and the ambition to mature information and data use. All ESG reporting standards require strong governance and a mature approach to collecting data on ESG metrics, which will in turn reduce risk to financial performance, and therefore puts the Group in a strong position for any future non-financial ESG related disclosures.

"

This week, we received an impressive donation of bricks from Michelmersh Brick Holdings PLC for our construction department.

As a part of Michelmersh's Pledge 100 initiative, we were selected to receive a share of 100,000 handmade bricks. The scheme provides bricks to deserving colleges across the country to help provide quality products for practical application to learning and skills development.

We are incredibly grateful for the donation, and this will make a significant difference to our students who are looking forward to creating impressive structures with the new resources.

Construction Department Head, Yeovil College.

HYBRICK™ - THE WORLD'S FIRST 100% HYDROGEN-FIRED CLAY BRICKS.

A NEW ERA OF SUSTAINABLE CONSTRUCTION MATERIALS.

Michelmersh announced last year its successful bid to the Department for Business, Energy & Industrial Strategy ("BEIS") UK Government, Industrial Fuel Switching competition to conduct a feasibility study to replace natural gas with hydrogen in the brick-making process. The programme is part of the £1 billion Net Zero Innovation Portfolio ("NZIP") which aims to provide funding for low-carbon technologies to decrease the costs of decarbonisation. The project represents a global flagship physical study to replace natural gas with hydrogen in brick manufacturing. Phase 1 of the project demonstrated the viability of fuel switching and saw hydrogen used in the clay brick production process at Michelmersh's Freshfield Lane site in an independent brick kiln. The project aimed to inspire radical change across the sector and present opportunities and evidence-based research to support manufacturers on their journey to heavily decarbonise the production processes.

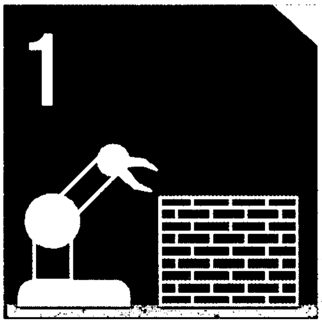
Green electrolytic hydrogen was used for this innovative study, helping to enable a movement toward low-carbon hydrogen and provide a pathway to the net zero future that our country is aspiring towards. This HyBrick™ study explored the testing of specific infrastructure components to prove hydrogen firing capability and determine any impact on overall quality, brick integrity or aesthetics. Data was collected and analysed to ascertain any effect to process temperatures or stability. The bricks were then compared against control bricks (produced using 100% natural gas) to ensure they meet all technical, aesthetic and characteristic requirements, with independent laboratory testing to determine their durability and structural performance. Of paramount importance and conducted throughout the project were dedicated health and safety risk analysis, assessments and training, alongside air quality performance testing.

As the organisation leading the BEIS "Deep Decarbonisation of Brick Manufacturing" project, Michelmersh had gone a step further to promote and disseminate the progression and learning of the project through a dedicated brand; HyBrick™ and working alongside a panel of expert partners throughout the project is pleased to announce in this report that the feasibility was a success and the three hydrogen burns showed that it is technically possible to fire bricks. All three hydrogen trials were successful and achieved reductions in the gas carbon emissions of 80-84%. This data was verified by the air quality monitoring results, where CO_2 emissions were directly monitored during all hydrogen trials and one natural gas burn.

Peter Sharp, CEO of Michelmersh, comments: "The Group has displayed an extremely impressive performance against its carbon intensity ratio target and the wider Michelmersh KPI goals in 2023. Whilst we understand there are challenges to reach net zero, we are steadfast to overcome them through methodical and incremental initiatives, requiring exploration and investment. We are proud to be leading the UK with notable sustainability performance and ideation, in line with our ethos."

NET ZERO ROAD MAP

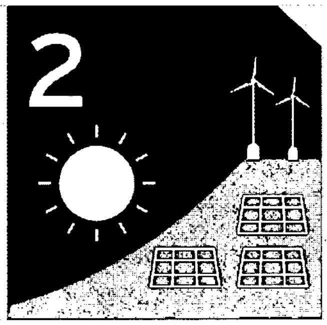
- Reduce
- Alternative
- CCUS/Offset



Efficiency Improvements

- **Business process efficiencies**
- **Production efficiencies**

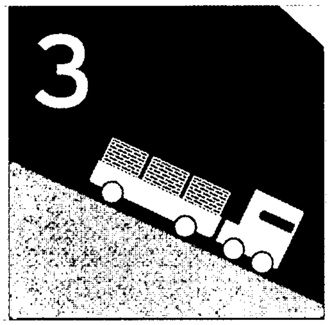
-10%



Renewable Energy Supply

- **Energy consumption reduction**
- **Renewable energy supply switch**
- **On-site renewable installations**

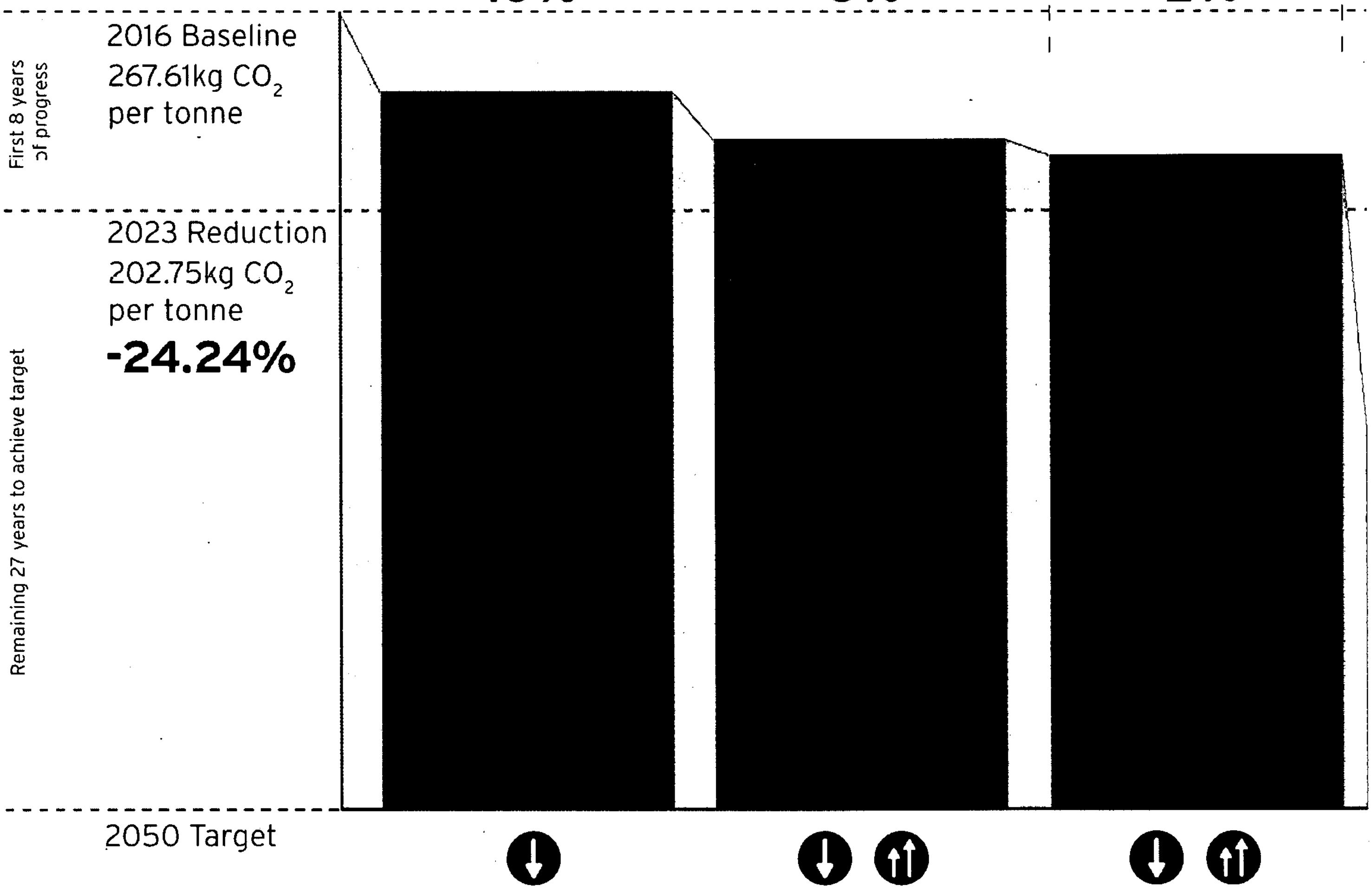
-6%

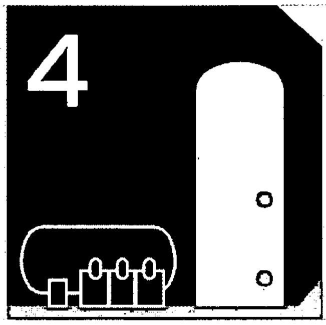


Vehicle Fuel/ Technology

- **Fleet reduction**
- **Alternative fuel HGVs**
- **Car fleet technology change**
- **Forklift fleet technology change**

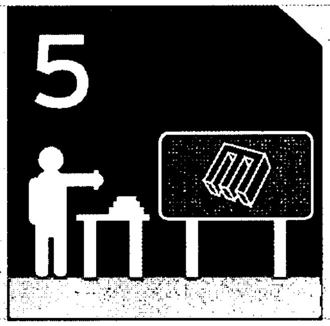
-2%





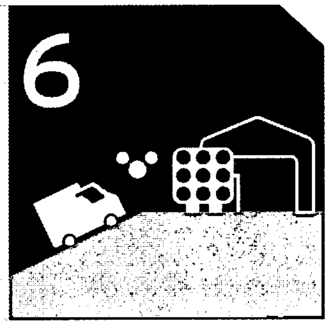
Alternative Fuels

- Natural gas consumption reduction
- Fuel switching



Product Development

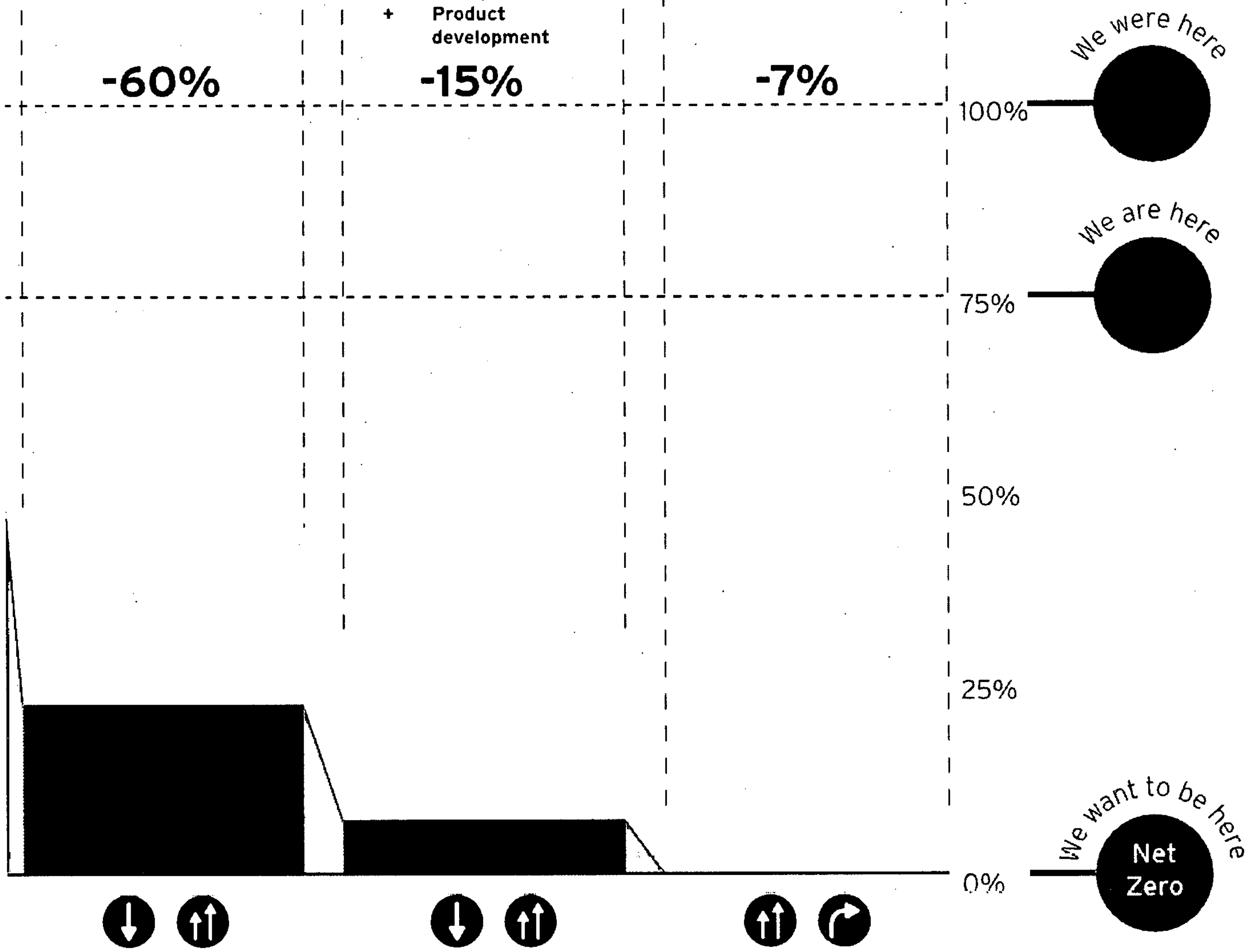
- Raw materials changes
- Recycled material changes
- Product configuration changes
- Product development



CCUS & Offsetting

- Carbon capture usage & storage
- Offsetting

By the end of 2023 the Michelmersh Group has already achieved a significant reduction of 24.24% CO_2 per tonne of production from the 2016 baseline year.



MICHELMERSH THE BRICK FAÇADE SPECIALISTS

Blockleys™ Carlton™ FabSpeed™ Floren.be™ Freshfield Lane™ Hathern Terra Cotta™ Michelmersh™

FabSpeed, the UK's largest independent brick fabricator was acquired by Michelmersh in 2022 to complement the Group's growing portfolio of premium products and services, increasing its ability to optimise and grow its off-site and modern methods of construction product offering in support of its sustainability centred ethos. The FabSpeed brand are pioneers in prefabricated building components, utilising efficient solutions to complex masonry design specifications. The Group portfolio includes the production of arches, chimneys, façade systems, environmental products and more, positioning the Group as a leader in clay and associated prefabricated products for our broad customer base.

The Michelmersh Group has the capability to produce high-quality slip products and façade systems at volume, catering to the expanding market of off-site brick construction methods. After significant investment during 2023, Michelmersh is now capable of producing 17.5 million slips per annum to be used on A1 fire-rated cladding systems, enough to cover 290,000m². The Group sees this investment as an opportunity to promote a breadth of construction solutions within its clay product portfolio, including pre-cast dovetail slips, its sustainable reflections range of thin double-faced bricks and its innovative lightweight rainscreen cladding system in conjunction with Cladmate Façade Systems that are suitable for high rise construction for both the new build and retrofit markets.

As depicted in the Michelmersh net zero roadmap, product development and innovation is key to the evolution of the Group's low-carbon product offering; in line with this ethos is a focus on products that enhance the natural capital of future urban developments and enhance biodiversity prospects for the local area. FabSpeed's Bricology range of products are designed to create non-invasive, sustainable, safe havens for an array of species to reduce the risk of predation and the protection of larvae or nests. Britain's nature loss and decline in native wildlife habitats require innovative products to be produced to enhance biodiversity and support net gain principles across our built environment. The Bricology range is the perfect solution that can either be used retrospectively using any manufacturer's products and prefabricated by the skilled team or for new developments using the versatile core product range from the Michelmersh Group to design-in that biodiverse plan from the start of your project.

SOLAR INVESTMENT

Significant investment in on-site renewable energy generation has concluded in 2023 with the expansion of the Floren installation to accommodate up to 50% of its average yearly electricity consumption. In addition to the Belgium factory investment, the Blockleys Telford site also received a significant solar investment, equating to 15% average yearly electricity consumption and carbon savings of 3,117 tonnes over a 25 year period.

SECTOR ALIGNMENT

Ceramics Decarbonisation Roadmap

Michelmersh has contributed its data to the Ceramics UK Decarbonisation Roadmap published in early 2024, showing how the industry can progress to net zero. It provides a clear overview of what low-carbon ceramic engineering could look like and was developed in collaboration with companies across the industry. Michelmersh endorses the published report which includes detailed site and emissions modelling linked to future decarbonisation technology scenarios.

Better with Brick

"Better with Brick" is a campaign launched in early 2024 by the BDA which offers a comprehensive and compelling exploration of this timeless material, revealing its surprising relevance and potential in modern construction. Michelmersh has worked in collaboration with the BDA to ensure this campaign reflects the wider views of the industry and the many sustainable benefits of clay brick.

Supply Chain Sustainability School

Michelmersh continues to be a partner of the Supply Chain Sustainability School and drive sustainability engagement and learning for its employees and wider supply chain stakeholders, which it hopes to increase further when the Michelmersh Supplier Charter is launched. The Group will continue to align its KPI goals to that of its core company values (IRIS) and the United Nations Sustainable Development Goals to ensure the relevancy of impactful targets.

FUTURE FOCUS

Understanding prioritised and material topics sets the foundation on which the Group's ESG strategy can be developed. With the currently changing political, social and energy landscape, Michelmersh is aware that risks and opportunities can change and is therefore prepared to undertake a further materiality assessment, engaging with a wider range of the Group's stakeholders in the coming years.

Michelmersh will continue to develop its ESG strategy alongside increasing data accuracy projects and business efficiency improvements, to maintain high standards against existing rigorous management systems. These established methods and systems are already embedded into the Michelmersh processes. These will contribute positively towards the ESG strategy through wider data collection initiatives and engagement. The Group will continuously engage in strengthening the integrity of its ESG performance, focusing on the consolidation of information and data collection methods or processes over the coming years. This will enable further abilities for forecasting decarbonisation projects or integrating future acquisitions.

According to the sustainability maturity and ESG strategy assessments undertaken by an independent sustainability consultant, Michelmersh already follows a robust process for collecting, measuring and analysing data. The Group, however, is continuing to focus on improvements to the automation and forecasting of data with a key objective to collect Scope 3 in the coming years.

The next stage on the Group's ESG strategy journey will be to assess the relevant additional frameworks, certifications and commitments, which are best aligned to the business's needs and stakeholder demand.

The most material ESG impacts will continue to be embedded as a core focus for the business. The Sustainability Group and Net Zero Steering Group, sponsored by the Board, will continue to be the vehicle to evaluate and drive positive change for ESG amongst the senior leadership of Michelmersh. With a top-down and bottom-up approach to motivation and encouragement for innovative ideas to decarbonisation, biodiversity net gain, employee health, product development and many other wider far reaching and impactful initiatives, the Company feels that employees will feel empowered to drive these Company objectives throughout every department of the business.

INNOVATION

Showcased through Michelmersh's leading and innovative HyBrick world-first trials, the Group hopes to continue inspiring the industry to decarbonise. The Group promotes shaping genuine sustainability for the sector, focusing foremost on reducing emissions through efficiency, fuel switching or alternative technologies over offsetting, to encourage a reduction in absolute emissions.

By the end of 2022, Michelmersh had significantly reduced its CO_2 per tonne of production by 20.1% since the baseline year of 2016, further highlighting its longstanding focus on sustainability, efficiency and its continuous investment programme dedicated to improvements. It has continued this positive trend, achieving a 24.24% reduction by the end of 2023 and raising the target from 5% to 25%. Even though the hydrogen studies proved to be 80-84% less gas emissions compared to the natural gas firing, the Michelmersh Group is aware that the commercial model for hydrogen production is not yet at a scale to make this proposition financially viable. It has, however, opened the door to further decarbonisation projects and trials for hydrogen, biofuels, electrification or alternative technologies to evolve and pursue. Michelmersh also contributes towards the consortium of the Ceramics UK, IFS Phase 2 bid; demonstrating hydrogen in the ceramics sector, which will be the first to deliver demonstrations of 100% hydrogen technologies for batch and continuous tunnel kilns. The Group is also aware that without carbon capture usage and storage, it would be impossible to achieve net zero, therefore it is prepared to focus resource to researching suitable solutions or technologies to implement.

Michelmersh will continue to focus on thin bricks, brick slips and product innovation which includes the increasing use of recycled content from other industry waste streams to further improve the circular principles of its product portfolio and continuing to drive for low-carbon product development. With the launch of the sustainablebrick.com website, the Group will continue to lead on showcasing the sustainable benefits of brick whilst also being a tool for collaboration in the sector to showcase decarbonisation research, initiatives and investment.

Due to such strong progress against current 2030 KPI targets, the Sustainability Group will continue to review the intensity of each target and amend these accordingly, to ensure they remain both relevant and impactful. The Net Zero Steering Group will also set out further mid to long-term ambitious targets to bridge the gap between 2030 and the future Group goal of achieving net zero by 2050.

BUSINESS MODEL

OBJECTIVES AND STRATEGIES

The Group's principal activity is as a manufacturer and distributor of clay bricks used in the construction industry. It has previously operated a landfill site which generated income and fulfilled obligations of restitution of the land following clay extraction used in the manufacturing process. Landfill operations have been paused in order to protect mineral resources and hence maximise the long-term life of the brickworks. Ultimately, remediated land has alternative use potentially as a development site and the Group seeks to maximise long-term shareholder returns by ensuring appropriate remediation. The Board seeks to manage the four lifetime sources of revenue while recognising that each has a different cycle and is affected by different economic forces.

Clay products are produced at five manufacturing plants and four facilities and are locally distinctive. The products are largely sold to merchants and brick factors who distribute to the construction industry. The Group has a largely fixed capacity of manufacture from existing plant at each of its current brickworks. The Company seeks to maximise the return for products by ensuring high-quality output to meet specified demand and investment to improve yields and reduce input costs.

Sector risk is continuously analysed and balanced by ensuring broad cross market coverage of customers, products and order intake. The principal markets are defined as RMI, Housing & Commercial sectors.

