

COMPANY REGISTRATION NUMBER
02527552

MICHELMERSH BRICK UK LIMITED
ACCOUNTS
YEAR ENDED 31 DECEMBER 2023

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MICHELMERSH BRICK UK LIMITED

ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

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MICHELMERSH BRICK UK LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Board of directors

M R Warner
F J Hanna
P N Sharp
R Mahoney

Registered office

Freshfield Lane
Danehill
Haywards Heath
West Sussex
RH17 7HH

Auditors

CLA Evelyn Partners Limited
Chartered Accountants
Statutory Auditor
Portwall Place
Portwall Lane
Bristol
BS1 6NA

MICHELMERSH BRICK UK LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2023

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 December 2023.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

These full year results have been achieved despite a period of significant contraction in the construction industry due to higher inflation and uncertainty in the forward trajectory of interest rates combining to dampen consumer demand.

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 addressing these diverse end markets underpins our view in the resilience of the business to continue delivering growth in more challenging conditions as each route to market has differing factors to drive supply and demand fundamentals. We remain very grateful for the longevity and depth of our customer relationships which support this approach and our focus is to provide excellent products and services alongside balancing the needs of all our stakeholders.

Despite the uncertainty at the point that construction activity will increase above the levels we saw in 2023, the fundamentals in our end markets remain positive with a critical shortage of both new residential and social housing, a significant legacy housing inventory constructed with brick facades underpinning future Repairs, Maintenance and Improvement ("RMI") demand together with requirements for specification and 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 out to 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 our UK markets. 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 more negative consumer environment. Consequently, brick inventory volumes for the sector are above the five-year average at c.575 million. In response, 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 our view in the resilience of our outlook.

Our 2023 financial performance and strong balance sheet have allowed us to deliver on our core business priorities and equally ensure that we can continue to invest in the Company and continue to deliver against our sustainability initiatives. During the year we applied and received our licences to add solar panels at Blockleys, with installation completed in the second half. 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.

The Company will continue to invest in projects that address our strategic objectives to expand the manufacturing capacity, support continuous improvements in production efficiency, de-risk processes and deliver long-term sustainability through enhanced reporting and a deliverable sustainability roadmap.

MICHELMERSH BRICK UK LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2023

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 £11,161,000 (2022 - £12,699,000).

DIRECTORS

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

M R Warner

F J Hanna

P N Sharp

R Mahoney

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 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". 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 profit or loss of the company 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.

DISCLOSURE OF INFORMATION TO AUDITORS

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.

MICHELMERSH BRICK UK LIMITED

DIRECTORS' REPORT

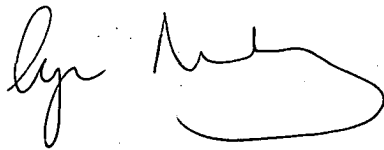
YEAR ENDED 31 DECEMBER 2023

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

AUDITORS

A resolution to re-appoint the auditors, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the directors:

A handwritten signature in black ink, appearing to read 'R Mahoney', with a large, sweeping flourish at the end.

R Mahoney
Director

Date 25/03/2024

MICHELMERSH BRICK UK LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2023

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2023.

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.

SECTION 172(1) STATEMENT

Under Section 172(1) of the Companies Act 2006, a director of a Company must act in the way he or she considers, 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 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 and environmental 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 Company 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 formal scheduled meetings at appropriate intervals with all stakeholders.
3. Effect on decisions and strategies: Assessment of investment in plant is heavily skewed towards increasing energy efficiency and/or employee safety and wellbeing. At a routine planning level, consideration is made to manage specific product output to timely delivery to ensure customers can operate efficiently

MICHELMERSH BRICK UK LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2023

SECTION 172(1) STATEMENT *(continued)*

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 and considerations it has made during the year to 31 December 2023 :

Board Decision

Prioritising the health and safety of our employees.

