

COMPANY REGISTRATION NUMBER
02527552

MICHELMERSH BRICK UK LIMITED
ACCOUNTS
YEAR ENDED 31 DECEMBER 2018



MICHELMERSH BRICK UK LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

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MICHELMERSH BRICK UK LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Board of directors

M R Warner
F J Hanna
P N Sharp

Company secretary

S H P Morgan

Registered office

Freshfield Lane
Danehill
Haywards Heath
RH17 7HH

Auditors

Nexia Smith & Williamson Audit Limited
Chartered Accountants
Statutory Auditor
Portwall Place
Portwall Lane
Bristol
BS1 6NA

MICHELMERSH BRICK UK LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was the manufacture of bricks and related products.

The directors are satisfied with the performance of the company for the year and with the position of the company at 31 December 2018.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached accounts.

Dividends were paid during the year of £8,000,000 (2017 – £nil).

DIRECTORS

The directors who served the company during the year were as follows:

M R Warner
F J Hanna
P N Sharp

The company is a wholly owned subsidiary of Michelmersh Brick Holdings Plc and the interests of the group directors are disclosed in the accounts of the parent company.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, the Strategic Report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors are required to:

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

The directors are responsible for keeping 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 enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MICHELMERSH BRICK UK LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

DIRECTORS' RESPONSIBILITIES (continued)


Each of the persons who are directors at the time when the Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the directors:


S H P Morgan
Company Secretary
Date 11 July 2019

MICHELMERSH BRICK UK LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The directors monitor the business predominantly through review of financial results, including turnover, operating profit and cashflow, as well as through performance and 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 company which include general economy and fiscal environment; business interruption; input prices; quality of product; and brexit.

For a full analysis of the principal risks and uncertainties affecting the business as well as the key performance indicators monitored by the directors, future developments and risk analysis please refer to the consolidated financial statements of Michelmersh Brick Holdings Plc.

FINANCIAL INSTRUMENTS

The company's policy is to finance working capital through cash balances, appropriate bank borrowing and retained earnings. The company is exposed to the usual credit and cash flow risk associated with selling on credit and manages this through credit control procedures.


For full analysis of the financial instruments and related disclosures affecting the business, please refer to the consolidated financial statements of Michelmersh Brick Holdings Plc.

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.

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.

Signed on behalf of the directors:


S H P Morgan
Company Secretary
Date 11 July 2019

MICHELMERSH BRICK UK LIMITED

AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Michelmersh Brick UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- 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 financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

MICHELMERSH BRICK UK LIMITED

AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2018

Opinion 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 financial statements are prepared is consistent with the 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 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 2, the directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

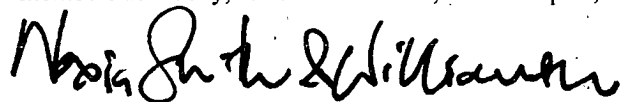
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.



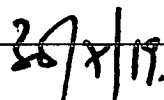
Carl Deane

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants



MICHELMERSH BRICK UK LIMITED**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
TURNOVER	2	46,326	30,830
Cost of sales		<u>(28,307)</u>	<u>(20,503)</u>
GROSS PROFIT		18,019	10,327
Administrative expenses		(8,423)	(5,749)
Other operating income	3	<u>80</u>	<u>31</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>9,676</u>	<u>4,609</u>
Tax on profit on activities	7	(2,043)	(896)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>7,633</u>	<u>3,713</u>

All of the activities of the company are classed continuing

There were no other recognised gains or losses for the year other than the profit for the year

The notes on pages 10 to 21 form part of these accounts.

MICHELMERSH BRICK UK LIMITED
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	2018 £000	2017 £000
FIXED ASSETS			
Tangible assets	8	14,011	13,994
CURRENT ASSETS			
Inventories	9	8,309	9,161
Trade and other receivables	10	8,496	7,549
Cash at bank and in hand		<u>1,581</u>	<u>3,590</u>
		18,386	20,300
CREDITORS			
Amounts falling due within one year	11	<u>(23,127)</u>	<u>(25,018)</u>
NET CURRENT LIABILITIES		<u>(4,741)</u>	<u>(4,718)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,270	9,276
PROVISION FOR LIABILITIES			
Deferred Tax	13	<u>(1,339)</u>	<u>(978)</u>
NET ASSETS		<u>7,931</u>	<u>8,298</u>
CAPITAL AND RESERVES			
Share Capital	17	10	10
Profit and Loss account		<u>7,921</u>	<u>8,288</u>
EQUITY SHAREHOLDERS FUNDS		<u>7,931</u>	<u>8,298</u>

These accounts were approved by the directors on 11 July 2019 and are signed on their behalf by:


P.N. Sharp


F.J. Hanna

Directors

Company registration number: 02527552

The notes on pages 10 to 21 form part of these accounts.