A robust structure of targets, KPIs and internal measurement is set by the Board. This ensures delivery of a clearly defined and agreed set of sales, market & business objectives. The Board and a sub-board of senior managers continually monitor these objectives to ensure they are met by the collective teams within the Group.

We take a long-term approach to establishing value in a highly capital-intensive industry and ensure that all plants are well maintained, productive capacity is optimised, capital applied to improve efficiency and to reduce risks of interruption hence maximising shareholder value. It is paramount for investment to be supported by an extended return and, as such, that there is adequate long-term clay supply.

The key resources and relationships that the Group relies on are:

- the availability of adequate clay reserves;
- continued strong relationships with key customers and markets;
- skilled workforce;
- energy costs within steady and recoverable price structures; and
- financial resources through the banking and investment community.

The Board considers that its priority is to maintain and nurture the key resources and relationships identified above.

TRENDS AND FUTURE DEVELOPMENTS

The Group has a strategy of maintaining a well-balanced forward order book. The product profiles available and the size of our plants helps us to ensure that as a business we always balance sector risk. Whilst, like others, we naturally benefit from the robust demand arising from a structural shortage of housing in the UK, we always seek to be well represented in the RMI and commercial sectors, and in this way are never overly reliant on one particular sector.

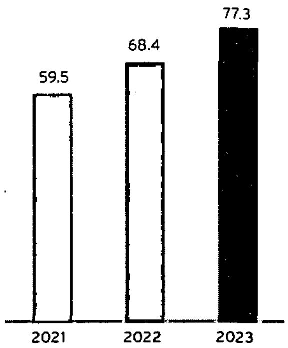
Economic conditions remain challenging with the higher interest rate environment and ongoing elevated levels of inflation combining to weigh on consumer sentiment. There remains a critical shortage of housing in the UK and the continued under supply of housing formations over the last 20 years continues to underpin the long term fundamentals of the construction industry. Wider consumer sentiment has been impacted by the cost of living over the last 12 months and that has contributed to a 30% decline in construction activity most noticeably impacting the volume housebuilders. The government and opposition parties remain committed to supporting residential development and on promoting housebuilding and is expected renew the incentives for housebuilders and homeowners through the help to buy scheme.

The annual shortfall in housing completions remains and, as a result, is expected to continue to support demand in the wider property market. As a consequence, we expect brick manufacturing businesses should see continued healthy activity over the long term. All of this is despite the significant input cost pressures that the Group has managed throughout 2022 and 2023. Energy costs in particular have been volatile and the benefits of the Group's hedging arrangements have ensured that our results have been managed through the increases in utilities. Whilst the market believes inflation peaked in low double digits, we expect challenges to persist in our cost environment. We are in regular dialogue with our customers and we will work with them to ensure that the close management of our cost base remains supportive of pricing stability in our portfolio.

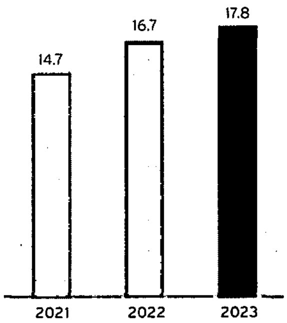
FINANCIAL AND NON-FINANCIAL INDICATORS

The Directors monitor the business predominantly through review of financial results, including revenue, EBITDA and cash flow, as well as through quality control indicators such as health and safety reporting, employee welfare and efficiency reviews. The Directors are satisfied that these indicators adequately address the principal business risks faced by the Group, which are outlined on page 46.

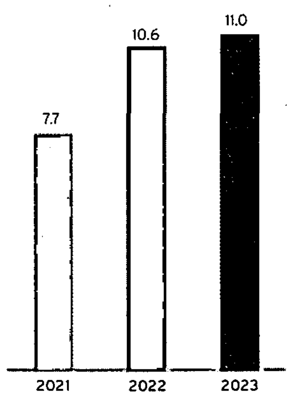
Revenue (£m)



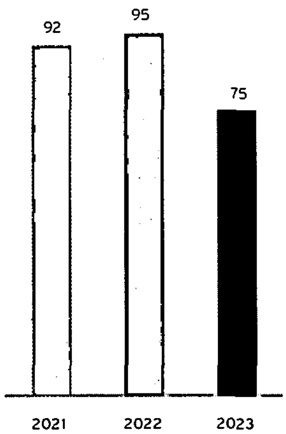
Adjusted EBITDA (£m)



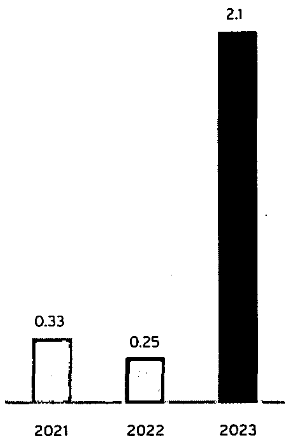
Net Cash (£m)



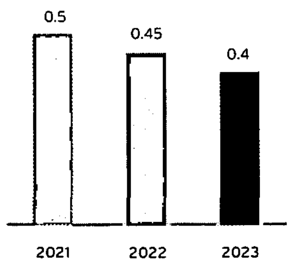
Gas Hedged % of following year



Proactive Reporting Rate (% per employee)



LTIR (lost days per employee)



The Directors scrutinise closely the average selling price of the range of products sold, the average cost of production and despatch and manufacturing outputs for short-term performance. Other production indicators include absenteeism, yield, energy usage and health and safety statistics. The Board also reviews prospects through energy indicators and construction trends together with the mineral reserves available at each site.

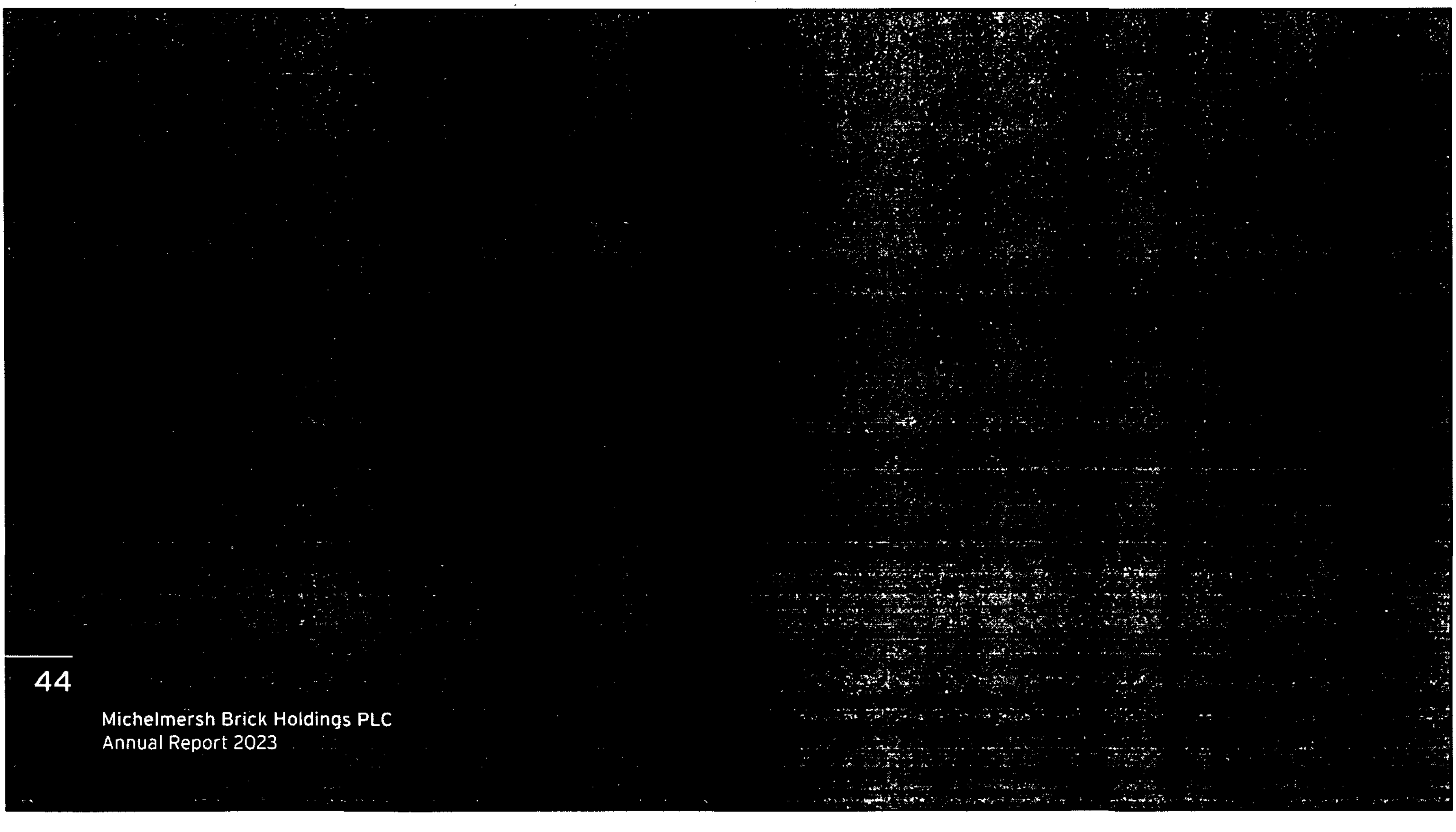
SECTION 172(1) STATEMENT

The Directors continue to be fully committed to their duty under Section 172(1) of the Companies Act 2006, which requires them to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In this regard, the Directors identify:

1. Key issues and stakeholders: Key issues include investment in key projects and acquisitions that affect the prospects and risk profile of all stakeholders. In all evaluations, health and safety, environmental and social impact are weighted heavily. The key stakeholders include shareholders, employees, customers, suppliers and local communities in which our businesses reside.
2. Methods of engagement: The Company uses a range of methods of engagement with stakeholders ranging from formal structures to informal, personal engagement. The Group has a flat management structure which allows personal interaction at all levels that facilitates communication both within the organisation and externally with suppliers and customers. Structures include staff Personal Development Programmes, whistleblower facilities, and formally scheduled meetings at appropriate intervals with all stakeholders.
3. Effect on decisions and strategies: Fostering an environment that our workforce is happy to work in and that best supports their well-being is always at the forefront of the Board's mind when making decisions. Our journey towards a net zero carbon future directly impacts the Company's goals and decisions made around potential technological pathways, investment and longer-term strategy. At a routine planning level, consideration is made to manage specific product output to timely delivery to ensure customers can operate efficiently.



Examples of stakeholder considerations in certain key Board decisions during the year

In discharging its duties, the Board considers the views of its stakeholders alongside information pertaining to key areas such as strategy, risk and legal and regulatory compliance.

The Board considers the following to be the key decisions it has made during the year to 31 December 2023, and has included the evidence of their regard for Section 172 duties in the explanations of their considerations:

BOARD DECISION	CONSIDERATIONS
Strategy Day - considering and discussing the medium to long-term future plans of the Company.	The Directors met to discuss the future strategic direction of the Company to evaluate the potential options available to the Group and alongside to agree the priorities for capital allocation.
The Board appointed an additional independent Non-Executive Director.	The Board was keen to maintain an appropriate balance between Executive and Independent Non-Executive Directors, and to ensure any succession plans support the long-term sustainable success of the Company's strategy and goals.
The Board reviewed its internal Board and Committee performance review.	The need to ensure that the Board remained a high performing team for the benefit of our stakeholders.
The Board approved the continuation of the share buyback programme.	The rationale behind the share buyback programme was to reduce the share capital of the Group in order to return value to shareholders.
The Board agreed the final dividend for 2022 of 2.95 pence per share, and later in the year the Board agreed an interim dividend for 2023 of 1.5 pence per share.	The need to address the interests of shareholders in the context of the long term, whilst maintaining appropriate levels of reserves to run the business effectively.
Approval of a new Remuneration Policy.	The need to provide a remuneration policy for the Company in response to a collective desire across the Board to document principles and approaches to remuneration as a Group.
Annual review of Group-wide Policies.	For the benefit of a range of stakeholders and to minimise risk by ensuring the Group's policies are fully up to date and comply with new laws, regulations and best practice.

RISK MANAGEMENT & PRINCIPAL RISKS

RISK OVERVIEW

Our overall approach to risk management is routed in the concept that risk is managed at all levels of our Group from our operational facilities through our support service functions and specialist teams. Our ability to effectively manage and mitigate risk through our business is the central pillar that supports our delivery of sustainable and long-term success for the benefit of all of our stakeholders.

The last financial year has once again been challenging with the higher interest rate environment in the UK and Europe and the continued elevated inflation levels above central bank targets combining to dampen consumer demand and contributing to a 30% decline in construction activity across the year.

There is a broad landscape of external risks facing the Group and this highlights the importance of embedding the appropriate risk management approach and culture in the Group.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has the overall responsibility for the oversight of risk as well as maintaining a robust risk management framework and internal control system, with the Audit Committee reviewing the effectiveness of our risk management and internal control processes. Our risk management framework is designed to ensure the Board of Directors can clearly identify our risks, assess our risk profile and set our risk appetite, and ensure these risks are being managed and mitigated transparently and effectively.

The Board of Directors reviews risk as a standing agenda at each Board meeting. The Board considers risks from both a top-down perspective, which is primarily focused on strategic and emerging risks and opportunities as well as encouraging a culture of a bottom-up review of risks from the operational teams and specialist support teams. At each of the Board meetings, the Directors review and consider the appropriateness and categorisation of the principal risks facing the Group with particular consideration given to those risks that have the potential to fundamentally impact the core strategic objectives of the Group.

> **“Our overall approach to risk management is rooted in the concept that risk is managed at all levels of our Group.”**

RISK MANAGEMENT FRAMEWORK

Board of Directors

The Group Board retains ultimate responsibility for owning and managing risk in the Group and setting the overall risk appetite.

The Group Risk Tracker is reviewed as a standing agenda item at every Board Meeting with particular focus on those risks that have had a change to their risk level through risk likelihood or risk impact.

TOP-DOWN RISK REVIEW

Identify wide range of strategic and emerging risks.

Risk Management

Risk management and the overall assurance framework are overseen and challenged by the Group Board.

The risk register is included in every Board meeting to ensure the thorough tracking of risks which is owned and updated by the Executive team of the CEO and the CFO.

Group Policies and Controls

The Group operates a robust internal control environment which covers all areas of the business and ultimately underpins the effectiveness of risk management framework.

The Audit Committee considers the effectiveness of risk management and the internal control environment.

People and Culture

The success of risk management in the Group is dependent on an embedded culture through its people.

Risk management is cascaded through the organisation with operational and support service teams taking ownership of local risks and supporting the effectiveness of internal controls.

Risks are appropriately escalated to the Executive team.

BOTTOM-UP RISK REVIEW

Risks identified by operational management or support team specialists.

RISK APPETITE

The Group's risk appetite determines the level of risk that the Group is prepared to take in trying to achieve its strategic objectives. The risk appetite level is established by the Board of Directors and is designed as a guiding principle to cascade through the organisation to support effective decision making to support sustainable growth, but also to mitigate risk in the organisation that has the potential to erode value. The risk appetite is designed to be deliberately straightforward and clear so all levels of the Group can support the delivery of the core strategic objectives.

RISK APPETITE LEVEL DEFINITIONS:

The risk appetite levels represent a simple categorisation of Group level targets and are designed to provide a balanced approach to risk which supports the core business strategic objectives.

Averse

We avoid risk and uncertainty as our key objective.

Cautious

We are willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives where we have identified scope to achieve benefits or realise opportunities.

Flexible

We are willing to take justified and managed risks, considering all options and choose the one that is most likely to result in a successful delivery or outcome.

Open

We are willing to take our highest level of risk to maximise opportunities and potentially realise more significant benefits for the Group.

	Risk Area	Appetite	Description
1	Strategic		We are willing to take our highest level of risk to maximise strategic opportunities and potentially realise more significant benefits for the Group. We refresh our strategic initiatives annually to ensure our considered approach to strategic risk are in line with our core business objectives.
2	Operational		We have our lowest appetite for risk which compromises our ability to manufacture the highest quality product and deliver the best quality service to our customers.
3	Production & input costs		We are willing to tolerate a degree of risk in order to manage our costs of production and the availability of our raw materials. We take a cautious approach to mitigating these risks by seeking to fix our prices alongside the acceptance of a degree of price volatility to achieve the best outcome for the Group.
4	Governance, legal & regulatory		We wish to avoid or otherwise mitigate risks which involve our compliance with our governance, legal or regulatory environments in which we operate across the Group.
5	Land, property & plant		We are focused on maintaining well invested, sustainable and efficient manufacturing operations and processes. We take a cautious approach to managing the risks in our land, property and plant to ensure we consider the lifespan of available on-site minerals alongside investment decisions into the property and plant.
6	Financial risk management		We accept our lowest levels of risk for financial risk management of our business-as-usual activity and are cautious in our approach to business transformation activity. We significantly evaluate our financial decisions with value for money and business rationale being key factors in decision making.
7	Control and assurance		We have our lowest appetite for risk for maintaining an effective control and assurance environment around the operation of our processes. We address these risks through maintaining effective controls, assurance, reporting and governance environment.
8	Commercial		We are open to higher levels of risk to ensure we maximise our commercial opportunities and deliver the highest possible benefits to all of our stakeholders.
9	Customer requirements & demand dynamics		We are willing to take managed risk in maintaining our differentiated proposition at the premium end of the brick market in the UK and Benelux. We recognise the need to maintain our history and longevity of our loyal customer relationships and we are focused on delivering an excellent product and service to those customers.
10	People and culture		We are willing to take justified risks in order to build and maintain a team and culture with the right balance of skills and experiences to deliver our core strategic objectives in line with our Company values of Integrity, Respect, Innovation and Sustainability.
11	IT & technology		We take a cautious approach in managing the risks to our IT infrastructure and technology. We ensure that we have the right balance of investment in IT to reflect our lowest risk tolerance in order to continue to operate at all levels of the Group and are more open to risk in areas of investment that support efficiency in our processes.
12	Project/programme investment		We are willing to take a balanced approach to risk in evaluating our investment decisions in projects or programmes which have the highest potential to deliver benefits for the Group. We have a low level of risk in managing the delivery of projects with significant focus on the positive delivery of our project investment pipeline.
13	Business continuity		We have our lowest appetite for risks which compromise our ability to run a continuous operation at full capacity to manufacture and deliver the highest quality product and service to our customers.
14	Sustainability & net zero		We have a high level of risk tolerance as we seek to continue to lead as the sustainable face of clay brick manufacturing and deliver against our road map to achieving net zero. We are willing to take risks in the pursuit of these objectives as we look to deliver measurable progress against this core strategic objective.
15	Health & safety		We have our lowest appetite for health and safety risk and aim to achieve no health and safety incidents where we operate. We are focused on mitigating health and safety risk through effective operational controls and processes.
16	Environmental regulatory compliance		We wish to avoid or otherwise mitigate risks which involve our compliance with our environmental regulation and reporting frameworks in which we operate across the Group.

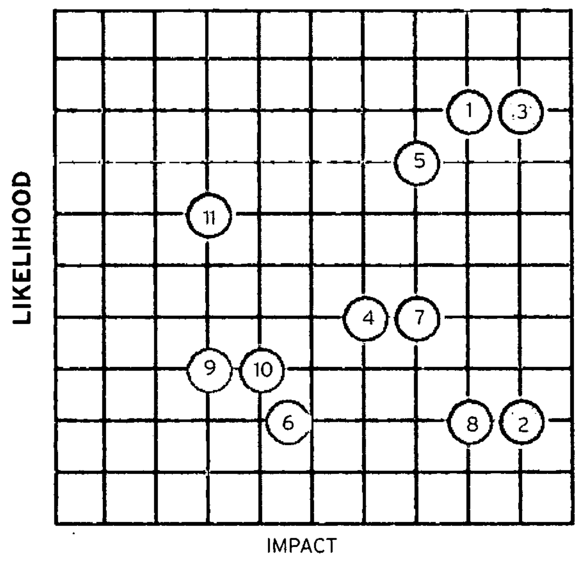
PRINCIPAL RISKS

We have an established process for the identification and management of risk across the Group. The Board has developed a risk register which is reviewed and updated at each Board meeting. The key risks to the business are identified and scored according to risk likelihood and risk impact to give a combined risk rating. This risk rating is set against a designed set of mitigations which are targeted at reducing the risk rating.

This register is used as a key strategic tool and framework to consider the Group's strategic objectives, mitigate risk balanced against reward to shareholders, and to ensure compliance with all statutory obligations including health and safety, financial compliance, staff well-being and environmental obligations.

The register is reviewed and updated regularly in conjunction with key personnel across the business. The Group's management structure is open with a flat profile that ensures free communication of risk as well as business ethics throughout the organisation. In addition, anonymous whistleblower and suggestion-box schemes are in place.

RISK HEAT MAP



Current Risk Rating
1. Economic Climate and Cycle
2. Business Continuity
3. Climate Change and Sustainability
4. Financial Risk Management
5. Product Demand
6. Availability of Raw Materials
7. Customer Relationship
8. Major Project Delivery
9. Cyber and Information Security
10. Health and Safety
11. People and Culture

The current Group's principal risks are detailed in the tables below:

1 Economic Climate and Cycle (previously "general economy and fiscal environment")

Principal risk and relevance	Mitigation	What happened in 2023
• The majority of the Group's products will be used in residential new housing schemes or repair, maintenance and improvement projects which will be affected by general economic conditions, government incentives and tax policies, and as such the demand for our products will be dependent on these factors.	• The Board continuously monitors all key business performance indicators for signs of changes in the economic climate and the potential impact on the cyclicality in the construction sector. • We are focused on maintaining a broad product portfolio that meets the needs of our diverse end markets to ensure that we maintain a balanced forward order book across our key markets of: new build, RMI, commercial regeneration and social and specification projects.	• Risk Likelihood Change - ⟷ • Risk Impact Change - ⟷ The broader construction industry declined by about 30% in 2023 as a result of the higher interest rate environment and elevated cost of living weighing on consumer sentiment. As a result, the risk impact and risk likelihood have not changed this year.