Considerations

The health, safety and wellbeing of employees and ensuring a safe working environment, as well as the need to maximise revenue generating opportunities to protect the financial position of the Group.

The Board's commitment to the progressive dividend policy during a period of macro uncertainty.

The Board considered the need to balance duties owed to shareholders in short-term, and to protect cash within the Company during a period of macro uncertainty and acknowledging the need to foster the long-term success of the business.

The decision to integrate FabSpeed into the broader manufacturing portfolio.

The Board will continue to target carefully selected, value enhancing acquisitions. The integration of FabSpeed is another important step in the strategy for the Group to remain Britain's leading specialist brick manufacturer.

FINANCIAL RISK MANAGEMENT

The company's policy is to finance working capital through cash balances, appropriate bank facilities 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.

EMPLOYEE ENGAGEMENT

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.

Non-Executive members of the parent company Board have been able to visit sites and engage directly with staff to be able to see the operations of the Company.

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.

MICHELMERSH BRICK UK LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2023

EMPLOYEE ENGAGEMENT *(continued)*

It is the policy of the Company 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 Company's employment.

BUSINESS RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

Customers

The Company 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 Company 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 strong process is at the forefront of the Company offering. A culture of open dialogue combined with strong customer relationships help assess where the Company 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 suppliers

The Company 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 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.

Signed on behalf of the directors:



R Mahoney

Director

Date 25/03/2024

MICHELMERSH BRICK UK LIMITED

AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICHELMERSH BRICK UK LIMITED

Opinion

We have audited the financial statements of Michelmersh Brick UK Limited (the 'company') for the year ended 31 December 2023 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 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 2023 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

In auditing the 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.

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 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 Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Accounts. 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. 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 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 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.

MICHELMERSH BRICK UK LIMITED

AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2023

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 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 director's 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, 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 3, 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.

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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. 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 company.
- 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

MICHELMERSH BRICK UK LIMITED

AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2023

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 101 in respect of the preparation and presentation of the financial statements; and
- Health and safety, Environmental and Pollution regulations, due to the nature of the company'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 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, especially revenue, through manual journal entries.

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

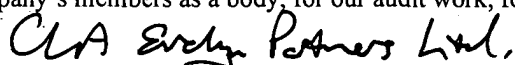
The procedures we carried out to gain evidence in the above areas included;

- 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 as appropriate.

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.

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.



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

Date: 25/03/2024

MICHELMERSH BRICK UK LIMITED**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £000	2022 £000
TURNOVER	2	62,099	59,307
Cost of sales		<u>(37,385)</u>	<u>(35,973)</u>
GROSS PROFIT		24,714	23,334
Administrative expenses		(9,980)	(9,967)
Other operating income	3	7	8
Interest payable on right of use assets		<u>(44)</u>	<u>(53)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>14,697</u>	<u>13,322</u>
Tax on profit on activities	7	(3,069)	(2,236)
PROFIT FOR THE FINANCIAL YEAR		<u>11,628</u>	<u>11,086</u>
Other comprehensive income		26	18
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>11,654</u>	<u>11,104</u>

All of the activities of the company are classed continuing.

The notes on pages 14 to 24 form part of these accounts.

MICHELMERSH BRICK UK LIMITED
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

	Notes	2023 £000	2022 £000
FIXED ASSETS			
Tangible assets	8	13,646	13,247
CURRENT ASSETS			
Inventories	9	11,869	7,029
Trade and other receivables	10	7,529	9,156
Cash at bank and in hand		<u>1,686</u>	<u>4,500</u>
		21,084	20,685
CREDITORS			
Amounts falling due within one year	11	<u>(11,199)</u>	<u>(11,506)</u>
NET CURRENT ASSETS		<u>9,885</u>	<u>9,179</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,531	22,426
INTEREST BEARING LIABILITIES	12	(712)	(512)
PROVISION FOR LIABILITIES			
Deferred Tax	14	<u>(2,425)</u>	<u>(2,177)</u>
NET ASSETS		<u>20,394</u>	<u>19,737</u>
CAPITAL AND RESERVES			
Share Capital	17	10	10
Share Option		396	206
Revaluation Reserve		(33)	(33)
Profit and Loss account		<u>20,021</u>	<u>19,554</u>
EQUITY SHAREHOLDERS FUNDS		<u>20,394</u>	<u>19,737</u>

These accounts were approved by the directors on 25 March 2024 and are signed on their behalf by:

R.M.Mahoney



P.N. Sharp



Directors

Company registration number: 02527552

The notes on pages 14 to 24 form part of these accounts.