MICHELMERSH BRICK UK LIMITED

STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2018

	Profit and loss account £000	Share Capital £000	Total £000
At 1 January 2018	8,288	10	8,298
Profit for the financial year	7,633	-	7,633
Dividend paid	(8,000)	-	(8,000)
At 31 December 2018	<u>7,921</u>	<u>10</u>	<u>7,931</u>

The notes on pages 10 to 21 form part of these accounts.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

Michelmersh Brick UK Limited ("the Company") is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006.

The address of the registered office is. Freshfield Lane, Danehill, Haywards Heath, RH17 7HH.

These financial statements cover the financial year from 1 January to 31 December 2018, with comparative figures for the year 1 January to 31 December 2017 and are compliant with FRS101.

1. ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Changes in accounting policy and disclosures

New and amended Standards and Interpretations adopted by the Company: There were a number of Amendments to Standards adopted in the current year, but none of these had a material impact on the Company in the current period.

New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2018:

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9 "Financial instruments" will be effective for the year ending December 2018 onwards, the main impact being the impairment assessment methodology used to value trade receivables.

IFRS 15 "Revenue from contracts with customers" will be effective for the year ending December 2018 onwards, an assessment of the full impact of this standard is in progress.

IFRS 16 "Leases" will be effective for the year ending December 2019 onwards and the impact on the financial statements is anticipated to be insignificant to the net asset position of the company and the annualised statement of comprehensive income.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company has net current Liabilities of £4,741,000 at 31 December 2018. The company is reliant on the financial support of its parent company, which has confirmed that it will continue to provide this support for the foreseeable future and that it will only seek repayment of balances due to it to the extent that funds allow. Accordingly, the company is considered to be a going concern and therefore the accounts have been prepared on this basis.

Turnover

Turnover shown in the profit and loss account represents amounts receivable for goods sold during the year exclusive of Value Added Tax.

Depreciation

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

Plant & Machinery - 3% - 25% straight line

Motor Vehicles - 25% - 33% straight line

Carbon emissions allowances policy

All EU-ETS sites are in the UK small emitter's scheme.

Annual emissions target levels are set under the EU regulations. Carbon emissions above the target form a liability which is costed at a pre-determined unit value. This is set one year in advance by the regulator based on the average carbon price from the previous year.

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.

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.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The annual contributions payable are charged to the statement of comprehensive income as incurred.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is provided for 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 tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only when recovery is more likely than not.

Share based payments

An expense for equity instruments granted under share schemes and Save-As-You-Earn schemes, as a result of the individuals' employment by the company, is recognised in the accounts based on their fair value at the date of grant. This expense is recognised over the vesting period of the scheme. The fair value applied to the shares of the parent company at the date of the grant has been computed on the basis of the principles of the Black Scholes Model.

Financial instruments

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

Trade and other debtors and creditors are classified as loans and receivables and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents comprise cash in hand and at bank.

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.

Key source of estimation uncertainty

The key source of estimation uncertainty employed in the preparation of these financial statements centres on the valuation of inventory.

The valuation of raw materials inventory (clay stocks) at each year end is based upon management estimates of usage in the year with reference to bricks produced.

The valuation of work in progress and finished goods inventory is determined with reference to production costs incurred and attributable overheads. This results in an element of judgement being incorporated in the year end valuation. The stage of completion of work in progress is also assumption driven with reference to the time span of the overall process.

The values involved with regards to raw materials, work in progress and finished goods inventories are disclosed in note 9.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2018 £000	2017 £000
United Kingdom	46,288	30,746
Europe	28	46
Rest of the World	10	38
	<u>46,326</u>	<u>30,830</u>

3 OTHER OPERATING INCOME

	2018 £000	2017 £000
Rent receivable	10	10
Others	55	21
Profit on sales of assets	15	-
	<u>80</u>	<u>31</u>

4 OPERATING PROFIT

Operating profit is stated after charging

	2018 £000	2017 £000
Depreciation of owned fixed assets	1,201	867
Operating leases-hire of plant and machinery	28	53
Operating leases-hire of motor vehicles	<u>582</u>	<u>644</u>

Auditor remuneration is borne by the parent company.