Risk Appetite Link
1 Strategic

2 Business Continuity (previously "business interruption")

Principal risk and relevance	Mitigation	What happened in 2023
• The production process is most efficient when in continuous operation at full capacity and any disruption impacts on our output and efficiency. **Risk Appetite Link** 13 Business Continuity	• Management is focused on maintaining well invested and efficient manufacturing facilities across all of its nine operational sites. • At an operational level routine and thorough maintenance programmes are maintained alongside alternative back-up facilities. • Business interruption and continuity planning, alongside appropriate insurances, are in place to anticipate and mitigate any potential material operational interruption.	• Risk Likelihood Change - ⟷ • Risk Impact Change - ⟷ The risk likelihood has not changed in the year as there were no business interruption events in 2023 and the programme of routine maintenance and specific capital investment initiatives were all delivered effectively to support our confidence in our manufacturing facilities.

3 Climate Change and Sustainability (previously "carbon profile and environmental challenges")

Principal risk and relevance	Mitigation	What happened in 2023
• Growing external focus on environmental sustainability and the associated requirements to deliver a measurable roadmap to net zero will require evolving environmental reporting and performance evaluation. • These factors will stimulate the requirement to deliver ongoing energy efficiency and continuous improvement in the environmental performance of our manufacturing facilities. •The impact is an uncertainty on the associated quantum for cost implications given the current lack of proven technical energy alternatives. **Risk Appetite Link** 14 Sustainability & Net Zero 16 Environmental Regulatory Compliance	• We prioritise investment in projects which will deliver long-term sustainability through enhanced reporting and a deliverable sustainable roadmap. • We work with trade bodies and leading scientific institutions to provide innovative options and solutions in support of our energy related investment and decision making. • We are focused on maintaining our ISO 14001, ISO 50001 and BES6001 compliance evidenced through rolling audit programmes and engaging with regulators. • We work in conjunction with the British Ceramic Confederation to collaborate on broader sector and peer sustainable solutions.	• Risk Likelihood Change - ↓ • Risk Impact Change - ⟷ The Group was proud to release our ESG Strategy in the 2022 Annual Report. We remain committed to delivering against our Sustainability Strategy and wider Group KPI targets. Notably we achieved a significant circa 25% intensity ratio carbon reduction and have announced an increased target. Please see further information in the ESG strategy on page 22 and as a result we have reduced the risk likelihood this year.

4 Financial Risk Management (previously "input prices")

Principal risk and relevance	Mitigation	What happened in 2023
The Group faces a broad spectrum of financial risks which could have a material impact on the financial performance of the Group, which include the following: • Input prices - utilities and labour are amongst the most significant costs whose volatility could materially affect financial performance. • Credit risk - the Group is exposed to counterparty risk in the event customers do not pay their invoices, which could lead to financial loss. • Interest rate risk - in the event the Group has external borrowings, any changes in interest rates could adversely impact the Group through servicing costs. • Liquidity risk - insufficient availability to cash and borrowing facilities or non-compliance with covenants could materially impact the Group. • Internal control weakness - failure in the Group's internal control environment could lead to potential fines, loss of reputation or fraud. **Risk Appetite Link** 4 Financial Risk Management 6 Availability of Raw Materials	• Input prices - we ensure we have supply agreements in place alongside, fixing of costs and utilities to ensure that short and medium-term effects of global prices and energy costs have less impact on the business. Staff are highly valued and remunerated in a reward structure that promotes efficiency and retention. • Credit risk - the Group has deep, trusted and long standing relationships with our customers and alongside we operate a credit insurance policy to ensure any potential counterparty risk is mitigated. • Interest rate risk - the Group has a Sterling and Euro denominated £20m RCF facility which is undrawn at the year end. In the event the Group borrows under the facility we would enter into interest rate swap arrangements to ensure volatility in rates is minimised. • Liquidity risk - the Group is inherently cash generative and manages working capital carefully to ensure that there is available cash and borrowing headroom to operate the business. • Internal control weakness - we believe the internal control environment operates effectively with close senior management oversight to mitigate reporting and control failure.	• Risk Likelihood Change - ↓ • Risk Impact Change - ⟷ The risk likelihood reduced during the year largely as a result of the stabilising inflationary pressure on production costs and energy costs. LNG supplies from Qatar and the United States are substituting Russian gas, pricing in the UK and Europe has become more stable but we remain watchful of the potential for further global shocks. The Group continued to experience no bad debts from our loyal customer base and the strong focus on working capital management supported positive operational cash inflows during the year to underpin a growing Group cash balance to provide flexibility to support capital investment initiatives and to swiftly pursue acquisition opportunities. The Audit Committee again concluded that the internal control environment had operated effectively during the year.

5 Product Demand (previously "quality")

Principal risk and relevance

- Maintaining a broad and high-quality product portfolio is crucial to ensuring we continue to meet the premium standards expected of our customer base.
- It is critical we produce a consistent output during the manufacturing processes and as a result product specification and quality are keenly monitored to ensure that the quality of the manufactured production output meets customer expectations.

Risk Appetite Link

2 Operational
8 Commercial

Mitigation

- We have close and long standing relationships with our customers to ensure we stay ahead of customer product requirements.
- We maintain well invested manufacturing facilities to ensure that the output is maintained at the highest possible quality through a comprehensive programme of quality control.
- We regularly test our products across all our sites against industry and product standards and utilise third-party experts for independent verification.

What happened in 2023

- Risk Likelihood Change - ↑
- Risk Impact Change - ↑

With a 30% reduction in construction activity in the year the strength of our opening order book and supportive order intake underpinned our financial resilience in the year illustrating the robust demand for our premium portfolio and quality of our production processes. The diversification across our end markets is a real strength of the Group but the broader market has increased the risk likelihood and risk impact.

6 Availability of Raw Materials (Previously "Mineral Resources")

Principal risk and relevance

- The manufacturing process relies on the availability of mineral resources and other raw materials to ensure we can continuously manufacture our products.
- Future appraisals and investment considerations in our manufacturing plants and processes will always consider the lifespan of available mineral reserves.

Risk Appetite Link

5 Land, Property & Plant

Mitigation

- We prioritise ensuring we have a material life of clay reserves available at our manufacturing sites or where appropriate cost-effective import solutions to supplement shorter mineral reserves.
- We prioritise having greater than 3/6 months supply of other raw materials on-site alongside operating annual supply agreements.

What happened in 2023

- Risk Likelihood Change - ↔
- Risk Impact Change - ↔

The Group has long-term reserves at all our brick manufacturing sites supporting no changes to the risk ratings.

7 Customer Relationship

Principal risk and relevance

- We generate significant revenues from key customers and distributors and it is central to our business strategy to maintain good relationships to avoid potential risks to our financial performance.

Risk Appetite Link

9 Customer Requirements & Demand Dynamics

Mitigation

- A core facet of our business strategy is to sell the majority of our premium product portfolio through key distribution partners.
- We continuously monitor the competitive landscape to ensure that we are maintaining our premium product and service position as a key market differentiator.
- Maintaining a broad portfolio targeted at the widest customer base and end markets ensures that we are not focused on any one sector of the market.

What happened in 2023

- Risk Likelihood Change - ↔
- Risk Impact Change - ↔

We once again undertook our customer service surveys and were delighted that we continued to score very high feedback scores for both product and service.

We continue to prioritise a collaborative and supportive working relationship with our customers and, as a result, there is no change to our risk levels in the year.

8 Major Project Delivery

Principal risk and relevance

- Continuing to support appropriate capital allocation strategies through investment in capital initiatives is fundamental to the growth of the business.
- Investing or failing to deliver the wrong project could distract or disrupt the core operations of the business with the associated risk to the financial performance of the Group.

Risk Appetite Link

12 Project & Programme Investment

Mitigation

- All major capital allocation decisions are reserved for the Board.
- The annual budget process establishes the rhythm of major projects for the following year which are appraised and approved in line with the Group's return on investment thresholds.
- Management very closely monitor all aspects of project delivery to ensure it is timely and delivered to cost.

What happened in 2023

- Risk Likelihood Change - ↔
- Risk Impact Change - ↔

All major projects were delivered on time and to budget during the year, which were predominantly focused on adding solar capacity at our Floren and Blockleys sites. There has been no change to our risk levels this year.

9 Cyber and Information Security

Principal risk and relevance	Mitigation	What happened in 2023
• Our IT infrastructure is integral to maintaining our manufacturing and back office functionality. Disruption or unauthorised access to our IT infrastructure could materially impact our business operations and reputation. **Risk Appetite Link** 11 IT & Technology	• We work with expert third-party suppliers to support our IT infrastructure through the provision of secure cloud services, off-site back-up and hardware support. • We undertake regular system penetration testing and receive third-party audit assurance as to the robustness of our IT systems from external threat. • For our off-site and flexible workers we operate a secure Citrix platform. • We utilise new applications like Microsoft Teams and OneDrive to support teamwork and cross departmental collaboration.	• Risk Likelihood Change - ⟷ • Risk Impact Change - ⟷ We undertook a full cyber review in the year supported by our third-party partners who continued to provide assurance as to the quality of our IT environment.

10 Health and Safety

Principal risk and relevance	Mitigation	What happened in 2023
• Maintaining safe and secure manufacturing facilities for our people is our highest priority. • Failure to provide adequate Health and Safety for our people risks our ability to continuously operate and impact our output alongside the risk of fines and reputational damage. **Risk Appetite Link** 4 Governance, Legal & Regulatory 15 Health & Safety	• As a Group we prioritise the safety of our people in all areas of the organisation. We target zero reportable incidents each year and we uphold the highest standards in our Health and Safety operating processes. • In conjunction with our Learning and Development team, we ensure all employees have the appropriate training each year to support their operational Health and Safety. • All Senior Managers are NEBOSH trained and we work closely with our regulators and engage appropriate support from professional advisors.	• Risk Likelihood Change - ↓ • Risk Impact Change - ⟷ During the year we have focused on fully integrating FabSpeed into the broader Group Health and Safety processes and practices. As a result of this focus we remain confident that our working practices are fully embedded to cover potential future eventualities and, as a result, have reduced the likelihood risk rating.

11 People and Culture

Principal risk and relevance	Mitigation	What happened in 2023
• The quality and loyalty of our people remains our greatest asset. The loss of key personnel could have a material impact on our production output or operations. • Some of our locations are harder to recruit and retain talented people which has the potential to impact on our operational efficiency. • A poor people culture has the potential to create a loss of morale through the organisation. **Risk Appetite Link** 10 People & Culture	• The importance of the right culture is embedded in the ethos of the Group with the four core values of IRIS: Integrity, Respect, Innovation and Sustainability central to all our decision making. • We prioritise investment in our people to provide optimum training, security and safety alongside motivating career opportunities all underpinned by competitive remuneration policies.	• Risk Likelihood Change - ⟷ • Risk Impact Change - ⟷ The UK and Belgium are both at near full employment levels and as a result we are grateful for the ongoing loyalty of our key staff. We continue to operate in an elevated interest rate environment and maintaining competitive remuneration packages is still challenging with inflation stabilising but still elevated. As a result, following the increased risk rating last year we feel it's appropriate to maintain this higher level again referencing the impact on our people and culture risks.

P. Sharp [signature] [signature]

Approved by the Directors, Peter Sharp and Ryan Mahoney, on 25 March 2024
Michelmersh Brick Holdings PLC
Registered in England and Wales No: 03462378

CHAIR'S INTRODUCTION

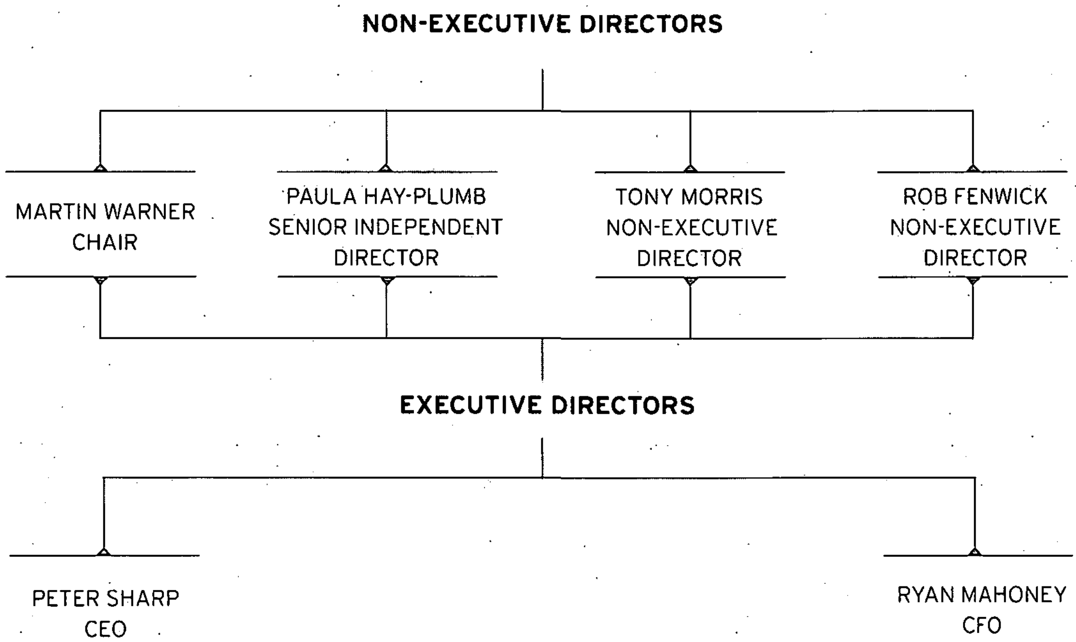
I am pleased to present the Company's Corporate Governance Statement. The Board is committed to our undertaking at all times "to act as a responsible corporate citizen", and to demonstrating that commitment at Board level by supporting the application of high standards of corporate governance. This *section of the Annual Report describes our governance framework, and our approach to ensuring good* corporate governance throughout the Group.

The Company has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), and the Board of Directors, continues to believe that this is the most appropriate corporate governance code for us as an AIM listed company. The Company supports all 10 principles of the QCA Code and applies these principles in its operations through the Board, and the following report is set out under headings showing how the Company has applied those 10 broad principles of the Code. The report should be read in conjunction our Section 172 statement on page 43, which describes how the Board has considered the factors set out in Section 172 of the Companies Act (including stakeholder interests and long-term consequences) in its decision making.

Through our employees, the Group acts fairly, openly, professionally and politely towards all stakeholders in all areas of activity. We always seek to provide the highest quality products and services, to protect the environment and to act ethically in all aspects of the business. In this way, business risk should be minimised, stakeholders can trust the Company and its employees are protected. It is expected that this approach will generate reciprocal attitudes from customers, suppliers, investors and employees.

MARTIN WARNER
Chair
25 March 2024

BOARD OF DIRECTORS



DIRECTORS' BIOGRAPHIES

MARTIN WARNER, CHAIR

Martin Warner formed Michelmersh with the former Chair Eric Gadsden in 1997 and has served as Chief Executive and subsequently Non-Executive Chair from May 2017. Martin is a Fellow of the Royal Institute of Chartered Surveyors and is Chair of the Brick Development Association. He is a Non-Executive Director of Aberforth Smaller Companies Trust plc.

PAULA HAY-PLUMB, SENIOR INDEPENDENT DIRECTOR

Paula has extensive directorship experience and has sat on the Board of a number of prominent organisations in the property sector. Paula is a Trustee of Calthorpe Estates and a Trustee of the Mineworkers' Pension Scheme. Until recently Paula was on the Board at The Crown Estate and Oxford University Hospitals NHS Foundation Trust. In her executive career, Paula was Corporate Finance and Group Reporting Director at Marks & Spencer Plc, and Chief Executive of national regeneration agency English Partnerships. Paula is a Chartered Accountant (FCA) and is a Fellow of the Association of Corporate Treasurers.

TONY MORRIS, INDEPENDENT NON-EXECUTIVE DIRECTOR

Tony joined Michelmersh as Non-Executive Director in November 2020. He is the Co-Founder and a Director of Tessera Investment Management, a strategic advisory firm offering specialist transaction support to organisations undertaking corporate development activity. Prior to Tessera, Tony spent four years in the investment team at Marwyn Capital, an investment firm, having previously started his career within Leveraged Finance at Barclays Bank. Tony has significant experience as principal and advisor in M&A, and equity capital markets. Tony was also formerly a Non-Executive Director of Summerway Capital Plc.

ROB FENWICK, INDEPENDENT NON-EXECUTIVE DIRECTOR

Rob has extensive operational experience, having spent 20 years with Howden Joinery Group plc and a further 20 years in automotive, FMCG and other industry sectors.

Rob is also a Non-Executive Director of Andrew Marr International Ltd and Kronospan Holdings Ltd. Rob is a Chartered Engineer and Fellow of the Institution of Mechanical Engineers.

PETER SHARP, CHIEF EXECUTIVE OFFICER

Peter Sharp has been in the industry for over 35 years including 20 years with Michelmersh and 14 years with Ibstock Brick holding various senior positions. He is a Fellow of the Institute of Quarrying and a Member of the Institute of Directors. Peter is also on the Management Committee of Ceramics UK and is a Director of the Brick Development Association. He serves as Chair and Trustee for the Institute of Clay Workers Benevolent Fund and is a Trustee of the Institute of Clay Technology Education and Training Trust. He joined the Board in May 2011 and became Joint Chief Executive on 1 January 2016.

RYAN MAHONEY, CHIEF FINANCIAL OFFICER

Ryan was appointed as Chief Financial Officer on 3 June 2021. Prior to joining the Company, he was previously Deputy Chief Financial Officer of Avon Rubber, the FTSE 250 defence engineering and manufacturing group, from April 2018. Prior to that Ryan had been Group Financial Controller for Unite Students, the FTSE 250 property group, from November 2015 having previously held other senior finance roles within the business. Ryan is a qualified Chartered Accountant and prior to joining Unite, Ryan worked for KPMG in both audit and advisory roles.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2023, and up to the date of this report, the Company has applied the 2018 QCA Corporate Governance Code (the "Code"). Full details of how we have complied fully with the Code throughout the year are provided below.

STRATEGY AND BUSINESS MODEL

Principle 1 of the Code requires that companies establish a strategy and business model which promote long-term value for shareholders. Our strategy and business model, including the key challenges in their execution, are set out in the Strategic Report on pages 46 to 53.

The Board regularly discusses the Group's long-term goals, with maximising shareholder value at the core of those goals, and ensures that a business plan aligned to the delivery of the strategy is in place, and is executed effectively by the Executive Directors. A robust structure of targets, key performance indicators and internal measurement is set by the Board. This ensures delivery of a clearly defined and agreed set of sales, market & business objectives. The Board and a sub-board of senior managers continually monitor these objectives to ensure they are met by the collective teams with the Group.

The Board meets at least five times a year to review the Group's performance and revised forecasts to discuss strategy and to ensure the business is on track to achieve its stated goals.

SHAREHOLDER RELATIONS

Principle 2 of the Code provides that the Board should seek to understand and meet the needs and expectations of shareholders. The Board recognises the importance of creating a clear flow of communication with all shareholders and the investment community.

The key opportunity for engagement with shareholders, potential shareholders and analysts is on the announcement of the full year and interim results. The Executives make presentations of those results, and feedback from the recipients of the presentations is shared with the Board ensuring that the Non-Executives are appraised of the views of major shareholders.

There is regular dialogue between the Executive Directors and the Company's brokers, including in respect of shareholder views, and an "Investor" email address is provided on our website through which shareholders can make contact with the Board. The Chair is available to shareholders if they have concerns that contact through the normal channels of communication to the Executives are inappropriate.

The AGM is an opportunity for shareholders to meet and put questions to the Board and Chairs of the Board Committees, and we look forward to inviting shareholders to attend the AGM this year. We will welcome questions submitted by shareholders on the day of the AGM, and endeavour to publish responses to such questions on the Company's website. Full details of our AGM arrangements are contained in the Notice of AGM.

OUR STAKEHOLDERS

Principle 3 of the Code, the Company should take into account wider stakeholder and social responsibilities and their implications for long-term success. The Board recognises the fundamental importance of stakeholders other than investors and their contribution to the long-term sustainable success of the business and therefore to ensuring their needs are met. Feedback from our stakeholders allows the Board to monitor the Company's corporate culture, as well as the ethical values and behaviours within the business.

We consider our key stakeholders, other than our shareholders, to be our customers, staff, suppliers, the communities we operate in, and the environment. Further details of our stakeholders, methods of engagement with them as well as examples of stakeholder considerations in certain key Board decisions during the year can be found as part of the Section 172 Statement within the Strategic Report on page 45.

Our customers

The Group aims to deal ethically and honestly with customers, building long-term relationships by delivering high quality, value and excellent customer service. Ongoing positive engagement with customers, distribution and stakeholders is at the forefront of the Board's retail strategy. The strategy is constantly monitored. The Group distribution aims are clearly set out within the Approved Distributors Trading Policy and Terms of Business.

Quarterly and annual objectives are set in consultation with our key accounts and relevant buying groups. Objectives, performance and targets are regularly reviewed with call reports monitored by the Sales Directors. This is complemented by strong analytical data.
The volume of orders, quality of service and products made are monitored and recorded as a matter of course on a daily basis. Value and a strong process is at the forefront of the Group offering. A culture of open dialogue combined with strong customer relationships help to assess where the Group can make ongoing improvements in key areas for our customers and end users.

Key account review meetings are held throughout the year (attended when appropriate by a Board Director) where issues and performance are monitored, feedback received and follow up action can be taken if required.

Our employees

The Board is dedicated to positive employee engagement; safety, well-being, training, security and progression are at the forefront of the business ethos. The well-being of employees is addressed through training and health and safety management as a preventative process, and regular updates are provided to the Board. The Human Resources department oversees schemes to support employees through a range of medical and supportive facilities, including stress management, legal and social well-being helplines, along with a robust pension and life insurance cover package that provides financial support for the long term.

The Group seeks to align the interests of employees with the success of the Company through a range of share incentive schemes, including all employee sharesave schemes and, for senior staff, nil-cost option awards under the Group's Long-Term Incentive Plan ("LTIP").