MICHELMERSH BRICK UK LIMITED

STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2023

	Share Capital £000	Share Options £000	Revaluation Reserve £000	Profit and loss account £000	Total £000
At 1 January 2022	10	59	(33)	21,167	21,203
Profit for the financial year	-	-	-	11,086	11,086
Current taxation credit	-	18	-	-	18
Change of taxation rate	-	-	-	-	-
Total comprehensive income	-	18	-	11,086	11,104
Share based payment	-	129	-	-	129
Dividends paid	-	-	-	(12,699)	(12,699)
At 31 December 2022	10	206	(33)	19,554	19,737
Profit for the financial year	-	-	-	11,628	11,628
Current taxation credit	-	26	-	-	26
Total comprehensive income	-	26	-	11,628	11,654
Share based payment	-	164	-	-	164
Dividends paid	-	-	-	(11,161)	(11,161)
At 31 December 2023	10	396	(33)	20,021	20,394

The notes on pages 14 to 24 form part of these accounts.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

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 2023, with comparative figures for the year 1 January to 31 December 2022 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 2023.

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.

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.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES *(continued)*

Basis of accounting

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

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' and Strategic Report.

The Company meets its day-to-day working capital requirements principally through bank loans and cash balances held within the Group. Additional facilities are in place including a revolving credit facility provided by HSBC Bank Plc.

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

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 these financial statements.

Turnover

Turnover 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 Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Turnover 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) and is measured as the consideration which the Company 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.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES *(continued)*

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Right-of-use assets are depreciated over the term of the lease.

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.

Leases

A right of use asset and a lease liability has been recognized for all leases except leases of low value assets below £5,000. 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 Company, 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 Company 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 Company'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.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES *(continued)*

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.

Taxation

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

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.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES *(continued)*

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.

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 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.

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:

	2023 £000	2022 £000
United Kingdom	62,047	59,174
Europe	52	133
	<u>62,099</u>	<u>59,307</u>

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

3 OTHER OPERATING INCOME

	2023	2022
	£000	£000
Rent receivable	6	7
Other	1	1
	<u>7</u>	<u>8</u>

4 OPERATING PROFIT

Operating profit is stated after charging

	2023	2022
	£000	£000
Depreciation	<u>2,086</u>	<u>2,251</u>

Auditor remuneration is borne by the parent company.

5 PARTICULARS OF EMPLOYEES

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

	2023	2022
	No's	No's
Number of production staff	272	300
Number of administrative staff	38	39
	<u>310</u>	<u>339</u>

The aggregate payroll cost of the above were:

	2023	2022
	£'000	£'000
Wages and Salaries	12,594	12,565
Social security cost	1,330	1,342
Other pension cost	511	502
	<u>14,435</u>	<u>14,409</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.

MICHELMERSH BRICK UK LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2023****7 TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of charge in the year**

	2023	2022
	£000	£000
Current Tax		
UK Corporation tax at 23.52% (2022: 19%)	2,929	2,100
Adjustment in respect of prior periods	(108)	33
	<u>2,821</u>	<u>2,133</u>
Deferred Tax		
Current year tax charge	241	103
Adjustment in respect of prior periods	7	-
	<u>248</u>	<u>103</u>
Tax on profit on ordinary activities	<u>3,069</u>	<u>2,236</u>

(b) Factors affecting tax charge

The tax assessed for the period is lower (2022 – lower) than the standard rate of corporation tax in the UK of 23.52 % (2022 – 19%). The differences are explained below.