MICHELMERSH BRICK UK LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2018****5 PARTICULARS OF EMPLOYEES**

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

	2018 No's	2017 No's
Number of production staff	299	272
Number of administrative staff	29	21
	<u>328</u>	<u>293</u>

The aggregate payroll cost of the above were:

	2018 £'000	2017 £'000
Wages and Salaries	10,824	8,539
Social security cost	1,071	824
Other pension cost	420	331
	<u>12,315</u>	<u>9,694</u>

6 DIRECTORS EMOLUMENTS

During the year the directors were paid by the parent company. Costs relating to this company are recharged through the overall management charge by the parent company.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2018 £000	2017 £000
Current Tax		
UK Corporation tax at 19 % (2017:19.25%)	1,736	714
Adjustment in respect of prior periods	<u>(54)</u>	<u>(2)</u>
	<u>1,682</u>	<u>712</u>
Deferred Tax		
Current year tax charge	361	184
Total Deferred tax	<u>361</u>	<u>184</u>
Tax on profit on ordinary activities	<u>2,043</u>	<u>896</u>

MICHELMERSH BRICK UK LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2018****7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)****(b) Factors affecting tax charge**

The tax assessed for the period is higher (2017 – higher) than the standard rate of corporation tax in the UK of 19 % (2017 – 19.25%). The differences are explained below.

	2018 £000	2017 £000
Profit on ordinary activities before taxation	<u>9,676</u>	<u>4,609</u>
Profit on ordinary activities multiplied by the standard rate of tax	1,838	887
Net profit on disposal of assets	3	-
Expenses disallowed	19	12
Capital allowances in excess of depreciation	163	93
Other timing differences	-	10
Losses utilised	2	92
Provision	2	1
Adjustment in respect of prior period	328	(2)
Group relief	<u>(312)</u>	<u>(197)</u>
Total tax charge	<u>2,043</u>	<u>896</u>

c) As at 31 December 2018 the company had tax losses of approximately £292,000 (2017 – £Nil) to offset against future profits.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

8 TANGIBLE FIXED ASSETS

	Plant & Machinery £000	Motor Vehicles £000	Total £000
COST OR VALUATION			
At 1 January 2018	38,942	148	39,090
Additions	1,788	-	1,788
Disposals	(1,278)	(66)	(1,344)
Transfer from Group company	(2,944)	-	(2,944)
	<u>36,508</u>	<u>82</u>	<u>36,590</u>
At 31 December 2018			
DEPRECIATION			
At 1 January 2018	24,998	98	25,096
Charges for the year	1,172	29	1,201
Disposals	(708)	(66)	(774)
Transfer from Group company	(2,944)	-	(2,944)
	<u>22,518</u>	<u>61</u>	<u>22,579</u>
At 31 December 2018			
NBV			
At 31 December 2017	<u>13,944</u>	<u>50</u>	<u>13,994</u>
At 31 December 2018	<u>13,990</u>	<u>21</u>	<u>14,011</u>

9 INVENTORIES

	2018 £000	2017 £000
Raw Materials	3,476	3,721
Work in Progress	1,557	1,413
Finished Goods	<u>3,276</u>	<u>4,027</u>
	<u>8,309</u>	<u>9,161</u>

The cost of inventories expensed in the year is £25,315,000 (2017: £18,140,000).

MICHELMERSH BRICK UK LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2018**

10 TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Trade debtors	7,241	6,291
Amount owed by group undertakings	1,029	1,029
Prepayments and accrued income	226	229
	<u>8,496</u>	<u>7,549</u>

11 CREDITORS: Amounts falling due within one year

	2018 £000	2017 £000
Corporation tax payable	564	706
Trade Creditors	2,685	2,701
Amount owed to group undertaking	16,264	18,321
Social security and other taxes	1,485	1,083
Accrual and deferred income	2,129	2,207
	<u>23,127</u>	<u>25,018</u>

12 PENSIONS**Defined Contribution Scheme**

The company operates a defined contribution scheme for a number of employees of the company. The assets of the scheme are held separately from those of the company in trustee administered funds. The pension charge for contributions made by the company to the defined contribution scheme amounted to £420,000 (2017 - £331,000).

MICHELMERSH BRICK UK LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2018****13 DEFERRED TAXATION**

The movement in the deferred taxation liability during the period was:

	2018 £000	2017 £000
Liability brought forward	978	378
Transfer of business	104	415
Increase in provision	(23)	93
Losses utilised	2	92
Previous year adjustment	278	-
Liability carried forward	<u>1,339</u>	<u>978</u>

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

	2018 £000	2017 £000
Excess of taxation allowance over depreciation of fixed assets	1,050	964
Tax losses available	(50)	-
Revaluation	104	-
Rollover property gain	228	-
Other timing differences	7	14
	<u>1,339</u>	<u>978</u>

14 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the company had annual commitments under non-cancellable operating leases as set out below.