The Company ensures that it complies with the requirements of the Immigration Act, anti-bribery and equality legislation and takes appropriate steps to ensure all senior staff are aware of their responsibilities and is committed to maintaining the highest standards for all business activities and ensuring these standards are set out in written policies.

Our suppliers

The Group holds a diverse database of more than 2,500 suppliers, typically 30% of these will be engaged with annually. We strive to honour our payment term obligations and make a mid-month payment run as well as the monthly payments to ensure supplier terms are met. Our payment practices and reporting are in accordance with the recently implemented regulations and are published on the Government's website. By adopting responsible sourcing and sustainable resource and energy planning, we minimise waste and ensure the efficient use of energy, resources, water and raw materials. Energy performance is a key factor in the design, purchase and operation of equipment, vehicles and services.

Our community

Michelmersh is committed to supporting the communities in which we operate, including providing financial support to registered local and national charities and youth sport. The main charitable budget is allocated at Head office under the direction of the Group's Charity Committee and approved by the Board. This comprises of both small donations to local charities, across the Group's areas of operation, as well as larger donations to national charities that the Group may choose to support each year. The Board is particularly keen to support charities with which our employees are personally involved, and the aim is to support causes which can make a real difference to local communities across the country.

The Group is also committed to helping meet the future needs of the construction industry. Education has become a key part of the Group's culture and Board focus. The Group supports education in a number of ways, including student sponsorship, material donations, technical resources, and (where appropriate) providing funds through the Charity Committee.

The environment

The Board is fully committed to the protection of the environment, biodiversity, ecosystems and minimisation of pollution. We ensure compliance with all legal, regulatory and other obligations, have established procedures to ensure any breaches are reported transparently, and monitor, control and report our relevant greenhouse gas emissions in line with our regulated targets.

More information on the actions we take to mitigate our environmental impact and to ensure the sustainability of our business are set out in the ESG Strategy section of the Annual Report on pages 22 to 41.

RISK MANAGEMENT

Principle 4 of the Code requires that the Board ensures that effective risk management, including the consideration of both opportunities and threats, is embedded throughout the Group. The Board has an established risk register which is reviewed at each quarterly Board meeting. Key risks to the business, as well as controls and mitigating factors, have been identified, and the risks are categorised according to likelihood and impact. This allows the Board to assess the effectiveness of controls, and monitor emerging and changing risks on an ongoing basis.

The risk register is reviewed and updated regularly with key personnel across the business, and the Group's open management structure ensures free communication of risk throughout the organisation.

Further information on the key risks faced by the business is set out on page 46 to 53 of the Strategic Report.

THE BOARD

Principle 5 of the Code requires that the Board is maintained as a well-functioning, balanced team led by the Chair.

Our Chair, Martin Warner, is responsible for leading the Board which also currently comprises two Executive Directors (Peter Sharp, the Chief Executive Officer, and Ryan Mahoney, the Chief Financial Officer) and three independent Non-Executive Directors (Paula Hay-Plumb, Tony Morris and Rob Fenwick).

A summary of the roles and responsibilities of each Director are set out on the next page:

Chair:

The Chair is responsible for the leadership of the Board, ensuring its overall effectiveness through overseeing high standards of corporate governance, and allowing stakeholder views to be incorporated as part of the Board's decision making. The Chair's role is also to build collaborative relationships, and promote debate and openness so as to ensure the effective contribution by all Directors and Non-Executive Directors.

Chief Executive Officer:

The Chief Executive Officer ("CEO") is responsible for the daily operation and running of the business of the Group, supported by the management team. The CEO also leads the development and implementation of the strategy and business plan, maintains effective working relationships with the Chair and NEDs, whilst providing leadership in the Company's commitment to its purpose, high business standards, culture and core values, and communication with key stakeholders.

Chief Financial Officer:

The Chief Financial Officer is responsible for helping to drive the direction and success of the Group using his knowledge and understanding of the financial position of the Company, as well as the requirements of the shareholders and market. The Chief Financial Officer ensures rigorous financial discipline whilst developing and delivering the strategic financial objectives agreed with the Board.

Non-Executive Directors:

The Non-Executive Director role is to bring external perspective, independent judgement and objectivity to the Board's decision making and discussion. The Non-Executive Directors bring a range of skills, expertise and knowledge to the Board, and constructively challenge the Executive management of the Company. The Non-Executive Directors are responsible for a range of activities, including monitoring the performance of the Executive Management, determining appropriate levels of remuneration, ensuring financial controls and risk management systems are robust, as well as challenging and supporting Executive Management in the development of the strategy and objectives of the Company. Following a review of the membership of the Board it was agreed that there was an appropriate mix of Executive and Non-Executive Directors, and that Paula Hay-Plumb, Tony Morris and Rob Fenwick continue to be considered independent.

The Non-Executives are committed to devoting adequate time to the business to discharge their responsibilities effectively. As set out in their appointment letters they are required to attend scheduled Board and Committee meetings, and to become more involved for periodic special activity if required. Before accepting any additional commitments that might affect the time that they devote to their roles as Non-Executive Directors of the Company, they must obtain agreement from the Board first.

There were five formally scheduled Board meetings during the year, with additional ad-hoc meetings convened when required.

Attendance at the formally scheduled Board and Committee meetings during the year was as follows:

Director	Board Meetings (5 Meetings)	Audit Committee (3 Meetings)	Remuneration Committee (3 Meetings)	Nominations Committee (2 Meetings)
M Warner	5/5	N/A	2/2	2/2
F Hanna	5/5	N/A	N/A	N/A
P Sharp	5/5	N/A	N/A	N/A
P Hay-Plumb	5/5	3/3	2/2	2/2
T Morris	5/5	3/3	2/2	2/2
R Mahoney	5/5	N/A	N/A	N/A
R Fenwick *	2/2	1/1	1/1	1/1

* Robert Fenwick was appointed to the Board on 1 August 2023 and has attended all Board and Committee meetings since his appointment.

Outside the formal meetings, the Chair meets regularly with each of the Executives individually, promotes an open and constructive environment in the boardroom and actively invites the Non-Executives to express their views. The Non-Executives provide objective, rigorous and constructive challenge to management and hold meetings at which the Executive Directors are not present.

At each Board meeting, the Executives report on financial and operational performance along with upcoming expectations and strategic opportunities. The Non-Executives review the Executives' reports with a balanced view against the Company's business and risk model.

The Board periodically invites the Company's Joint Brokers and legal advisor to address Board meetings to provide comment on current market issues and specific developments. The Company Secretary coordinates internal procedures that relate to corporate governance issues and provide independent guidance to individual Board members.

DIRECTORS' EXPERIENCE, SKILLS AND CAPABILITIES

Principle 6 of the Code provides that between them the Directors should have the necessary up to date experience, skills and capabilities.

Our Chair and Executive Directors have extensive experience in the brick industry, and our Non-Executive Directors have broad experience in relevant sectors (including property, governance, finance and M&A), and Board level experience in the listed company environment, as highlighted in their biographies on page 56. The Board is satisfied that the composition of the Board and its Committees provides an appropriate balance of skills, experience, independence and knowledge.

Each Director maintains and updates their skillset by attending technical briefings from industry forums, and attends seminars and training offered by accounting, legal and financial organisations. These are augmented by interaction with the Company's professional advisors including legal, audit and tax, Nominated Advisor and Registrar. The Executives regularly attend meetings with the brick and ceramic trade body, government departments, the unions and industry regulators, covering a wide range of operational and business subjects.

BOARD PERFORMANCE EVALUATIONS AND SUCCESSION PLANNING

Principle 7 of the Code requires that the Board and Committees evaluate their own performance and seek continuous improvement.

As part of the process for monitoring Board performance, the Non-Executives meet to discuss and assess the performance of the Executives, and the Senior Independent Director facilitates a performance review to appraise the performance of the Chair save in a year where the Chair is retiring.

At the end of the year, the Board also undertook a formal review of Board and Committee performance. Questionnaires for the Board and each of its Committees comprised of questions covering Board and Committee effectiveness, leadership, strategy, composition, diversity, skills and processes. These were circulated to all Directors to complete, and the results were collated by the Company Secretary with a summary report tabled to the Board for discussion at its meeting in February 2024. It was very pleasing that the responses recognised that the relationships had developed over the last 12 months and the universal view was that the Board is operating effectively.

During the year, the Board discussed succession planning for both the Non-Executive Directors and the Executive Directors. The Board understands that this is a vital task so as to ensure that they are able to support the Company in its long-term goals and strategy. The composition of the Board and its Committees is reviewed on an annual basis. The membership of the Board was considered and it was agreed that the current composition of the Board and its Committees was appropriate. The Company's Articles of Association require that any Director who has been in office for three years or more since their last election or re-election by shareholders must retire and, being eligible, may stand for re-election at the AGM. Despite this, it has been agreed by the Board that all Directors will stand for election or re-election at the 2024 AGM, and, as announced on 1 August 2023, Martin Warner shall retire as Chair from the Board.

Nominations Committee

The Nominations Committee reviews the structure and constitution of the Board and plans for succession issues. The balance of the Board is kept under regular review and, following changes to Board composition over the last 12 months, the Nominations Committee has agreed that the current composition of the Board and its Committees is appropriate. The Committee is mindful that the Board does not currently comply with developing guidance on diversity, and will ensure that diversity considerations are included as part of future Board appointment processes.

The Nominations Committee also ensures that newly appointed Non-Executive Directors undergo a comprehensive induction programme. On 1 August 2023 Rob Fenwick joined the Board as a Non-Executive Director and as part of his induction he met with each of the other Board members as well as the Company's Nominated Advisor and Broker, as well as undertaking a full tour of the Group's UK manufacturing facilities, alongside meeting the Company's senior leaders.

CORPORATE CULTURE

Principle 8 of the Code requires that the Company promotes a corporate culture that is based on ethical values and behaviours. The Group undertakes to at all times act as a responsible corporate citizen. Through our employees, we aim to act fairly, openly, professionally and politely with all stakeholders in all areas of activity. We seek to provide the highest quality products and services, to protect the environment and to act ethically in all aspects of the business. In this way, business risk should be minimised, stakeholders can trust the Company and its employees are protected.

The Company ensures that it complies with all relevant legislation (including the Immigration Act, Bribery Act and equality legislation) and takes appropriate steps to ensure staff are aware of their responsibilities. We are committed to maintaining the highest standards for all business activities and ensuring that these standards are set out in written policies.

Feedback from stakeholders (in particular employees, customers and suppliers) allows the Board to monitor the Company's corporate culture, as well as the ethical values and behaviours within the business, and the Non-Executive Directors further test the extent to which this culture is embedded across the organisation in their interactions with employees during site visits.

GOVERNANCE STRUCTURE

Principle 9 of the Code requires that the Company maintains governance structures and processes that are fit for purpose and support good decision making by the Board.

The Chair is responsible for effectively leading the Board and ensuring that the Group's corporate governance framework is appropriate and effective. The Board has adopted the Code as a guide by which to measure its corporate governance procedures, and regularly reviews all aspects of its corporate governance policies and procedures. Each of the Committees' terms of reference and the schedule of matters reserved for the Board were reviewed during the year by the Board, with minor updates approved.

The schedule of matters reserved for the Board includes:
- Approval of the Group's long-term objectives and commercial strategy
- Budget and forecast adoption
- Approval of annual and interim accounts
- Acquisitions and disposals
- Capital projects
- Dividend policy
- Share issues
- Appointment and removal of professional advisors.

Details of the roles and responsibilities of the Chair, Chief Executive Officer, Chief Financial Officer and Non-Executive Directors are described on the Company's website, along with the terms of reference of the Committees. The Company's Corporate Governance Statement, setting out how it has applied the principles of the Code, is also available on the website: (www.mbhplc.co.uk/investor-relations/corporate-governance).

BOARD COMMITTEES

Principle 10 of the Code requires the Company to communicate how it is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. There are three Board Committees: the Audit Committee, the Remuneration Committee and the Nominations Committee. The Remuneration and Audit Committees each meet as required but at least twice a year; and the Nominations Committee meets at least once a year. More information on the activities of the Audit Committee and Remuneration Committee is set out in their respective reports. Each of the Committees has formal terms of reference, in line with corporate guidelines, and reports back to the Board and to shareholders through the Annual Report as a matter of course. A separate report from the Audit Committee and the Remuneration Committee can be found in the Corporate Governance section.

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2023.

MAIN RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee has delegated authority from the Board set out in its written terms of reference, which are available at www.mbhplc.co.uk/corporate-governance.

The key responsibilities of the Audit Committee are:

- to advise the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is true and fair and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to provide effective governance over the integrity of the Group's financial reporting and review the significant financial reporting judgements;
- to monitor the effectiveness of the Group's internal controls and risk management systems;
- to oversee the relationship with the external auditor, monitor the external auditor's objectivity and independence and make recommendations to the Board in relation to the reappointment of the external auditor; and
- to review the adequacy of the Company's whistleblowing arrangements and ensure they allow appropriate investigation of any matters raised.

MEMBERS OF THE AUDIT COMMITTEE

The members of the Committee are Paula Hay-Plumb (Chair), Tony Morris and Rob Fenwick who are all independent Non-Executive Directors. The Board considers that the members of the Committee, individually and as a whole, have sufficient recent and relevant financial and commercial experience to discharge its function.

ACTIVITIES DURING THE YEAR

The Audit Committee met on three occasions during 2023, and once following the year end to consider the annual financial statements. Attendance at the meetings held during the year is set out in the Corporate Governance statement on page 61.
During the year the Audit Committee discharged its responsibilities by:

- annual and interim financial statements: Reviewing the full year and interim financial statements, including consideration of significant audit risks identified by the external auditor, and the key accounting judgements and estimates (see further details on page 65). The Committee also reviewed the principal risks and uncertainties disclosures;
- external auditor: approving the external auditor's plan for the audit of the Group's annual financial statements, including the key audit matters and key risks, and confirming the auditor's independence and terms of engagement (including fees) and recommending the external auditor's reappointment;
- accounting policies: considering the appropriateness of accounting policies and practices, in particular the presentation of adjusted performance measures;
- dividends: reviewing management's proposals relating to the interim and final dividends, including confirming that the proposed amounts were supported by the Company's distributable reserves;
- risk management and internal control systems: reviewing the Group's internal control and risk management framework, and challenging management on the effectiveness of those controls (see further details below);
- committee governance: reviewing its terms of reference, and reviewing its own performance by way of a formal questionnaire completed by all regular attendees; and
- whistleblowing: continuing the oversight of the Group's whistleblowing policies and procedures. The Committee was able to recommend to the Board that the whistleblowing procedures and policies are appropriate and well embedded in the business.

The Committee reviewed the financial statements, with particular attention to accounting policies and areas of judgement. The key matters considered by the Committee in respect of the year ended 31 December 2023 are set out in the table below:

EXTERNAL AUDITORS

Significant issues and judgements	How the issues were addressed
Property valuations - the Group's principal assets are tangible assets including a significant element of land and buildings. The valuation of the tangible assets involves significant judgement and changes in the underlying valuation assumptions could have a significant impact on the carrying value of the assets.	The Committee reviewed a report outlining the key issues and detailing the valuation process and the assumptions and methodology, and was satisfied that this had resulted in an effective valuation and that disclosures were appropriate and concurred with management that carrying values were appropriate. There were no inconsistencies or misstatements that were material in the context of the financial statements as a whole.
Intangible asset valuation and impairment - the valuation of intangible assets, including the determination of CGU, involves significant judgement and changes in the underlying assumptions could have a significant impact on the carrying value of these assets. The Group's intangible assets are the result of acquisitions and are classified under two categories: goodwill and acquired intangibles.	The Group assesses whether goodwill and intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating unit to which the intangible assets are allocated. For the purposes of assessing impairment, assets are grouped at their lowest levels for which there are currently separately identifiable cash flows (cash generating units "CGU"). The Directors consider that at the year end the Group operates one CGU given the speed of integration of FabSpeed into the broader group following the acquisition in November 2022, but recognise the judgement involved in this regard. As such, the Group have also tested for impairment considering FabSpeed as a separate CGU to verify there was no impairment requirement. This assessment involves estimation of future cash flows, estimating a growth rate for extrapolation purposes and choosing a suitable discount rate leveraging from the weighted average cost of capital and useful lives. The Committee reviewed a report outlining the key issues and detailing the valuation process and assumptions, including the intangible assets within the Group. The Committee also discussed management's assessment of the applicable life of the intangible assets and any changes in circumstances that might impact their value, and was satisfied that this had resulted in an effective valuation and that disclosures were appropriate. There were no inconsistencies or misstatements that were material in the context of the financial statements as a whole.
Going concern.	The Committee reviewed the forecast cash flows of the Group, together with existing and potential funding facilities, and examined underlying risks and sensitivities. The Committee was satisfied that the financial statements should be prepared on a going concern basis. There were no reported inconsistencies or misstatements that were material in the context of preparing the financial statements on a going concern basis.

The Audit Committee oversees the relationship with the external auditor CLA Evelyn Partners Limited, to ensure that auditor independence and objectivity are maintained, and this includes monitoring the nature and extent of any non-audit services that the external auditor is engaged to provide. The breakdown of fees for audit and non-audit work paid to CLA Evelyn Partners Limited during 2023 is set out in note 10 to the financial statements on page 98.

At the outset of the audit process, the Committee receives from the auditors a detailed audit plan, identifying their assessment of the key audit risks and their intended areas of focus. The Committee also reviews the effectiveness of the external process on an annual basis, including considering the views of both the external audit team, and the CFO and finance team, as well as assessing the Committee's own interactions with the external auditor. The Committee reviewed the effectiveness of the 2022 year-end audit process during the year, and concluded that it was effective. It will review the 2023 year-end audit process during the course of 2024.

The Committee has recommended to the Board that CLA Evelyn Partners Limited be reappointed as the external auditors, and a resolution for their reappointment will be proposed at the 2024 Annual General Meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound internal control and risk management systems and has delegated to the Committee responsibility for monitoring their effectiveness. The Group risk register and principal risks are regularly reviewed by the Board together with mitigating actions, which aim to provide reasonable, but not absolute, assurance against material misstatement or loss. The key features of the internal control systems in place are:

- a Group organisational structure with clear lines of responsibility;
- detailed business planning procedures, including the annual preparation of detailed budgets for the year ahead and projections for future years;
- weekly review meetings between the Executive Directors focused on KPIs and significant business matters and the risk landscape;
- comprehensive daily, weekly and monthly financial reporting systems, highlighting operational performance against agreed budgets and setting out regularly updated forecasts;
- monthly Group management accounts packs prepared by the Executive Directors, and circulated to the Board;
- monthly balance sheet reviews by the Finance Director;
- monthly reviews by the Finance Director and CFO of the journal report; and
- regular review of the detailed risk register and principal risks ongoing assessment of risk levels and the effectiveness of mitigating actions or controls.

The Committee has discussed and challenged the internal controls framework during the year, and received detailed updates from the CFO on developments to continually strengthen and improve the framework. Activity during the year has included:

- a full review of the Delegated Authority Matrix (which was reviewed by the Audit Committee and approved by the Board). In support of the review of the matrix, management conducted a review of underlying processes, including customer approval and credit control, purchase ledger control and payment approval process, stock control and valuation and bank controls;
- monitoring the continued integration of the FabSpeed operations with the wider group, including the completion of moving all back office financial support into the Group structures, systems and processes; and
- challenging management to continue to develop the internal controls framework, ensuring that all relevant controls are appropriately documented and that a detailed Risk & Controls Matrix is fully embedded.

WHISTLEBLOWING

The Committee reviews the whistleblowing policy which the Group has in place to set out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

ANTI-BRIBERY & CORRUPTION POLICY

The Committee also reviewed the Group's Anti-Bribery & Corruption Policy during the year, and agreed to changes to provide greater clarity to employees with regards to the definition of bribery, our zero tolerance approach to bribery, as well as providing greater clarity on the value of appropriate gifts and hospitality.

PAULA HAY-PLUMB
Audit Committee Chair
25 March 2024

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present our Remuneration Committee Report for the financial year ended 31 December 2023.

The report summarises our approach to Director remuneration, the remuneration paid to the Directors with respect to the year under review, and indicates how remuneration will operate in 2024.

The principles underlying our remuneration policy remain in line with prior period. Specifically, our remuneration policy aims to:

- attract, retain, motivate and develop the best talent and align the interests of Group employees (including the Executive Directors) to the strategic goals of the Group and the long-term interests of our shareholders;
- support a culture of high achievement and delivery of performance;
- reward without incentivising the taking of unnecessary risks; and
- present as transparent and understandable.

MEMBERS OF THE REMUNERATION COMMITTEE (THE "COMMITTEE")

The members of the Committee are Paula Hay-Plumb, Martin Warner, Rob Fenwick and me (as Chair). Paula Hay-Plumb, Rob Fenwick and I are considered independent Directors by the Board.

The QCA Corporate Governance Code notes that members of a remuneration committee should be independent. Although Martin Warner is not considered independent by the Board of this Committee (due to his previous executive roles with the business and significant shareholding), the Committee believes it is both appropriate and beneficial to the Company and shareholders that he remains a member of the Committee. This view reflects both Martin's significant knowledge and experience in our business and the brick making industry as a whole.

DUTIES AND RESPONSIBILITIES

The responsibilities of the Remuneration Committee are set out in its terms of reference which are available at www.mbhplc.co.uk/investor-relations/corporate-governance and are reviewed annually. The Committee's core responsibilities include:

- determining the policy for the remuneration of the Executive Directors and other key members of senior management;
- determining the policy for remuneration of the Chair of the Board;
- recommending the total remuneration packages (including bonus payments, long-term incentive awards, and outturns as applicable) for the Executive Directors and Chair of the Board;
- ensuring that no Director or senior manager is involved in any decisions as to their own remuneration (the Chair recuses himself from meetings of the Committee at which his remuneration is discussed, and Non-Executive Director remuneration is determined by the Board); and
- ensuring that remuneration policies and practices support the long-term strategy of the Company and effective risk management.

The Committee meets at least twice annually, and met formally on two occasions during 2023. All Committee members attended each meeting that they were invited to attend, and attendance is set out in the table in the Corporate Governance Statement on page 61.

KEY REMUNERATION DECISIONS

The Committee considered, and amongst other items, made proposals and recommendations in respect of the following matters:

Base salaries	• Performed an annual Executive Director remuneration benchmarking exercise supported by a specialist third-party remuneration advisor • Approved a 20% increase in base salaries for Peter Sharp and Ryan Mahoney as CEO and CFO respectively with effect from 1 January 2024 as a result of their changed and expanded roles following conclusion of an orderly handover of duties from exiting former Joint CEO Frank Hanna
Bonus outturn	• Approved the 2023 bonus outturn for the Executive Directors based on the Group's financial performance for the financial year ended 31 December 2023 • Implemented a new Executive Director Bonus Plan ("EDBP") to commence in 2024 to replace the Group's Perpetual Bonus Scheme ("PBS")

Pensions	• Aligned the gross value of the Chief Executive Officer's pension contributions made by the Company • Improved alignment between the pension contributions and benefits made by the Company to Peter Sharp CEO and Ryan Mahoney CFO as the continuing Executive Directors of the Group
Share plans and awards	• Approved an options grant to senior employees of the Group • Approved the annual option grants to the Executive Directors of the Group under the 2022 LTIP • Agreed the application of "good leaver status" to Frank Hanna as departing Joint CEO with regards to his outstanding options issued under the 2017 LTIP and 2022 LTIP
Other	• Reviewed the outcome of the Committee's evaluation of its own performance during the year • Reviewed and recommended updates to the terms of reference of the Committee • Considered Executive Director remuneration (and the application of the remuneration policy) in 2024 • Considered the Chair of the Board remuneration (and the application of the remuneration policy) and resolved to apply the wider Group workforce pay rise of 5% to the Chair's annual fee • Reviewed and approved the Committee report in the 2023 Annual Report and Accounts

EXECUTIVE DIRECTOR BONUS PLAN ("EDBP")

In 2023, the Committee worked with its specialist third-party remuneration advisors to design a new annual bonus plan for the Executive Directors. This was done in order to replace the Group's PBS, which had been operating from 2017 through to 2023, and in doing so, create an annual bonus plan with closer alignment to industry standard practices with regards to Executive Director remuneration, and the broadening of performance metrics away from a single profit measure, which are also better linked to the delivery of corporate strategy. A summary of the key aspects of the EDBP are provided below:

EDBP performance metrics	Allocation	Threshold	On target	Maximum
Adjusted EBITDA	26.7%	90%	100%	110%
Payout		-	50%	100%
Adjusted PBT	26.7%	90%	100%	110%
Payout		-	50%	100%
Cash conversion	26.7%	90%	100%	110%
Payout		-	50%	100%
Corporate and personal objectives	20.0%			
Payout			Committee discretion	
Total	100.0%			
Payout cap (as a percentage of base salary)				100.0%

The EDBP operates with an overall bonus cap which shall continue to be set at 100% of an Executive Directors' base salary. Under the EDBP, at least 80% of any bonus payout is linked to the delivery of financial metrics. Under this component of performance, bonus is only earned by delivering greater than 90% of plan, with on target performance resulting in a 50% payout. For an Executive Director to achieve the maximum bonus cap of 100% of base salary, they would need to deliver an outperformance to plan of at least 10%, and deliver all of their corporate and personal objectives. Bonus vesting is straight line between threshold and max payout levels.

LONG-TERM INCENTIVE PLANS

2022 LTIP

During the year, the Committee continue to operate the 2022 LTIP, which was designed in order to create a long-term incentivisation structure which has closer alignment to industry standard practices with regards to frequency of Executive Director awards, performance measurement, retention and Executive Director incentivisation linked to the delivery of corporate strategy.

A summary of the key terms of the 2022 LTIP are provided in the table to the right:

Frequency of award	Annually at the discretion of the Committee
Awards	Nil-cost options equivalent to 125% of base salary
Performance period and vesting	Awards vest after three years based on the delivery of financial, operational and strategic performance over a three year period from the year of grant
Performance metrics	For 2023 and 2024 awards: • *Delivery of EPS growth (65% weighting)* • Total Shareholder Return Performance when benchmarked against a UK industry peer group (25% weighting) • Delivery of ESG strategy and performance objectives (10% weighting) The Committee has discretion to amend these terms to ensure that any performance targets remain appropriate
Other	Awards are subject to: • good leaver, malus and claw back provisions; • two year post vesting hold conditions (save for those shares sold to settle tax liabilities arising on exercise); • two year post employment hold conditions; • dividend equivalents; and • pro rated accelerated vesting on a change of control.

2023 PERFORMANCE

The challenging trading conditions faced by the Group, and industry as a whole in 2022 continued into 2023, whereby the construction sector suffered signification contraction due to higher inflation and rising interest rates that combined to dampen consumer demand. Through careful and considered management of these inflation risks, and the maintenance of a broad customer base across multiple end markets, the Group has been able to deliver an exceptionally strong set of results for the financial year ended 31 December 2023 both in absolute terms, and relative to its wider industry peer group by outperforming market expectations.

Revenue in the period was up 13.0% on the prior year, with reported profit before tax increasing by 8.8% and Adjusted EBITDA also up 6.6%. Cash flow from operations in the period also meant the Group finished the year with net cash of £11 million. The Company's £20 million committed banking facilities with HSBC remain undrawn, which unpins the financial resilience and strategic optionality for the Group.

As a result of this performance, the Company has been able to announce a full year dividend of 4.5 pence per share, up 6% on 2023, *demonstrating the Company's commitment to its progressive dividend policy.*

DIRECTORS' REMUNERATION

The total remuneration earned by each of the Directors who served during the year is set out in the table below:

	Basic Salary 2023 £'000	Annual Bonus 2023 £'000	Other Benefits 2023 £'000	Pension 2023 £'000	Total Emoluments 2023 £'000	Total Emoluments 2022[2] £'000
MR Warner	106	-	1	-	107	101
P Hay-Plumb	48	-	-	-	48	44
A Morris	44	-	-	-	44	40
R Fenwick *	17	-	-	-	17	-
FJ Hanna [1]	265	185	33	22	505	572
PN Sharp [1]	265	185	30	22	502	548
RM Mahoney	207	147	20	6	380	409
	952	517	83	50	1,603	1,714

Total emoluments including cash settled options and employer's NI amounted to £3,596,000 (2022: £1,941,000).
* Robert Fenwick was appointed to the Board on 1 August 2023.
[1] FJ Hanna and PN Sharp also received a cash settlement of £790,000 respectively, due to cancelled share options.
[2] Prior year figures have been restated on a comparable basis to include bonuses accrued. Total 2022 emoluments previously shown as £1,633,000.

OTHER BENEFITS

Other benefits include motor expenses, medical cover and sundry benefits.

PENSION

Peter Sharp is a member of the Michelmersh Group Pension Scheme and the Company contributed 5% of his salary and bonus.

Frank Hanna opted out of the Michelmersh Group Pension Scheme and instead the Company paid Frank a cash amount equivalent to 5% of his base salary and bonus, which was processed monthly through PAYE.

Ryan Mahoney has also opted out of the Michelmersh Group Pension Scheme and instead the Company paid Ryan a cash amount equivalent to 3% of his base salary, which was processed monthly through PAYE.

PERPETUAL BONUS SCHEME ("PBS")

2023 was the final year in which the PBS operated and as detailed on page 72, has been replaced for 2024 by the Group's new EDBP.

In order for the Executive Directors to trigger a bonus payout under the PBS, the Group is required to deliver an audited profit before tax at least in line with its internal budget for the financial year of performance as approved by the Board. If budgeted profit before tax is achieved, the Executive Directors will each be entitled to a bonus equivalent to 50% of base salary.

For the Executive Directors to achieve a bonus in excess of 50% of base salary, the Company must outperform the Board approved profit before tax budget for the year of performance, subject always to a bonus payout cap equivalent to 100% of base salary for each Executive Director.

For 2023, the Group delivered a reported profit before tax of £12.5 million, which was up 8.8% on 2022. As a result, the Executive Directors achieved a PBS equivalent to 57% of base salary. Given the prevailing industry headwinds the Group faced during 2023, including a 30% decline in construction activity, and associated adverse impact on brick dispatches, the performance in absolute terms, and relative to the Group's wider peer set, has been exceptionally resilient. The Committee has therefore exercised its discretion to increase the PBS award by 13 percentage points to 70% of base salary to take into account this outperformance across key performance metrics. This discretionary PBS award increase amounted to approximately £32,000 per Executive Director.

LONG-TERM INCENTIVE PLAN

2017 LTIP summary

The options disclosed in the table below reflect the options under the 2017 LTIP (which initially included two awards made in 2017 and in 2019 (2017 LTIP Tranche and 2019 LTIP Tranche)). At the period end, only the 2019 Tranche remained outstanding, and the table below shows those that have accrued based on EPS performance in each year from 2018 to 2023.

Executive Director	2019 LTIP Tranche No.	Total 2017 LTIP Options 2023 No.	Total 2017 LTIP Options 2022 No.
FJ Hanna	200,000	600,000	400,000
PN Sharp	200,000	600,000	400,000
RM Mahoney	200,000	516,712	316,712
	600,000	1,716,712	1,116,712

2019 LTIP Tranche

In December 2019, a grant of 1,000,000 options each was made to Frank Hanna and Peter Sharp, and in September 2021 the Committee approved the grant of 916,712 options to Ryan Mahoney (all under the 2019 LTIP Tranche). All of these options are exercisable at nil cost, and accrue in incremental annual tranches over five years commencing in 2022 provided EPS targets (for the financial years ending 2021, 2022, 2023, 2024 and 2025) are achieved and the relevant Executive Director remains in office through the five years.

The EPS target for the 2019 LTIP Tranche for the financial year ended 31 December 2023 was met and therefore a total of 1,716,712 options were accrued for each of Frank Hanna, Peter Sharp and Ryan Mahoney in relation to 2019 LTIP Tranche at the period end.

2022 LTIP
Under the 2022 LTIP, two grants have made since its implementation in October 2022; the 2022 Grant and the 2023 Grant. These grants are detailed as follows:

Executive Director	2023 Grant No.	Total 2022 LTIP Options 2023 No.	Total 2022 LTIP Options 2022 No.
FJ Hanna	354,463	743,144	388,681
PN Sharp	354,463	743,144	388,681
RM Mahoney	276,481	579,652	303,171
	985,407	2,065,940	1,080,533

Under the 2023 Grant, options will vest based on the achievement of three year performance targets linked to EPS growth (65% weighting), Total Shareholder Return performance (25% weighting) when benchmarked against a UK based industry peer group, and continued delivery of the Group's ESG objectives (10% weighting). The 2023 Grant equates to 125% of the base salary of each Executive Director.

Summary
Options outstanding under both the 2022 LTIP and 2017 LTIP were valued using the principles of the Black Scholes Model. This valuation is amortised to the income statement over the vesting period. The charge for the year relating to Executive Directors amounted to £791,000 (2022: £791,000)

2024 REMUNERATION

Salary & fees
Following the annual review of the Executive Director remuneration packages with support from the Company's specialist remuneration consultants which included an extensive benchmarking exercise, the Committee has agreed that the Executive Directors' salaries for Peter Sharp and Ryan Mahoney would be increased by 20% effective 1 January 2024. This increase was on the basis of a material change to, and expansion of their respective roles, which occurred in January 2024 as they assumed the allocation of responsibilities of Frank Hanna, who is leaving the Group on 26 March 2024.

After taking into account the increase in base salaries for Peter Sharp and Ryan Mahoney, the Group is making a net saving on aggregated Executive Director compensation on a go forward basis compared to 2023 as a result of Frank Hanna's departure.

For 2024, the Executive Director base salaries will therefore be as set out below:

Executive Director [1]	2024 Salary £'000
PN Sharp	318
RM Mahoney	248

Pension and benefits
1 Frank Hanna's 2023 base salary of £265,000 will not increase for the period of 1 January 2024 to 26 March 2024, which represents his final three months of employment at the Group.

The Committee resolved to apply the wider Group workforce increase of 5% to the Chairman's salary and the Board resolved to apply this 5% increase to the Non-Executive Directors following a benchmarking exercise, and to take into account the scope of the roles performed by the Non-Executive Directors. These fee changes are effective from 1 January 2024.

For 2024, the Chairman and Non-Executive Director fees will therefore be as set out below:

Non-Executive Director	2024 Fees £'000
Martin Warner	111
Paula Hay-Plumb	50
Tony Morris	46
Rob Fenwick	42

Executive Director Bonus Plan ("EDBP")
In December 2023, the Committee recommended to the Board, and the Board adopted the Group's new EDBP, which was implemented from 1 January 2024.

The participants of the EDBP are CEO Peter Sharp and CFO Ryan Mahoney. Under the terms of the EDPB, the participants can achieve up to a maximum of 100% of their base salaries by way of an annual bonus on the basis they deliver at least a 10% outperformance to plan and meet all of their corporate and personal objectives.

For 2024, the EDBP performance targets are as follows:

EDBP performance metrics	Allocation	Threshold	On target	Maximum
Adjusted EBITDA	26.7%	90%	100%	110%
Payout		-	50%	100%
Adjusted PBT	26.7%	90%	100%	110%
Payout		-	50%	100%
Cash conversion	26.7%	90%	100%	110%
Payout		-	50%	100%
Corporate and personal objectives	20.0%			
Payout			Committee discretion	
Total	100.0%			
Payout cap (as a percentage of base salary)				100.0%

2022 LTIP
The Committee expects to make its annual options grant under the 2022 LTIP to Executive Directors in April 2024, with the value of any grant and performance criteria in line with the 2023 Grant, which includes 10% of performance criteria aligned to continued delivery of the Group's ESG strategy.

As part of the Committee's work last year in harmonising Executive Director pension and benefits packages, the Committee resolved to increase Ryan Mahoney's Group pension scheme payment to 5% of base salary (from 3% in 2023), and his car allowance to £2,000 per month (from £1,500 per month in 2023) to align with Peter Sharp's benefits.

REMUNERATION POLICY TABLE

The table below summarises the key elements of the remuneration policy for Executive Directors:

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
Base salary The provision of competitive fixed salary supports the recruitment and retention of Executive Directors, reflecting their role, skills and experience.	To be reviewed on an annual basis having regard to the experience of the individual and their performance and contribution, market and industry pay levels, remuneration practices as well as pay levels elsewhere within the Group, and the size and complexity of the role performed.	Total salaries paid during each year are determined by the Remuneration Committee in line with the Group's review and implementation cycle. Changes in roles/responsibilities may require an adjustment to salary levels.	Not applicable, although individual performance is considered when determining base salary increases.
Benefits To provide market benefits on a cost-effective basis.	Benefits offered include car allowance, private medical insurance and life assurance. Other benefits may be offered in line with market practice if it is considered appropriate to do so.	While no maximum level has been provided, it is based on the value of the benefits, which is set at a level that the Committee considers appropriate when taking into account typical market rates for such benefits.	Not applicable.
Pension To assist Executive Directors in providing for retirement where this is considered an aid in attracting and retaining the individual.	The Company's policy is to provide a contribution (or cash allowance in lieu) to a personal pension plan as a capped proportion of basic salary if it is appropriate to do so.	Peter Sharp receives a contribution of 5% of base salary and bonus to the Group pension scheme. Frank Hanna and Ryan Mahoney have opted out of the Group pension scheme and instead receive a cash payment equivalent to 5% of base salary and bonus and 5% of base salary, respectively, paid through PAYE.	Not applicable.
Executive Director Bonus Plan ("EDBP") To recognise an Executive Director's achievement of annual objectives that support the Group's strategy and financial performance.	Financial performance measures are set annually to incentivise on-target performance and outperformance, with bonus outcomes determined against those targets. Awards are made in cash.	100% of base salary.	Performance conditions are set and reviewed by the Committee. The Committee retains discretion to adjust pay-out in cases where it believes that the bonus outcomes are not a fair and accurate reflection of business performance. The Committee considers that the detailed performance targets used for the annual bonus awards are commercially sensitive and that disclosing precise targets for the annual bonus plan in advance would not be in shareholder interests.
Long-Term Incentive Plan (2017 LTIP) To encourage value creation and executive retention, by way of share price growth through the delivery of shares. The purpose of the LTIP is to provide meaningful awards based upon criteria that provide a significant incentive to participants, and align their interests with those of our shareholders. No further grants will be made under the 2017 LTIP	Awards granted at the discretion of the Committee in the form of nil-cost or par value options. Awards vest annually in equal tranches over a five year period based on financial performance in each year and subject to continued employment. Vested awards become exercisable at the end of the five year period. Awards are subject to discretionary good leaver/bad leaver provisions.	No maximum potential value but the volume of shares awarded is limited to achieving full vesting of the initial full grant award.	Awards are subject to performance conditions measured over a five year period and divided equally between EPS performance and continued employment.

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
Long-Term Incentive Plan (2022 LTIP) To encourage value creation and executive retention, by way of share price growth through the delivery of shares with appropriate hold periods post vesting. The purpose of the 2022 LTIP is to provide meaningful awards based upon criteria that provide a significant incentive to participants, and align their interests with those of our shareholders. All future grants will continue to be made under the 2022 LTIP	Awards granted annually at the discretion of the Remuneration Committee in the form of nil-cost options. Awards vest after three years based on financial, operational and strategic performance over a three year period from the year of grant. Awards are subject to good leaver, malus and claw back provisions, as well as two year post vesting hold conditions (save for those shares sold to settle tax liabilities arising on exercise) and a two year post employment hold condition.	Annual awards equivalent to 125% of base salary.	Awards are subject to performance conditions measured over a three year period. Performance metrics include the delivery of EPS growth (75% weighting), and Total Shareholder Return performance when benchmarked against a UK industry peer group (25% weighting). For grants issued in 2023 and 2024, EPS weighting reduced to 65%, TSR remained at 25%, and an additional ESG performance objective was introduced (10% weighting). The Committee has discretion to amend key terms to ensure that any performance targets remain appropriate.
Executive Director shareholding guidelines To increase long-term alignment between Executive Directors and shareholders.	From January 2022, any newly appointed Executive Directors are expected to build up and retain a beneficial holding of at least 1x base salary over a five year period.	N/A	N/A

The table summaries the key elements of the remuneration policy for Non-Executive Directors:

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
Fees Non-Executive Director remuneration is based solely on fees, which are set at a level that reflects market conditions and are sufficient to attract and retain individuals with appropriate knowledge and experience.	Non-Executive Directors fees to be reviewed on an annual basis by the Board, with no Non-Executive Director involved in the decision as to their own fees. Chair fees to be reviewed on an annual basis by the Committee with the Chair not involved in the decision as to their own fees. Non-Executive Directors (excluding the Chair) are paid a base fee plus a fee for performing a role as a Senior Independent Director and/or chair of a committee.	Total fees paid during each year for the Non-Executive Directors are determined by the Board (and for the Chair, determined by the Committee) in line with the Group's review and implementation cycle. Changes in roles/responsibilities may require an adjustment to fee levels.	N/A

By order of the Board

TONY MORRIS
Remuneration Committee Chair
25 March 2024

DIRECTORS' REPORT

The Directors present their report and consolidated financial statements of the Group for the year ended 31 December 2023. The Corporate Governance Statement on pages 54 to 80 also forms part of this Directors' Report.

FINANCIAL RESULTS AND DIVIDENDS

The Group's profit before taxation for the year was £12,458,000 (2022: £11,395,000). More information about the Group's financial performance can be found in the financial review on pages 18 to 21 and in the financial statements on pages 86 to 123.

The Board has recommended a final dividend for the year of 3.00p pence per share, to be paid on 10 July 2024 to shareholders whose names appear of the register of members at the close of business on 7 June 2024. More information about dividends can be found in the Chair's Statement on page 13.

Review of business and future developments

The Chair's Statement on page 12, the CEO's Report on pages 14 to 17 and the Strategic Report on pages 18 to 53 provide a review of the business, the Group's trading for the year ended 31 December 2023, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report. Details of the Board's engagement with suppliers, customers and other key stakeholders in a business relationship with the Group are set out in the Strategic Report on pages 42 to 43 along with disclosures concerning greenhouse gases.

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:

	31 December 2023 Ordinary Shares of 20p each	31 December 2022 Ordinary Shares of 20p each
M R Warner	4,129,732	4,179,732
R M Mahoney	-	-
P Hay-Plumb	17,300	17,300
A Morris	22,658	22,658
F Hanna *	591,000	591,000
P N Sharp	104,157	104,157
R R Fenwick	-	-

* F Hanna will resign as Director on 26 March 2024.

Analysis of Directors' emoluments for the year and their interest in options in shares in the Company is shown in the Remuneration Committee Report on pages 67 to 75. Further details of the Directors, along with their brief biographical details, are given on pages 56 to 57.

Articles of Association

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association and the Companies Act 2006. The Articles of Association may be amended by a special resolution of the Company's shareholders. A copy of the Articles of Association can be found on the Company's website www.mbhplc.co.uk/investor-relations/

DIRECTORS' INDEMNITY PROVISIONS

As permitted by the Articles of Association, the Directors may have the benefit of an indemnity, which would be a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006.

The Company has purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

SHARE CAPITAL

As at 31 December 2023, the Company's issued share capital was £19,180,716 (2022: £19,180,716) divided into Ordinary shares of 20p each, of which 2,225,000 were held in Treasury and accordingly have no voting rights. The holders of Ordinary shares are entitled to one vote per share at the Company's general meetings. Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands, every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Restrictions on shares

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of the Ordinary shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or of voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital. Shares held by the Company's Employee Benefit Trust rank pari passu with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the plan's Trustees and are not exercisable by employees.

Significant shareholders

As at 31 December 2023, the Group was aware of the following holdings of significant shareholders (as defined in the AIM Rules).