	2018 £000	2017 £000
Operating leases which expire		
Within 1 year	548	614
Within 2 to 5 years	780	1,273
	<u>1,328</u>	<u>1,887</u>

15 CONTINGENCIES

The bank holds a cross guarantee between the company, its fellow subsidiaries and the parent company dated June 2017. At the year end the total group bank borrowings were £17,080,000 (2017 - £19,850,000).

The company has an unused bank overdraft, which is secured by debentures given by all group companies and a charge over freehold land and buildings.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2018

16 RELATED PARTY TRANSACTIONS

During the year the company made sales to W E Black Limited of £71,000 (2017 - £25,000) a related party due to consideration of significant control by the directors. At 31 December 2018 the company was owed £6,891 (31 December 2017 - £7,162) by W E Black Limited.

During the year the company made sales to Comorant Properties Ltd of £1,500 (2017 - £25,000) a related party by virtue of its ownership by a close family member of a director. At 31 December 2018, the company was owed £Nil (31 December 2017 - £Nil) by Comorant Properties Ltd.

17 SHARE CAPITAL

Allotted, called up and fully paid:	2018		2017	
	No.	£000	No.	£000
Ordinary shares of £1 each	10,000	10	10,000	10

The share option charge brought forward has been borne by the Parent Company.

As a result of their employment with the company, certain employees qualify for membership of the Michelmersh Brick Holdings plc company share option scheme and the Michelmersh Brick Holdings plc SAYE Scheme. In accordance with Financial Reporting Standard 101 "Share based payment", the company has recognised the expense arising from the granting of share options relating to its participating employees reflecting the expense as a cost of employment of those individuals. The expense has been calculated through the application of a fair value at the date of grant, using the principles of the Black-Scholes Model, and amortising the value over the vesting period of those options.

Employees of the company hold options to subscribe for ordinary shares as follows: -

Share Capital

a) Michelmersh Brick Holdings PLC Company Share Option Scheme

Year of Grant	Subscription price Per share	Period of Exercise	Number of Options at 31 December 2017	Options Lapsed in year	Number of Options at 31 December 2018
2008	96p	Feb 11 – Feb 18	12,500	(12,500)	-

MICHELMERSH BRICK UK LIMITED

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17 SHARE CAPITAL (continued)

Profit for the financial year Employees transferring between group entities in the year are accordingly deemed to have transferred their share option entitlement to the related group undertaking.

Criteria for the exercise of options under the scheme include a minimum three-year period before first exercise and a maximum ten-year period from grant date. The options are also subject to performance criteria set when the options were granted. Employees may exercise options if they leave employment if exercised within six months of ceasing to be an employee.

b) Michelmersh Brick Holdings PLC SAYE Scheme

Year of Grant	Subscription price per share	Period of Exercise	Number of Options at 31 December 2017	Options Issued in year	Options Exercised in year	Options Lapse in year	Number of Options as at 31 December 2018
2015	66.2	Aug 2015 - Aug 2018	262,524	-	(217,713)	(43,724)	1,087
2015	66.2	Aug 2015 - Aug 2020	12,688	-	-	(9,063)	3,625
2018	75.1	Aug 2018 - Aug 2021	-	711,665	-	-	711,665
2018	75.1	Aug 2018 - Aug 2023	-	28,119	-	-	28,119

Vesting conditions 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. The difference between the valuation and the amount payable by option holders upon exercise is amortised to the profit and loss account over the period between grant and the first exercise. The charge is borne by the parent company and these amounts are credited to the share option reserve of the parent company on conclusion, within equity. No charge has been recognised in these accounts for the year as the directors consider the adjustment to be immaterial.

The weighted average exercise price of the options is as follows: -

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 st Jan	287,712	67.5 p	480,688	50.7 p
Exercised	(217,713)	66.2 p	(165,786)	19.0p
Issued	739,784	75.1 p	-	-
Lapsed	(65,287)	75.1 p	(27,190)	66.2 p
Outstanding at 31 st December	<u>744,496</u>	<u>75.0 p</u>	<u>287,712</u>	<u>67.5 p</u>

The weighted average contractual life for share options outstanding at 31 December 2018 is 2.75 years (2017 – 1.0 years).

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18 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Michelmersh Brick Holdings PLC, a company registered in England and Wales. A copy of the parent company's consolidated accounts may be obtained from the registered office of the company.