Significant Share Holdings	Number of Ordinary Shares of 20p each	% of Total Voting Rights
Mr Eric John Spencer Gadsden	23,068,274	24.62%
Hosking and Co	11,025,711	11.77%
Hargreaves Lansdown	6,840,752	7.30%
Interactive Investor	5,059,971	5.40%
Canaccord Genuity Group Inc	4,000,000	4.27%
Evelyn Partners Investment Management	3,366,432	3.59%
Charles Stanley	3,111,211	3.32%
Octopus Investments	2,863,951	3.06%

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 18 May 2023, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of up to a maximum of 9,568,158 of its Ordinary shares. On 24 March 2023 the Company announced that it had re-entered into a share buyback programme in respect of its Ordinary shares up to a maximum consideration of £2.8 million. As at 31 December 2023 the Company has repurchased 2,225,000 of its Ordinary shares under this authority, which is due to expire at the AGM to be held on 16 May 2024. The 2,225,000 Ordinary shares that were repurchased are currently held in Treasury.

Share options

Details of share option schemes which the Company operates are included on pages 107 to 108.

SUBSIDIARIES

The Group has 16 subsidiaries, 15 of which are private limited companies registered in England and Wales and 1 company registered in Belgium; a complete list is provided at note 15 to the financial statements.

INTERNAL CONTROL

The Directors acknowledge their responsibilities for the Group's system of internal control. The Audit Committee undertakes regular reviews of the Group's system of internal controls and provides updates to the Board where appropriate. More information on the Audit Committee's review of internal controls during the year can be found in the Audit Committee Report on page 64. The Board has continued to review the effectiveness of the systems and processes and has considered major business and financial risks. The Directors believe that the established systems of internal control continue to be appropriate for the business.

RELATED PARTY TRANSACTIONS

There are no related party transactions required to be disclosed under the AIM rules.

FINANCIAL INSTRUMENTS

The Group's policy is to finance working capital through cash balances, appropriate bank facilities and retained earnings. The Group is exposed to the usual credit and cash flow risk associated with selling on credit and manages this through credit control procedures. For further details refer to note 20 in the financial statements.

HEALTH AND SAFETY

The Group has established a documented health and safety management system with arrangements and procedures based around the Health and Safety Executive guidance HSG65. Workplace health and safety audits and inspections are carried out both internally and externally by external consultants at various levels of the business ranging from our quarries to product delivery. The results of health and safety inspections are reviewed by our management teams and any corrective actions taken accordingly.

We consult regularly with our employees on health and safety matters holding quarterly health and safety meetings at each of our locations, as well as additional meetings and briefings covering specific health and safety matters. All of our employees are part of an ongoing health and safety training programme that starts with an initial induction programme and expands to include all the relevant training needs required for them to carry out their work safely. We encourage the CPD of our employees on a range of health and safety subjects across the business from the annual quarry managers' CPD awards to our HGV drivers' development programme.

All accidents and near misses are fully investigated and discussed at our health and safety meetings. Where appropriate, changes are made to our processes in order to minimise the chances of any recurrence.

Health and safety updates were regularly presented to the Directors at Board meetings throughout 2023. This provided them with a chance to understand matters affecting employees and discuss any incidents or investigations that arose during the course of the year.

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 members of staff at all levels.

At 31 December 2023, the Group employed 313 male and 33 female members of staff. The Board comprised 1 female and 6 male Directors as at 31 December 2023. 5 of the Group's 16 senior managers were female.

It is the policy of the Group to give full and fair consideration to the employment of disabled persons in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Where possible, arrangements are made for continuing employment of employees who have become disabled whilst in the Group's employment. Michelmersh values diversity and seeks to provide all employees with the opportunity for employment, career and personal development on the basis of ability, qualifications and suitability for the work as well as their potential to be developed into the job.

The Group also believes that all employees should be treated with respect, dignity and fairness at work. We are committed to creating an environment where all our employees can feel comfortable and able to fulfil their potential. For further details of how the Directors engage with employees and have regard to their interests, please see the Section 172 Statement on pages 43 to 45.

MODERN SLAVERY ACT

The Group is committed to ensuring best practice to combat slavery and human trafficking. In June the Board approved the Company's Modern Slavery Act Statement and Anti-Slavery Policy. Our Anti-Slavery Policy demonstrates our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Both documents can be found on the Company's website (www.mbhplc.co.uk/about/corporate-responsibility/).

POLITICAL DONATIONS

The Company does not make any political donations and does not incur any political expenditure.

CHARITABLE DONATIONS

Supporting industry education and training remains a core policy and the Group continued its supply of free product, resources and seminars to various colleges around the UK. The Group has continued to support community-based charities local to our operations. Total donations during the year amounted to £15,582.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 16 May 2024 at the offices of Burges Salmon in Bristol.

Further information relating to the AGM is set out in the AGM Notice which will be sent to shareholders separately and is available on the Company's website (www.mbhplc.co.uk/investor-relations/). Where appropriate, if any changes are required to be made to the AGM arrangements, these will be communicated by an announcement via a Regulatory Information Service.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further information can be found on page 21.

AUDITORS

A resolution to reappoint CLA Evelyn Partners Limited as auditor for the ensuing year will be put to the Annual General Meeting.

PROVISION OF INFORMATION TO AUDITORS

So far as each of the Directors who held office at the date of this Directors' Report is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether international accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed by order of the Board

MARTIN WARNER
Chair
Approved by the Directors on 25 March 2024
Michelmersh Brick Holdings Plc
Registered in England and Wales No. 03462378

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS	M R Warner - Chair P N Sharp - Chief Executive Officer R Mahoney - Chief Financial Officer P Hay-Plumb - Senior Independent Director A Morris - Non-Executive Director R Fenwick - Non-Executive Director
COMPANY SECRETARY	Prism Cosec Limited Highdown House, Yeoman Way, Worthing West Sussex, BN99 3HH
REGISTERED OFFICE	Freshfield Lane, Danehill, Haywards Heath West Sussex, RH17 7HH
NOMINATED ADVISOR AND JOINT BROKER	Canaccord Genuity Limited 88 Wood Street, London, EC2V 7QR
JOINT BROKER	Berenberg 60 Threadneedle Street London EC2R 8HP

AUDITORS	CLA Evelyn Partners Limited Chartered Accountants and Statutory Auditor Portwall Place, Portwall Lane, Bristol BS1 6NA
SOLICITORS	Burges Salmon LLP One Glass Wharf, Bristol BS2 0ZX
REGISTRARS	Equiniti Aspect House, Spencer Road, Lancing West Sussex, BN99 6DA
FINANCIAL PUBLIC RELATIONS	Yellow Jersey PR Limited Thanet House, 231-232 Strand, Temple, London WC2R 1DA
PRINCIPAL BANKERS	HSBC Bank plc Queen Victoria Street, London , EC4V 4AY

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the group financial statements of Michelmersh Brick Holdings plc (the 'group') for the year ended 31 December 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated statement of cash flows and the notes to the group financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the group financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR APPROACH TO THE AUDIT

Of the Group's 18 reporting components, we subjected three to full component audits. Two components were subject to audit procedures based on group materiality to form an opinion on the overall group but not subject to individual audits. One component was based in Belgium and that audit was carried out by a component auditor in Belgium. The remaining components were non-trading.

The components within the scope of audit work covered: 100% of group revenue, 100% of group profit before tax and 100% of group net assets.

The group audit team held a video conference meeting with the component auditors in Belgium. At this meeting, the Group audit team discussed the component auditors' risk assessments and planned audit approach. Once the audit work was completed, the findings reported to the group audit team were challenged in more detail. In addition to this meeting and communications, the group audit team sent detailed instructions to the component audit team and reviewed some of their working papers.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Description of risk	How the matter was addressed in the audit
Valuation of land and buildings (Note 14)	Land and buildings are measured at fair value based upon their highest and best use. Fair value measurement is inherently judgemental as is the highest and best use of each site.	In order to address this key audit matter, the audit team have performed the following procedures: • Reviewed third party valuations obtained by the directors in the year, which were used by the directors to inform their valuation, considering the independence and competence of the expert engaged by management to prepare the valuations; • Considered the appropriateness of the valuation approach with reference to past experience and the broader nature of the business; • Reviewed and challenged the assumptions used; and • We have reviewed and considered the third party assessments for the highest and best use of the assets to confirm the assets are accounted for in terms of IFRS 13.
Valuation of finished goods (Note 16)	Finished goods inventory is measured based on production costs and attributable overheads incurred during the period and attributed across the number of bricks produced at each site, as adjusted for any non-standard products which are typically more labour intensive. As a result, the valuation of finished goods inventory incorporates a degree of judgement over the allocation of costs.	In order to address this key audit matter, the audit team has performed the following procedures: • Substantive testing of production and overhead costs incurred in the year; • Substantive testing of a sample of sales invoices to ensure finished goods are held at the lower of cost and net realisable value; and • Consideration of slow-moving inventory and reasonableness of provision recognised.
Intangible asset valuation (Note 13)	Intangible assets include Goodwill, Customer Lists and Brand Names. The directors obtained external valuations following the purchase of Carlton in FY17, to which a large proportion of the intangible assets relate. The carrying value of these assets is considered for impairment on an annual basis by directors which requires significant judgment, in particular regarding future cash flows, growth rates, discount rates, determination of CGUs and other assumptions.	In order to address this key audit matter, the audit team has performed the following procedures: • Challenged the determination of CGUs, and ensured that the impairment assessments considered the judgement of there being two CGUs; • Considered trading performance of the two CGUs which we judge are appropriate; • Together with our internal experts we assessed the appropriateness of the assumptions concerning growth rates and the discount rate; and • Performed sensitivity analysis on the future free cash flow calculations.

OUR APPLICATION OF MATERIALITY

The materiality for the group financial statements as a whole ("group FS materiality") was set at £4,654,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be most appropriate given the significance of the assets held. Group FS Materiality represents 5% of the group's net assets as presented on the face of the consolidated balance sheet.

The consolidated income statement is underpinned by the activity of the trading subsidiary, Michelmersh Brick UK Limited. The principal consideration for this company is the trading performance and accordingly, materiality has been calculated at 2% of turnover of the key trading subsidiary, being £1,242,000. This has been treated as an element materiality for profit and loss affecting items in the audit of the group. Thus, a lower level of trading materiality has been factored into our overall conclusions on the consolidated income statement.

Performance materiality for the group financial statements was set at £3,723,200 being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 80% to reflect the fact that few misstatements were expected in the current period and that there are few judgements. Also, management utilise experts in a number of areas requiring estimation supporting them in making their assessment. Element performance materiality was set at £993,600 being 80% of group element materiality.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the group financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Challenging key assumptions used in the detailed budgets prepared by management to March 2025;
- Considering historical accuracy of budgeting;
- Comparing the actual results to budget for 2023 and post year end results to 2024 budget; and
- Considering the sensitivity of the key assumptions and re-assessing headroom after sensitivity analysis performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the group financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the group financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 79, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the Group's industry and regulation.

We understand that the group complies with requirements of the framework through:

- Engaging with independent advisors to perform regular reviews of procedures in place at sites operated by the Group.
- Making note of relevant updates from external experts and updating internal procedures and controls as necessary as legal and regulatory requirements change.
- Given the management structure and reporting lines, any litigation or claims would come to the Directors' attention and are considered at Board meetings.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Group:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements;
- AIM rules and the Market Abuse Regulations; and
- Health and safety, Environmental and Pollution regulations, due to the nature of the Group's operations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Reviewed the procedures management has implemented over compliance with the regulations.
- Inspected internal health and safety records and external site audit reports.
- Reviewed response from component auditor.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur.

The key areas identified as part of the discussion were:

- Manipulation of the financial statements, especially revenue, through manual journal entries.
- Valuation of stock, land and buildings and intangible assets where estimates are made by management.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included;

- Testing of a sample of revenue transactions to underlying documentation;
- Testing of a sample of journal entries, selected through applying specific risk assessments based on the processes and controls surrounding journal entries;
- Challenging management regarding the assumptions used in the estimates identified above, and comparison to post-year-end data and third-party correspondence as appropriate. Refer to the Key Audit Matters noted above for further detail of work around this area.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

OTHER MATTER

We have reported separately on the parent company's financial statements of Michelmersh Brick Holdings plc for the year ended 31 December 2023.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

CLA Evelyn Partners Limited

Stephen Hale
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall lane
Bristol
BS1 6NA

25 March 2024

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023

	notes	12 months ended 31 Dec 2023 £'000	12 months ended 31 Dec 2022 £'000
Revenue	5	77,338	68,375
Cost of sales		(47,279)	(41,463)
Gross profit		30,059	26,912
Administrative expenses		(16,421)	(14,225)
Amortisation of intangibles		(1,370)	(1,133)
		(17,791)	(15,358)
Other income	6	70	55
Operating profit	8	12,338	11,609
Finance income/(expense)	7	119	(214)
Profit before taxation		12,457	11,395
Taxation	12	(2,795)	(2,518)
Profit for the financial year		9,662	8,877
Basic earnings per share attributable to the equity holders of the Company	27	10.44p	9.41p
Diluted earnings per share attributable to the equity holders of the Company	27	10.09p	9.20p

The profit for the financial year is wholly attributable to the equity holders of the parent company. The accounting policies and notes on pages 90 to 110 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	notes	12 months ended 31 Dec 2023 £'000	12 months ended 31 Dec 2022 £'000
Profit for the financial year		9,662	8,877
Other comprehensive income/(expense)			
Items which may subsequently be reclassified to profit or loss			
Currency movements		41	(257)
Items which will not subsequently be reclassified to profit or loss			
Revaluation deficit of property, plant and equipment	14	(2,692)	(1,115)
Revaluation surplus of property, plant and equipment	14	1,199	2,716
Tax credit on exercise of options		26	18
Deferred tax on revaluation movement	22	383	(466)
		(1,043)	896
Total comprehensive income for the year		8,619	9,773

The total comprehensive income for the year is wholly attributable to the equity holders of the parent company. The accounting policies and notes on pages 90 to 110 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2023

	Notes	As at 31 Dec 2023 £'000	As at 31 Dec 2022 £'000
Assets			
Non-current assets			
Intangible assets	13	23,951	25,291
Property, plant and equipment	14	63,366	65,932
		87,317	91,223
Current assets			
Inventories	16	16,462	9,684
Trade and other receivables	17	9,241	11,801
Cash and cash equivalents		10,958	10,598
Total current assets		36,661	32,083
Total assets		123,978	123,306
Liabilities			
Current liabilities			
Trade and other payables	18	12,803	15,860
Lease liabilities	19	698	761
Interest bearing borrowings	19	-	-
Corporation tax payable		1,528	1,159
Total current liabilities		15,029	17,780
Non-current liabilities			
Interest bearing borrowings	19	-	-
Lease liabilities	19	743	523
Deferred tax liabilities	22	15,362	16,034
		16,105	16,557
Total liabilities		31,134	34,337
Net assets		92,844	88,969
Equity attributable to equity holders			
Share capital	23	19,181	19,181
Share premium account	25	16,724	16,724
Reserves	25	21,615	21,435
Retained earnings	25	35,324	31,629
Total equity		92,844	88,969

These financial statements were approved by the Directors and authorised for issue on 25 March 2024 and are signed on their behalf by:
P.Sharp, Director & R.Mahoney, Director.

P. Sharp

The accounting policies and notes on pages 90 to 110 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Other reserves £'000	Share premium £'000	Retained earnings £'000	Total £'000
As at 1 January 2022	19,127	21,763	16,536	27,698	85,124
Profit for the period	-	-	-	8,877	8,877
Revaluation deficit	-	(1,115)	-	-	(1,115)
Revaluation surplus	-	2,716	-	-	2,716
Tax credit on exercise of options	-	18	-	-	18
Deferred tax on revaluation	-	(466)	-	-	(466)
Currency difference	-	(257)	-	-	(257)
Total comprehensive income	-	896	-	8,877	9,773
Opening adjustment	-	(10)	-	-	(10)
Share based payment	-	980	-	-	980
Purchase of own shares	-	-	-	(1,540)	(1,540)
Released on maturity of options	16	(1,661)	-	65	(1,580)
Deferred tax on share options	-	(533)	-	-	(533)
Shares issued during the year	8	-	23	-	31
Dividend paid	30	-	165	(3,471)	(3,276)
As at 31 December 2022	19,181	21,435	16,724	31,629	88,969
Profit for the period	-	-	-	9,662	9,662
Revaluation deficit	-	(2,692)	-	-	(2,692)
Revaluation surplus	-	1,199	-	-	1,199
Tax credit on exercise of options	-	26	-	-	26
Deferred tax on revaluation	-	383	-	-	383
Currency difference	-	41	-	-	41
Total comprehensive income	-	(1,043)	-	9,662	8,619
Share based payment	-	1,258	-	-	1,258
Purchase of own shares	-	-	-	(1,974)	(1,974)
Deferred tax on share options	-	(102)	-	-	(102)
Shareplan Purchase	-	67	-	-	67
Dividend paid	-	-	-	(3,993)	(3,993)
As at 31 December 2023	19,181	21,615	16,724	35,324	92,844

The accounting policies and notes on pages 90 to 110 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	12 months ended 31 Dec 2023 £'000	12 months ended 31 Dec 2022 £'000
Cash flows from operating activities			
Profit before taxation		12,457	11,395
Profit on sale of fixed assets		(15)	-
Finance (income)/expense		(119)	214
Depreciation	14	4,105	3,915
Amortisation	13	1,370	1,133
Share based payment charge	24	1,258	980
Cash flows from operations before changes in working capital		19,056	17,637
(Increase)/decrease in inventories		(6,777)	1,022
Decrease in receivables		2,560	307
(Decrease)/increase in payables		(1,219)	683
Net cash generated by operations		13,620	19,649
Taxation paid		(2,790)	(1,655)
Net cash generated by operating activities		10,830	17,994
Cash flows from investing activities			
Investment in intangible assets		(30)	-
Purchase of property, plant and equipment		(3,085)	(3,028)
Acquisition		-	(6,073)
Proceeds from sale of land and buildings		1,101	-
Net cash used in investing activities		(2,014)	(9,101)
Cash flows from financing activities			
Lease payments		(885)	(721)
Repayment of interest bearing liabilities		-	(785)
Interest received/(paid)		119	(214)
Proceeds of share issue		-	31
Dividend paid		(3,993)	(3,276)
Settlement for cancelled share options		(1,798)	-
Own shares acquired		(1,941)	(1,540)
Net cash used in financing activities		(8,498)	(6,505)
Net increase in cash and cash equivalents		319	2,388
Cash and cash equivalents at the beginning of the year		10,598	8,467
Foreign exchange differences		41	(257)
Cash and cash equivalents at the end of the year		10,958	10,598
Cash and cash equivalents comprise:			
Cash at bank and in hand		10,958	10,598
Bank overdraft		-	-
		10,958	10,598

The accounting policies and notes on pages 90 to 110 form part of these financial statements.

GENERAL INFORMATION AND ACCOUNTING POLICIES

1. INTRODUCTION

Michelmersh Brick Holdings Plc ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 and is listed on AIM.

The principal activity of the Company during the year was the management and administration of its subsidiary companies. The main activity of the trading subsidiary companies was the manufacture of bricks and brick prefabricated products.

These financial statements cover the financial year from 1 January to 31 December 2023, with comparative figures for the year 1 January to 31 December 2022.

The companies within the Group during the financial year ended 31 December 2023 are disclosed in note 15.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the UK. The consolidated financial statements for the financial years ended 31 December 2023 and 31 December 2022 have been prepared under the historical cost convention, as modified by the revaluation of certain items as stated in the accounting policies.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand ("£'000") except where otherwise indicated.

The financial statements of the parent company are prepared under FRS102 and its subsidiary undertakings are prepared under FRS101, all to the same reporting date. Adjustments are made to remove any differences that may exist between UK GAAP and IFRS for consolidation purposes.

The preparation of the financial statements, in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Although these results are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

New Standards and Interpretations

New and amended Standards and Interpretations effective from 1 January 2024.

Amendments have been made to IAS 1 Presentation of Financial Statements. The changes focus on the classification of liabilities as current or non-current.

The amendments are designed to improve the presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current. The proposed amendments do this by:

- clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period rather than requiring an unconditional right to defer settlement; and
- making clear the link between the settlement of the liability and the outflow of resources from the entity.

The effective date is for periods beginning on or after 1 January 2024.

Basis of consolidation
The financial statements comprise a consolidation of the financial statements of Michelmersh Brick Holdings PLC and all its subsidiaries. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the Group has the power to control. When control of a subsidiary is lost, a disposal occurs and the subsidiary is no longer consolidated from that date.

On consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chair's Statement and the Chief Executive's Review.

The Group meets its day-to-day working capital requirements principally through bank loans and cash balances. Additional facilities are in place including an undrawn revolving credit facility provided by HSBC Bank plc.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its facilities.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue
Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and provision of services (principally haulage) in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised in accordance with the transfer of promised goods or services to customers (i.e. when the customer gains control of the goods/service on delivery) and is measured as the consideration which the Group expects to be entitled to in exchange for the goods and services. Consideration is typically fixed on the agreement of a contract. Payment terms are agreed on a contract-by-contract basis.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. Identifiable assets acquired or liabilities and contingent liabilities assumed in the business combination are measured initially at their fair value at the acquisition date.

Purchased goodwill, representing the difference between the fair value of the consideration and the underlying assets and liabilities acquired, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. See note 13 for further details.

Intangible assets are stated at cost less impairments and amortisation. Amortisation is charged at the following rates:

Customer relationships	-	15 years
Brands	-	7-25 years

Licences
The costs of preparing and submitting applications for licences have been capitalised as an intangible fixed asset. Amortisation is calculated so as to write off the cost of the licence on a straight-line basis, through cost of sales, over the operational life of the landfill site to which it relates.

Foreign currency
Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. Where consideration is received in advance of revenue being recognised, the date of the transaction reflects the date the consideration is received. At each year-end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions are taken to operating profit.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated within other reserves.

Property, plant and equipment
Plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Land and buildings are carried at appropriate valuation for the land and buildings concerned. Further details are disclosed in note 14 to the financial statements.

Freehold buildings are revalued annually.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value based on current prices at the balance sheet date, over the useful economic life of the asset as follows:

Freehold buildings	-	life of brickworks site
Plant, equipment and machinery	-	3-25%
Motor vehicles	-	25%

Right-of-use assets are depreciated over the term of the lease. Freehold land used in landfill activities is amortised over the life of the site on a usage basis. Mineral reserves are included within freehold land and buildings and are amortised on a usage basis. All other freehold land is not depreciated.

Site development costs are capitalised. These costs are written off over the operational life of the site as and when the void space created as a result of this expenditure is consumed. This is deemed to be a cost of disposal and is recognised in the income statement within profit or loss on disposal when disposal occurs. Provision is made, where material, for the net present value of the Group's estimated unavoidable costs in relation to the restoration and aftercare of landfill sites operated by the Group. Provision is not made where no significant cost is expected, or where costs are not deemed reliably measurable.

An amount equal to the excess of the annual depreciation charge on certain revalued assets over the notional historical cost depreciation charge on those assets is transferred from the revaluation reserve to retained earnings.

Impairment of assets
At each balance sheet date, the Group reviews the carrying amount of its assets other than inventories to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The review is assessed using a discounted cash flow model using a terminal growth rate of 2% and applying a pre-tax discount factor utilising the Group's Weighted Average Cost of Capital.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement, except to the extent that it represents the reversal of a previous valuation, where it is recognised directly in other comprehensive income.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Inventories
Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost is calculated using the average cost formula on the basis of direct cost plus attributable overheads based on a normal level of activity and includes as part of the deemed cost an element of clay in respect of mineral reserves, which have been extracted at valuation and transferred from the freehold land. No element of profit is included in work in progress and no revaluations of inventories are made after recognition.

Financial Instruments
Financial Instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

INTEREST BEARING BORROWINGS

Interest bearing borrowings are recognised initially at fair values less attributable transaction costs which are amortised over the life of the facility. Subsequent to initial recognition, borrowing costs are measured at amortised cost, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

TRADE AND OTHER RECEIVABLES

Trade receivables do not carry interest and are initially measured at their fair value, and subsequently at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables are impaired when credit losses are expected on an asset. Any loss allowance relating to trade receivables has been calculated with reference to historical experience in the recoverability of such receivables, taking into consideration current conditions and forecasts of future economic conditions.

TRADE AND OTHER PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less.

Share based payment transactions
An expense for equity instruments granted under employee share schemes and the Save-As-You-Earn Schemes is recognised in the financial statements based on the fair value at the date of the grant. This expense is recognised over the vesting period of the scheme. The cumulative expense recognised at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Group has adopted the principles of the Black Scholes Model for the purposes of computing fair value.

Leases
A right-of-use asset and a lease liability has been recognised for all leases except leases of low value assets with a value below £5,000. These are further explained in note 19. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date. The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right-of-use asset will be assessed for impairment. The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax and deferred tax are recognised in the income statement except to the extent that tax relates to items recognised directly in equity, in which case, this element of the tax charge is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are neither taxable nor deductible.

Deferred tax is provided using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the assets is realised based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Pension costs

The Group operates defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the companies. Contributions are charged to the income statement in the year in which they are incurred.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS

Under IAS 1 paragraph 122, the Company is required to disclose judgements, other than those involving estimation, that have been made in the process of applying our accounting policies where that judgement has had a significant effect on the amounts recognised in the financial statements.

The Board has reviewed areas where judgement has been applied, including deferred tax, provisions and impairment but do not consider that the judgement may have a significant impact on the amounts recognised in the financial statements for the years ended 31 December 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY
The key sources of estimation uncertainty employed in the preparation of these financial statements are as follows:

Area of estimation	Effect on Financial Statement	Period of impact	Change noted from previous financial statements
Intangible asset impairment	Within the Intangibles calculation we undertake an exercise to estimate future cash flows from the CGU associated with intangible assets. The Directors consider that at the year end the Group operates one CGU given the speed of integration of FabSpeed into the broader group following the acquisition in November 2022, but recognise the judgement involved in this regard. As such, the Group have also tested for impairment considering FabSpeed as a separate CGU to verify there was no impairment requirement. We have key assumptions on the growth rates of revenue and gross margin which impacts the profit assumed and hence cash flow generation at each relevant site. These assumptions are key to calculation of the net present value of cash flows. The further key assumptions are the perpetuity growth rate and discount rate. Details of the impairment calculation, including key assumptions, are set out in note 13.	Whilst trading patterns remain at the CGU, there is a low likelihood of a reduction in the cash flows relating to intangible assets over a longer period.	The Directors judge that there is one CGU in 2023, they judged there were two CGUs in 2022.
Land and buildings valuation including mineral and landfill assets	The Board value land assets and buildings with guidance from external valuers on an annual basis. Changes in circumstances both internal to the business and externally can impact the values ascribed in the accounts. Details of the revaluation are set out in note 14.	It is possible that factors can arise in the short term that impact the values included in the accounts.	No changes
Useful lives of plant and machinery	Depreciation is charged on plant to reflect its useful life. The Group makes significant effort to maintain the plant in good working order, but factors may change that could impact on the charges made in the financial statements including market and technology changes. Details of the depreciation charged within each asset category are set out in note 14.	The impact may be sudden if *circumstances change.*	No changes
Contingent liabilities	The Board assess annually whether any provision or contingent liability is required to be recognised or disclosed in the accounts in relation to its future obligations under restoration conditions attached to its land and building sites by the local council authorities.	It is possible that factors can arise in the medium term that impact the disclosures required in the accounts.	No changes
Deferred consideration	There is potential for an additional deferred consideration of up to £2m under the terms of the FabSpeed acquisition which is payable in cash and *is based on achieving future adjusted EBITDA growth targets over the two* financial years following the acquisition. The estimation of the potential additional consideration requires the Board to estimate future performance which is inherently uncertain due to potential changes in the business both internally and externally.	It is possible that factors can arise in the short term that impact the values included in the accounts	No changes

5. SEGMENTAL REPORTING
Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure during the year. Segment information has been prepared in accordance with the accounting policies of the Group as set out on pages 90 to 94.

The chief operating decision-maker has been identified as the Board of Directors (the "Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management have determined the operating segments based on these reports and on the internal report's structure. The Group has one clearly defined reportable segment and operates out of the UK and Europe due to the very close alignment of customers, markets manufacturing processes, distribution methods and regulatory environment across the underlying manufacturing facilities.

	Notes	12 months ended 31 Dec 2023 £'000	12 months ended 31 Dec 2022 £'000
Revenue	5	77,338	68,375
Cost of sales		(47,279)	(41,463)
Gross profit		30,059	26,912
Administrative expenses		(16,421)	(14,225)
Amortisation of intangibles		(1,370)	(1,133)
		(17,791)	(15,358)
Other income	6	70	55
Operating profit	8	12,338	11,609
Finance income/(expenses)	7	119	(214)
Profit before taxation		12,457	11,395
Taxation	12	(2,795)	(2,518)
Profit for the financial year		9,662	8,877
Segment assets		123,978	123,306
Segment liabilities		(31,134)	(34,337)

REVENUE BY GEOGRAPHICAL DESTINATION

	2023 £'000	2022 £'000
Revenue by geographical destination		
United Kingdom	72,449	63,704
Europe	4,889	4,671
Rest of the World	-	-
	77,338	68,375
Revenue by geographical origination		
United Kingdom	70,834	59,964
Belgium	6,504	8,411
	77,338	68,375

Segment assets include property, plant and equipment and intangible assets are held in the UK except £17.6 million (2022: £19.5 million) of segment assets relating to Floren held in Belgium.

Sales of £9,458,000 (2022: £6,813,000) were made to a single customer of the Group. Total Group revenue made to the top five customers amounted to £28,339,000 (2022: £24,401,000). No other customers were individually material in revenue value.

6. OTHER INCOME

	2023 £'000	2022 £'000
Rents receivable	15	11
Other	39	44
Insurance claim	1	-
Profit on disposal of fixed assets	15	-
	70	55

7. FINANCE (EXPENSE)/INCOME

		2023 £'000	2022 £'000
Interest expense	Bank loans	(78)	(132)
	Amortisation of bank fees	-	(36)
	In respect of lease liabilities	(53)	(61)
		(131)	(229)
Less interest earned		250	15
		119	(214)

8. OPERATING PROFIT

	2023 £'000	2022 £'000
Operating profit is stated after charging:		
Amortisation	1,370	1,133
Depreciation	4,105	3,915

9. DIVIDEND

During the year the Company paid a dividend of 3.65 pence per share in relation to 2022, an interim dividend of 1.30 pence per share on 12 January 2023 and a final dividend of 2.95 pence per share on 12 July 2023, amounting in total to £3,993,000 (2022: £3,471,000). In relation to 2023, the Company paid an interim dividend per share of 1.50 pence per share on 11 January 2024 and recommends a final dividend of 3.00 pence per share. The proposed final dividend will be paid on 10 July 2024 to members on the register on 7 June 2024 with shares being marked ex-div on 6 June 2024.

10. AUDITOR'S REMUNERATION

	2023 £'000	2022 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	70	77
Fees payable to the Group's auditor and its associates for other services - the audit of the Group's subsidiaries, pursuant to legislation	110	100
Fees payable to the Group's auditor and its associates for interim reporting	12	11

Services provided to the Group by the auditors are reviewed by the Board of Directors to ensure that the independence of the auditors is not compromised.

11. PARTICULARS OF EMPLOYEES

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

	2023	2022
Manufacture and supply of bricks	366	318
Administration	86	62
	452	380

	2023 £'000	2022 £'000
Wages and salaries	18,489	15,153
Social security costs	2,590	2,042
Other pension costs	665	590
	21,744	17,785

Details of Directors' emoluments are shown in the Remuneration Committee Report on page 69.

12. TAXATION

a) Recognised in the income statement

	2023 £'000	2022 £'000
Current tax expense		
Current year	3,318	2,868
Prior year	(132)	33
	3,186	2,901
Overseas tax	-	-
Deferred tax	-	-
Origination and reversal of temporary differences:	(391)	(383)
Total income tax charge in the income statement	2,795	2,518

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2022: higher) than the standard rate of corporation tax in the UK of 25% (2022: 19%). The differences are explained below.

	2023 £'000	2022 £'000
Reconciliation of effective tax rate		
Profit before taxation	12,458	11,395
Income tax using the domestic corporation tax rate	2,930	2,165
Effects of:		
Expenses disallowed	335	264
Rate changes	(3)	(29)
Fixed asset differences	(11)	(42)
Change to prior year estimate	(144)	(11)
Difference in overseas tax	23	125
Movement in deferred tax not recognised	(336)	46
	2,795	2,518

c) Factors affecting future tax charges

As at 31 December 2023, the Group had £785,000 further tax losses carried forward (2022: £785,000). A deferred tax asset has not been recognised in respect of £127,000 (2022: £503,000) of these tax losses, as the Directors do not consider their recovery to be sufficiently certain in the near future.

13. INTANGIBLE ASSETS

	Goodwill £'000	Customer lists, order book and brand £'000	PPC licence £'000	Development costs £'000	Total £'000
Cost or valuation					
As at 1 January 2022	6,891	18,994	75	-	25,960
Additions	3,285	2,917	-	-	6,202
As at 31 December 2022	10,176	21,911	75	-	32,162
Additions	-	-	-	30	30
As at 31 December 2023	10,176	21,911	75	30	32,192
Amortisation					
As at 1 January 2022	-	5,663	75	-	5,738
Charge for the year	-	1,133	-	-	1,133
As at 31 December 2022	-	6,796	75	-	6,871
Charge for the year	-	1,370	-	-	1,370
As at 31 December 2023	-	8,166	75	-	8,241
Net book value					
As at 31 December 2023	10,176	13,745	-	30	23,951
As at 31 December 2022	10,176	15,115	-	-	25,291

GOODWILL

The goodwill brought forward relates to the acquisition of Freshfield Lane Brickworks Limited in 2010 and of Carlton Brick in 2017 and the addition relates to the acquisition of FabSpeed in November 2022. In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. The Directors consider that at the year end the Group operates one CGU given the speed of integration of FabSpeed into the broader group following the acquisition in November 2022, but recognise the judgement involved in this regard. As such, the Group have also tested for impairment considering FabSpeed as a separate CGU to verify there was no impairment requirement. At 31 December 2023, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections of the cash generating units discounted at the Group's weighted average cost of capital. As a recent acquisition the level of headroom against the FabSpeed goodwill carrying value is as expected low, but the directors consider a reasonable possible change in projected EBITDA would not have a material impact on reported results. Customer lists, order book and brand values originated in the fair value exercises associated with the acquisitions of Carlton, Floren and FabSpeed are amortised over their expected useful lives.

The key assumptions used in the value in use calculations are those regarding pre-tax discount rates of 17% (2022: 16%) and revenue cost growth rates of 2% (2022: 2%), from 2025 onwards. The Group prepares cash flow forecasts as part of the budget and three year plan process, and these are extrapolated forward at a terminal growth of 2% for the business.

Other than goodwill which arose as a result of a fair value exercise, the values ascribed to the various intangible assets was determined by a third-party expert based on the business attributes of the acquired companies. The Directors have assessed the assumptions made at the time of the acquisitions and consider that they are still appropriate and that the life of those assets is similar to that anticipated at acquisition such that current amortisation rates are unchanged.

There were no impairment losses recognised on goodwill or other intangible assets during the year (2022: £nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Motor vehicles £'000	Right-of-use assets £'000	Plant and machinery £'000	Office equipment £'000	Total
Cost or valuation						
As at 1 January 2022	59,871	278	2,382	40,031	520	103,082
Additions	543	32	1,331	2,335	104	4,345
Transfers to inventories	(29)	-	-	-	-	(29)
Disposals	-	-	(1,067)	-	-	(1,067)
Revaluation deficit	(1,115)	-	-	-	-	(1,115)
Revaluation surplus	2,716	-	-	-	-	2,716
Acquisition	-	162	66	490	7	725
As at 31 December 2022	61,986	472	2,712	42,856	631	108,657
Additions	95	33	938	2,816	141	4,023
Disposals	-	4	(1,213)	(10)	-	(1,219)
Sale of fixed assets	(1,068)	(33)	-	-	-	(1,101)
Revaluation deficit	(2,692)	-	-	-	-	(2,692)
Revaluation surplus	1,199	-	-	-	-	1,199
As at 31 December 2023	59,520	476	2,437	45,662	772	108,867
Depreciation						
As at 1 January 2022	10,996	267	1,811	26,796	7	39,877
Charge for the year	1,271	36	700	1,893	15	3,915
Disposals	-	-	(1,067)	-	-	(1,067)
As at 31 December 2022	12,267	303	1,444	28,689	22	42,725
Charge for the year	1,236	85	856	1,899	29	4,105
Sale of fixed assets	-	(8)	-	-	-	(8)
Disposals	-	(1)	(1,319)	(1)	-	(1,321)
As at 31 December 2023	13,503	379	981	30,587	51	45,501
Net book value						-
As at 31 December 2023	46,017	97	1,456	15,075	721	63,366
As at 31 December 2022	49,719	169	1,268	14,167	609	65,932

The Group's freehold land and buildings were valued by the Directors at £46,017,000 at 31 December 2023 (2022: £47,719,000), resulting in a net increase in the revaluation reserve of £1,493,000 (2022: £1,601,000). Deferred tax liabilities were decreased by £373,000 (2022: £429,000) and have been debited to the revaluation reserve. The Directors' valuation was guided by review of depreciated replacement cost.

14. PROPERTY, PLANT AND EQUIPMENT

IFRS13

Under IFRS13 companies must disclose greater detail about the assets held at fair value and the valuation methodology. Michelmersh "fair values" its land and buildings on a range of bases described below depending on the nature of the asset. Fair value is defined as the price that would be received on sale of the asset in an orderly transaction between market participants at the measurement date. The assets have been valued individually consistent with the principles of IFRS13. Valuations have been made on the basis of highest and best use which involves consideration of a potential alternative use given current market conditions.

METHODOLOGY

IFRS13 requires the fair values to be categorised in a three level "fair value hierarchy" based on the inputs used in the valuation.

Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2 - Use of a model with inputs (other than quoted prices as in Level 1) that are directly or indirectly observable market data.
Level 3 - Use of a model with inputs that are not based on observable market data.

The fair value of Land and Buildings above of £46,017,000 are all derived using Level 3 inputs and there have been no transfers between Levels during the period.

VALUATION TECHNIQUES

Brickwork properties have been fair valued using a cost approach or a comparable market values approach, by assessing the rebuild cost provided by external professional valuers in 2023, ascribing a construction industry price inflation factor and applying a remaining life period over the total life of each manufacturing plant asset of between 15 and 48 years. These values were confirmed by a third-party valuation in 2023 across all of our brickwork properties. Mineral reserves were assessed during 2021 and the volumes of 47 million tonnes and market rate less extraction costs have been reviewed and subjected to net present value assessments to arrive at current fair value. Similarly, the fair value of landfill assets have been assessed by updating external third-party valuations from 2016 based on available landfill voids of 1.9 million tonnes.

The Directors have reviewed the third-party professional valuations conducted in 2023 updating them where they consider conditions have changed in the year. The Directors have updated the carrying value for investment land held at Charnwood to reflect their estimate of fair value at the year end.

SENSITIVITY

The fair value of brickworks land and buildings will be sensitive to changes in construction costs and expected life of the buildings. The net present value of the landfill and mineral deposits uses inputs relating to the market value of landfill and clay and usage levels available that would determine market participants evaluation.

The open market value of the other properties is sensitive to general economic conditions but changes in value will be most highly affected by change in planning status and the period of time estimated to ultimately developed alternative use.

15. SUBSIDIARIES

The following subsidiaries have been included within the consolidated financial statements:

Company Name	Country of Incorporation	Class of Shares held	% of holding	Company No.	Nature of business
Blockleys Brick Limited	England	Ordinary	100	07445630	Non trading
Carlton Main Brickworks Limited	England	Ordinary	100	00479716	Non trading
Charnwood Forest Brick Limited	England	Ordinary	100	03690069	Non trading
Dunton Brothers Limited	England	Ordinary	100	03239979	Non trading
Floren & Cie NV	Belgium	Ordinary	100	n/a	Manufacture Bricks

Company Name	Country of Incorporation	Class of Shares held	% of holding	Company No.	Nature of business
Freshfield Lane Brickworks Limited	England	Ordinary	100	00804219	Non trading
Michelmersh Brick and Tile Company Limited	England	Ordinary	100	03433257	Non trading
Michelmersh Brick UK Limited	England	Ordinary	100	02527552	Manufacture Bricks
New Acres Limited	England	Ordinary	100	02600118	Non Trading Landfill Operations
Employee Benefit Trust	Guernsey	Trust	100	n/a	Employee Benefit Trust
Fab-lite Building Solutions Limited	England	Ordinary	100	05680604	Non trading
Fab-lite Facades Limited	England	Ordinary	100	10755862	Non trading
Fab-lite Limited	England	Ordinary	100	09372263	Non trading
FabSpeed Holdings Ltd [a]	England	Ordinary	100	13195766	Prefabrication Products
FabSpeed UK Limited [a]	England	Ordinary	100	12955889	Prefabrication Products
LiteSpeed Construction Systems Limited	England	Ordinary	100	04952099	Non trading
LiteSpeed Limited	England	Ordinary	100	10468462	Non trading

[a] Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2023.

16. INVENTORIES

	2023 £'000	2022 £'000
Raw materials	4,710	3,069
Work in progress	3,229	2,697
Finished goods	8,523	3,918
	16,462	9,684

The cost of inventories expensed during the year is £43,761,000 (2022: £41,151,000).

17. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2023 £'000	2022 £'000
Trade receivables	8,293	10,860
Prepayments and accrued income	948	941
	9,241	11,801

The fair value of the trade and other receivables are approximate to their carrying value.

Included within trade receivables is £1,054,000 (2022: £543,000) of receivables past due but not impaired. The Directors do not feel that there is any deterioration of credit quality of these receivables. The age analysis of receivables past due but not impaired is as follows.

	2023 £'000	2022 £'000
1 - 30 days overdue	793	396
31 - 60 days overdue	170	42
61+ days overdue	91	105
	1,054	543

The carrying amount of the Group's trade and other receivables are predominantly denominated in sterling. The total cash and receivables category comprises trade and other receivables above together with cash of £10,958,000 (2022: £10,598,000) as shown in the balance sheet, totalling £19,251,000 (2022: £21,458,000).

During the year no provisions were made against any debtors (2022: nil). Despite the current economic uncertainty the Directors do not feel that it is necessary to provide against any of the receivables balances at the year end given the quality and longevity of its customer relationships.

18. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2023 £'000	2022 £'000
Trade payables	3,969	3,623
Other taxation and social security	1,067	1,845
Other payables	334	1,273
Accruals	6,479	8,096
Deferred contingent consideration	813	852
Pension	141	171
	12,803	15,860

The fair values of trade and other payables are approximate to their carrying value. The total financial liabilities at amortised cost category comprises the above payables excluding other taxation and social security totalling £1,067,000 (2022: £1,845,000).

Trade payables are not interest bearing and are generally settled within terms. Other payables are non-interest bearing.

19. BORROWINGS

Interest rate risk of financial assets and liabilities

The Group did not have any floating rate borrowings (2022: £nil).

The Group's financial assets at 31 December 2023 and 31 December 2022 included cash at bank and in hand and money held on deposit.

The Group did not have any Euro denominated indebtedness as at 31 December 2023 (2022: €nil).

The lease liabilities are derived from a fixed rate established on inception of each new lease agreement.

Borrowing facilities
The Group has undrawn committed borrowing facilities at 31 December 2023 of £21,000,000 (2022: £20,000,000). The facilities are committed until 2026.

The Group currently operates with positive cash reserves. The Group has a £20 million committed revolving credit facility and a £1 millon overdraft facility with HSBC which was extended in December 2023. If utilised, interest is payable on the borrowing facilities at a margin above SONIA per annum and the Group is subject to a non-utilisation fee. The facilities are secured by a floating charge over all property and assets of the Group both present and future, in favour of HSBC Bank plc.

Lease liabilities
Under IFRS16, contract lease agreements for motor cars, lorries and fork-lifts used by the business are presented as assets and a corresponding liability. The balance outstanding at 31 December 2023 in respect of the right-of-use assets is as follows:

	2023 £'000	2022 £'000
In one year or less	698	761
Between one and two years	324	214
Between two and five years	419	309
	1,441	1,284

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Currency risk
As the Group predominantly operates within the United Kingdom, and the majority of overseas sales are conducted in sterling, the Directors consider there is minimal exposure to currency risk.

Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Operations Board under policies approved by the Board of Directors. The Operations Board identifies, evaluates and takes measures to adequately mitigate financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk
Cash flow and fair value interest rate risk
Given that the Group has no current borrowings, and expects that potential utilisation of facilities will be limited in amount and time periods, the Group's interest rate risk is restricted.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The carrying value of trade receivables and payables are assumed to approximate to their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

21. PENSIONS

Defined contribution scheme

The Group operates a defined contribution scheme for its 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 £665,000 (2022: £590,000). Amounts unpaid at the year end in respect of contributions amounted to £141,000 (2022: £171,000).

22. DEFERRED TAXATION

Deferred tax at 31 December 2023 relates to the following:

	Losses £'000	Roll-over gain £'000	Intangibles £'000	Property, plant and equipment £'000	Other items £'000	Total £'000
Cost						
As at 1 January 2022	(70)	797	3,325	10,945	(455)	14,542
On acquisition	-	-	729	147	-	876
Recognised in income	(1)	(53)	(283)	366	(412)	(383)
Recognised in other comprehensive income	-	23	14	429	-	466
Credited to equity	-	-	-	-	533	533
As at 31 December 2022	(71)	767	3,785	11,887	(334)	16,034
Recognised in income	-	(389)	(349)	407	(60)	(391)
Recognised in other comprehensive income	-	(10)	-	(373)	-	(383)
Credited to equity	-	-	-	-	102	102
As at 31 December 2023	(71)	368	3,436	11,921	(292)	15,362

Deferred tax assets included above are deemed recoverable against future taxable profits in certain Group companies. In addition to the above, the Group has un-provided deferred tax assets of £127,000 (2022: £503,000) in respect of unrelieved tax losses.

23. SHARE CAPITAL

During the year, the Company did not issue any new shares (2022: 270,761). During the year no (2022: 147,884) shares were issued in lieu of dividend under the Scrip Dividend Scheme.

	2023 Number	2023 £'000	2022 Number	2022 £'000
Authorised share capital Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000
Allotted, called up and fully paid: Ordinary shares of 20p each	95,903,579	19,181	95,903,579	19,181

During the year, the Company acquired nil (2022: 1,335,114) Ordinary shares through the Employee Benefit Trust (the "EBT"). The EBT is a discretionary trust for the benefit of the Company's employees, including the Directors of the Company. The EBT shares are excluded from the weighted average share calculations and the dividends on these shares have been waived. Following the announcement of a share buyback programme, 2,225,000 (2022: 60,000) shares had been bought up to 31 December 2023 and are held in treasury and excluded from the weighted average share calculations and the dividends on these shares have been waived.

There were no unusual rights or restrictions attaching to the Ordinary shares of the company.

24. SHARE BASED PAYMENTS

	£'000
Share option reserve as at 1 January 2023	1,278
Shareplan purchases	93
Charge for the year	1,258
Deferred taxation on share options	(102)
As at 31 December 2023	2,527

a) Michelmersh Brick Holdings Plc Group share option schemes

Year of Grant	Exercise price per share	Period of exercise	No. of options as at 31 December 2022	Options exercised in the year	Options granted	Options forfeited/lapsed in the year	No. of options as at 31 December 2023
2019	nil	March 2026 - March 2027	2,916,712	-	-	-	2,916,712
2020	nil	March 2023 - March 2024	95,776	(95,776)	-	-	-
2021	nil	March 2024 - March 2025	107,274	-	-	-	107,274
2022	nil	March 2025 - March 2026	141,315	-	-	-	141,315
2022	nil	December 2027 - December 2028	1,080,533	-	-	-	1,080,533
2023	nil	March 2026 - March 2027	-	-	151,521	-	151,521
2023	nil	December 2028 - December 2029	-	-	985,407	-	985,407

The options granted in the year were made under the "2022 Long-Term Incentive Plan" and are subject to performance conditions. The conditions relate to EPS, TSR and ESG targets in respect of the first grant (see Remuneration Committee Report on page 67).

b) Michelmersh Brick Holdings Plc SAYE scheme

Year of Grant	Exercise price per share	Period of exercise	No. of options as at 31 December 2022	Options exercised in the year	Options granted	Options forfeited/lapsed in the year	No. of options as at 31 December 2023
2018	75.1p	August 2018 - August 2023	134,217	(132,620)	-	-	1,597
2021	112p	March 2023 - March 2024	613,227	-	-	(109,107)	504,120
2021	112p	March 2025 - March 2026	138,742	-	-	(48,749)	89,993

Vesting conditions under the scheme include a three or five year vesting period but do not include any performance criteria.

Options were valued using the principles of the Black Scholes Model. This valuation is amortised to the income statement over the vesting period.

The following key inputs have been used in the valuation of the SAYE share options using the Black Scholes Model, as deemed applicable at the grant date.

	2021	2018
Weighted average share price	£1.48	£0.82
Expected volatility	27%	30%
Expected dividend yield	3.0%	1.8%
Risk free rate	1.045%	5.000%

Expected volatility is derived from historic share price of the Group.

The weighted average exercise prices for both schemes combined were as set out below:

	2023 No	2023 Weighted average exercise price	2022 No	2022 Weighted average exercise price
Outstanding as at 1 January	5,227,797	18.0p	6,286,095	18.3p
Exercised	(228,396)	43.6p	(122,877)	26.8p
Lapsed and forfeited	(157,856)	112.0p	(2,157,269)	8.1p
Granted	1,136,928	-	1,221,848	-
Outstanding as at 31 December	5,978,473	11.2p	5,227,797	18.0p

The weighted average contractual life for the share options outstanding at 31 December 2023 is 3 years (2022: 3 years).

25. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

The share premium account relates to the excess of issue price over nominal value of shares issued.

Other reserve is made up of the three items below:

The share option reserve relates to the Group Share Option and SAYE Share Option Schemes. Additional details are disclosed in notes 24 and 26 to the financial statements.

The revaluation reserve relates to revaluation of property as disclosed in notes 14 and 26.

The currency reserve relates to the impact of changes in currency rates used in the translation of opening balances of assets and liabilities of the Belgian subsidiary whose accounts are denominated in Euros. Additional details are disclosed in note 26 to the financial statements.

26. OTHER RESERVES

	Revaluation reserve £'000	Share option reserve £'000	Foreign exchange reserve £'000	Total £'000
As at 1 January 2023	20,497	1,270	(340)	21,435
Revaluation deficit	(2,692)	-	-	(2,692)
Revaluation surplus	1,199	-	-	1,199
Opening adjustment	-	26	-	26
Deferred taxation on revaluation	383	-	-	383
Currency difference	-	-	41	41
Total comprehensive income	(1,110)	26	41	(1,043)
Share based payments charge for the year	-	1,258	-	1,258
Released on maturity of options	-	-	-	-
Shareplan purchase	-	67	-	67
Deferred taxation on share options	-	(102)	-	(102)
As at 31 December 2023	19,387	2,527	(299)	21,615

27. EARNINGS PER SHARE

	2023 £'000	2022 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders	9,662	8,877
Number of shares		
Weighted average number of Ordinary shares for the purposes of basic earnings per share*	92,535,734	94,467,688
Number of dilutive shares under option	2,946,585	1,976,771
Weighted average number of Ordinary shares for the purposes of dilutive earnings per share	95,482,319	96,444,459

* Excluded from the weighted number of shares are shares held in treasury of 2,225,000 and shares held by the Employee Benefit Trust of 1,142,845.

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.

28. RECOGNITION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at 31 December 2021 £'000	Currency adjustment £'000	Drawn during the year £'000	Repaid during the year £'000	As at 31 December 2022 £'000
Term Loans	785	8	-	(793)	-
Lease liabilities	608	-	1,396	(720)	1,284
	1,393	8	1,396	(1,513)	1,284

	As at 31 December 2022 £'000	Currency adjustment £'000	Drawn during the year £'000	Repaid during the year £'000	As at 31 December 2023 £'000
Term Loans	-	-	-	-	-
Lease liabilities	1,284	-	1,042	(885)	1,441
	1,284	-	1,042	(885)	1,441

29. CONTINGENCIES

There are specific performance guarantees granted by HSBC amounting to £417,000 (2022: £417,000).

MICHELMERSH BRICK HOLDINGS PLC

PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICHELMERSH

OPINION

We have audited the financial statements of Michelmersh Brick Holdings plc (the 'parent company') for the year ended 31 December 2023 which comprise the balance sheet, the statement of changes in equity and the parent company notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the parent company financial statements:

- Give a true and fair view of the state of the parent company's affairs as at 31 December 2023
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Description of risk	How the matter was addressed in the audit
Investment Properties (Note 2)	Investment properties are measured at fair value at each reporting date. Fair value measurement is inherently judgemental.	In order to address this key audit matter, the audit team have performed the following procedures: • Reviewed third party valuation obtained by the Directors in the year, considering the independence and competence of the expert engaged by management to prepare the valuation; • Considered the appropriateness of the valuation approach with reference to past experience and the broader nature of the business; and • Reviewed and challenged the assumptions used.
Investment value (Note 3)	Investment value in the accounts is significant and relates to the purchase of subsidiary companies. The carrying value of these investments is considered for impairment on an annual basis by the Directors which requires significant judgment, in particular regarding cash flows, growth rates, discount rates and sensitivity analysis.	In order to address this key audit matter, the audit team has performed the following procedures: • Considered trading performance of the underlying companies; • Our internal experts assessed the appropriateness of the model and the assumptions concerning growth rates and the discount rate; and • Performed sensitivity analysis to stress the future free cash flow calculations.

OUR APPLICATION OF MATERIALITY

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £3,558,400. This has been determined with reference to the benchmark of the parent company's net assets, as it is a holding company for the Group and carries on no trade in its own right. Parent FS materiality represents 5% of the parent company's net assets as presented on the face of the parent company balance sheet. This materiality level was capped at performance materiality for the group.

Performance materiality for the parent company financial statements was set at £2,846,720, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and that there are few judgements. Also, management utilise experts in a number of areas requiring estimation supporting them in making their assessment.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the parent company financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is appropriate.

Our evaluation of the Directors' assessment of the parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging key assumptions used in the detailed budgets prepared by management to March 2025;
- Considering historical accuracy of budgeting;
- Comparing the actual results to budget for 2023 and post year end results to 2024 budget;
- Considering the sensitivity of the key assumptions and re-assessing headroom after sensitivity analysis performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the Group and parent company financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the parent company financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- The strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 79, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the Directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained a general understanding of the Company's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the Company's industry and regulation.

We understand that the Company complies with requirements of the framework through:

- Engaging with independent advisors to perform regular reviews of procedures in place at sites operated by the Group.
- Making note of relevant updates from external experts and updating internal procedures and controls as necessary as legal and regulatory requirements change.
- Given the management structure and reporting lines, any litigation or claims would come to the Directors' attention and are considered at Board meetings.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.
- AIM rules and the Market Abuse Regulations; and
- Health and safety, Environmental and Pollution regulations, due to the nature of the Group's operations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Reviewed the procedures management has implemented over compliance with the regulations.
- Inspected internal health and safety records and external site audit reports.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the parent company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- Manipulation of the financial statements through manual journal entries.
- Valuation of the investment properties and investments where estimates are made by management.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included;

- Testing of a sample of journal entries, selected through applying specific risk assessments based on the parent company's processes and controls surrounding journal entries.
- Challenging management regarding the key assumptions used in the estimates identified above, and comparison to post-year-end data and third-party correspondence as appropriate. Refer to the work performed over our Key Audit Matters above for procedures performed.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

OTHER MATTER

We have reported separately on the group financial statements of Michelmersh Brick Holdings plc for the year ended 31 December 2023.

USE OF OUR REPORT

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent 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 parent Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited

Stephen Hale
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall lane
Bristol
BS1 6NA

25 March 2024

COMPANY BALANCE SHEET

as at 31 December 2023

	notes	2023 £'000	2022 £'000
Fixed assets			
Property, plant and equipment	1	716	602
Investment properties	2	35,138	38,449
Investments in subsidiaries	3	65,673	65,673
Total fixed assets		101,527	104,724
Current assets			
Debtors – amounts falling due within one year	4	455	507
Cash and cash equivalents		8,289	4,344
Total current assets		8,744	4,851
Creditors: amounts falling due within one year	5	1,906	5,456
Net current assets/(liabilities)		6,838	(605)
Creditors: amounts falling due after more than one year			
Deferred taxation	6	6,172	6,344
		6,172	6,344
Net assets		102,193	97,775
Capital and reserves			
Share capital	10	19,181	19,181
Share premium account	11	16,575	16,575
Other reserves	12	24,093	24,788
Profit and loss account		42,344	37,231
Equity shareholders' funds		102,193	97,775

The profit for the parent company was £9,326,000 (2022: £12,160,000).

These financial statements were approved by the Directors and authorised for issue on 25 March 2024 and are signed on their behalf by

P. Sharp R. Mahoney
Director Director

The accounting policies and notes on pages 117 to 123 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Share capital £'000	Other reserves £'000	Share premium £'000	Profit and loss account £'000	Total shareholder funds £'000
As at 1 January 2022	19,127	25,850	16,387	30,293	91,657
Profit for the year	-	276	-	11,884	12,160
Shares issued during the year	8	-	23	-	31
Share based payment	-	856	-	-	856
Purchase of own shares	-	-	-	(1,540)	(1,540)
Released on maturity of options	16	(1,661)	-	65	(1,580)
Deferred taxation on share options	-	(533)	-	-	(533)
Dividend paid	30	-	165	(3,471)	(3,276)
As at 31 December 2022	19,181	24,788	16,575	37,231	97,775
Profit for the year	-	(1,754)	-	11,080	9,326
Share based payment	-	1,094	-	-	1,094
Purchase of own shares	-	-	-	(1,974)	(1,974)
Deferred taxation on share options	-	(102)	-	-	(102)
Dividend paid	-	-	-	(3,993)	(3,993)
Shareplan purchase	-	67	-	-	67
As at 31 December 2023	19,181	24,093	16,575	42,344	102,193

NOTES TO COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2023

ACCOUNTING POLICIES - YEAR ENDED 31 DECEMBER 2023

Basis of preparation

Michelmersh Brick Holdings PLC is a public limited company incorporated in the United Kingdom. The registered office is Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ('FRS 102')" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Company's accounting policies.

Advantage has been taken of the s408 Companies Act 2006 exemption from publishing the parent company's individual statement of profit or loss and other comprehensive income.

Property, plant and equipment

Plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated value based on current prices at the balance sheet date, over the useful economic life of the asset as follows:

Office equipment - 10-33%

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property, is recognised in the profit and loss account in the period of de-recognition.

Investments in subsidiaries
Investments are stated at cost less any provision for impairment in value.

Share based payment transactions
An expense for equity instruments granted under employee share schemes and the Save-As-You-Earn Schemes is recognised in the financial statements based on their fair value at the date of grant. This expense is recognised over the vesting period of the scheme. The cumulative expense recognised at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Company has adopted the principles of the Black Scholes Model for the purposes of computing fair value.

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. 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 the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that their recovery is considered more likely than not.

Financial instruments
Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Pension costs
The Company operates a defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Company. Contributions are charged to the profit and loss account in the year in which they are incurred.

Dividends
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £'000
Cost	
As at 1 January 2023	624
Additions	141
As at 31 December 2023	765
Depreciation	
As at 1 January 2023	22
Charge for the year	27
As at 31 December 2023	49
Net book value	
As at 31 December 2023	716
As at 31 December 2022	602

2. INVESTMENT PROPERTIES

	£'000
Cost or valuation	
As at 1 January 2022	37,556
Additions	554
Revaluation deficit	(1,246)
Revaluation surplus	1,614
Transfer	(29)
As at 31 December 2022	38,449
Additions	190
Disposal	(1,163)
Revaluation deficit	(3,008)
Revaluation surplus	670
Transfer	-
As at 31 December 2023	35,138

Revaluation of fixed assets
The Company's investment property was valued by the Directors on 31 December 2023 at fair value.

The Directors have valued the properties on a range of bases including depreciated replacement cost and market value bases consistent with the methodologies utilised by external valuers.

3. INVESTMENTS IN SUBSIDIARIES

	2023 £'000	2022 £'000
Cost		
As at 1 January	65,673	58,314
Additions	-	7,359
As at 31 December	65,673	65,673

The Company's investment in the Ordinary share capital of unlisted subsidiary companies at the balance sheet date include the following:

Company Name	Country of Incorporation	Class of Shares held	% of holding	Company No.	Nature of business
Blockleys Brick Limited	England	Ordinary	100	07445630	Non trading
Carlton Main Brickworks Limited	England	Ordinary	100	00479716	Non trading
Charnwood Forest Brick Limited	England	Ordinary	100	03690069	Non trading
Dunton Brothers Limited	England	Ordinary	100	03239979	Non trading
Floren & Cie NV	Belgium	Ordinary	100	n/a	Manufacture Bricks
Freshfield Lane Brickworks Limited	England	Ordinary	100	00804219	Non trading
Michelmersh Brick and Tile Company Limited	England	Ordinary	100	03433257	Non trading
Michelmersh Brick UK Limited	England	Ordinary	100	02527552	Manufacture Bricks
New Acres Limited	England	Ordinary	100	02600118	Non Trading Landfill Operations
Employee Benefit Trust	Guernsey	Trust	100	n/a	Employee Benefit Trust
Fab-lite Building Solutions Limited	England	Ordinary	100	05680604	Non trading
Fab-lite Facades Limited	England	Ordinary	100	10755862	Non trading
Fab-lite Limited	England	Ordinary	100	09372263	Non trading
FabSpeed Holdings Ltd [a]	England	Ordinary	100	13195766	Prefabrication Products
FabSpeed UK Limited [a]	England	Ordinary	100	12955889	Prefabrication Products
LiteSpeed Construction Systems Limited	England	Ordinary	100	04952099	Non trading
LiteSpeed Limited	England	Ordinary	100	10468462	Non trading

[a] Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2023.

The registered office of the UK subsidiaries is at Freshfield Lane, Danehill, Haywards Heath RH17 7HH. Floren's registered office is at Vaartkant Rechts 4, B 2960 Brecht, Belgium.

4. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Prepayments	455	507
Other debtors	-	-
	455	507

5. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Amounts owed by Group undertakings	69	1,279
Other payables	51	-
Accruals and deferred income	973	3,325
Deferred consideration	813	852
	1,906	5,456

6. PROVISIONS FOR LIABILITIES

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

	2023 £'000	2022 £'000
At 1 January	6,344	5,716
Prior year adjustment	499	(44)
Revaluation of investment properties	(246)	625
(Decrease)/increase in deferred taxation	(425)	47
At 31 December	6,172	6,344

The provision for deferred taxation consists of the tax effect of temporary differences in respect of excess of taxation allowances over depreciation on fixed assets and revaluation surpluses, as well as the impact of the changes in UK tax rates.

7. DIVIDEND

During the year the Company paid a dividend of 3.65 pence per share in relation to 2022, an interim dividend of 1.30 pence per share on 12 January 2023 and a final dividend of 2.95 pence per share on 12 July 2023, amounting in total to £3,993,000 (2022: £3,471,000). In relation to 2023, the Company paid an interim dividend per share of 1.50 pence per share on 11 January 2024 and recommends a final dividend of 3.00 pence per share. The proposed final dividend will be paid on 10 July 2024 to members on the register on 7 June 2024 with shares being marked ex-div on 6 June 2024.

8. PARTICULARS OF EMPLOYEES

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

	2023 No.	2022 No.
Management and administration	15	15
	£'000	£'000
Wages and salaries	1,657	1,399
Social security costs	241	318
Other pension costs	43	54
	1,941	1,771

Details of Directors' emoluments are shown in the Remuneration Committee Report on page 69.

9. CONTINGENCIES

The bank holds a cross guarantee between the Company and its subsidiaries dated December 2023. At the end of the year total Group bank borrowings were £nil (2022: £nil).

10. SHARE CAPITAL

Group disclosures on page 107 of the Group accounts are appropriate to the Company.

	2023 Number	2023 £'000	2022 Number	2022 £'000
Authorised share capital Ordinary shares of 20p each	110,000,000	22,000	110,000,000	22,000
Allotted, called up and fully paid: Ordinary shares of 20p each	95,903,579	19,181	95,903,579	19,181

There were no unusual rights or restrictions attaching to the Ordinary shares of the Company.

11. RESERVES

Share premium account
The share premium account relates to the excess of issue price over nominal value of shares issued.

Other reserve
Other reserve is made up of the following three items:

Share option reserve
The share option reserve relates to the Group Share Option and SAYE Share Option Schemes. Additional details are disclosed in notes 24 and 26 of the Group financial statements.

Merger reserve
The merger reserve relates to the premium of fair value of Ordinary shares issued on acquisition of a subsidiary over the par value of the shares.

Revaluation reserve
The revaluation reserve relates to revaluation of property as disclosed in notes 26 of the Group financial statements and note 2 to the Company financial statements.

12. OTHER RESERVES

	Revaluation reserve £'000	Share option reserve £'000	Merger reserve £'000	Total £'000
As at 1 January 2023	20,140	1,077	3,571	24,788
Taxation credit on exercise of options	-	-	-	-
Total comprehensive income	-	-	-	-
Revaluation deficit	(3,008)	-	-	(3,008)
Revaluation surplus	670	-	-	670
Deferred taxation on revaluation	583	-	-	583
Share based payments charge for the year	-	1,094	-	1,094
Released on maturity of options	-	-	-	-
Shareplan purchases		67		67
Deferred taxation on share options	-	(102)	-	(102)
As at 31 December 2023	18,386	2,136	3,571	24,093

13. SHARE BASED PAYMENTS

	£'000
Share option reserve as at 1 January 2023	1,077
Share based payments	1,094
Shareplan purchase	67
Deferred taxation on share options	(102)
As at 31 December 2023	2,136

14. OPERATING LEASE COMMITMENTS

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2023 £'000	2022 £'000
In one year or less	88	78
Between one and two years	24	74
Between two and five years	1	12
	113	164

The Company has no other off balance sheet arrangements.

MICHELMERSH
Brick Holdings PLC

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