	2023	2022
	£000	£000
Profit on ordinary activities before taxation	<u>14,738</u>	<u>13,322</u>
Profit on ordinary activities multiplied by the standard rate of tax	3,466	2,531
Rate change	48	(23)
Expenses disallowed	250	237
Super deduction enhanced capital allowances	(8)	(36)
Adjustment in respect of prior periods	(101)	33
Group relief	(586)	(506)
Total tax charge	<u>3,069</u>	<u>2,236</u>

- (c) As at 31 December 2023 the company had tax losses of approximately £282,000 (2022 – £282,000) to offset against future profits.

Factors that may affect future tax charges

The Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. These changes are included above as the Finance Act 2021 was substantively enacted by the year end.

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

8 TANGIBLE FIXED ASSETS

	Right of Use Assets £000	Plant & Machinery £000	Motor Vehicles £000	Total £000
COST OR VALUATION				
At 1 January 2023	2,457	39,894	70	42,421
Additions	829	1,657	-	2,486
Disposals	(1,410)	(95)	-	(1,505)
At 31 December 2023	1,876	41,456	70	43,402

DEPRECIATION

At 1 January 2023	1,298	27,814	62	29,174
Charges for the year	697	1,387	2	2,086
Disposals	(1,409)	(95)	-	(1,504)
At 31 December 2023	586	29,106	64	29,756

NBV

At 31 December 2023	1,290	12,350	6	13,646
At 31 December 2022	1,159	12,080	8	13,247

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	£'000
Motor vehicles and mobile plant	1,278
Office equipment	11
Total right of use assets	1,289

The Company has lease contracts for office equipment, motor vehicles and mobile plant which have lease terms varying between 3 and 6 years.

MICHELMERSH BRICK UK LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 DECEMBER 2023**

9 INVENTORIES

	2023	2022
	£000	£000
Raw Materials	4,197	2,682
Work in Progress	2,867	2,264
Finished Goods	4,805	2,083
	<u>11,869</u>	<u>7,029</u>

The cost of inventories expensed in the year is £34,381,000 (2022: £32,430,000).

10 TRADE AND OTHER RECEIVABLES

	2023	2022
	£000	£000
Trade debtors	6,490	8,858
Amount owed by group undertakings	666	-
Prepayments and accrued income	372	298
	<u>7,529</u>	<u>9,156</u>

11 CREDITORS: Amounts falling due within one year

	2023	2022
	£000	£000
Corporation tax payable	1,444	1,024
Trade Creditors	3,058	2,643
Amount owed to group undertaking	197	209
Social security and other taxes	869	1,639
Accruals and deferred income	5,054	5,333
Interest bearing liabilities relating to right of use assets	577	658
	<u>11,199</u>	<u>11,506</u>

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

12 INTEREST BEARING LIABILITIES

	2023 £000	2022 £000
Interest bearing liabilities relating to right of use assets	712	512

Under IFRS 16, contract lease agreements for motor cars, lorries and fork-trucks 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	577	658
Between one and two years	295	192
Between two and five years	417	320
	<u>1,289</u>	<u>1,170</u>

13 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 £511,000 (2022 - £502,000).

14 DEFERRED TAXATION

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

	2023 £000	2022 £000
Asset brought forward	2,177	2,074
Increase in the provision	241	103
Adjustment in respect of prior periods	7	-
Asset carried forward	<u>2,425</u>	<u>2,177</u>

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

	2023 £000	2022 £000
Excess of taxation allowance over depreciation of fixed assets	2,124	1,895
Tax losses available	(70)	(70)
Revaluation	111	123
Rollover property gain	336	336
Other timing differences	<u>(76)</u>	<u>(107)</u>
	<u>2,425</u>	<u>2,177</u>

MICHELMERSH BRICK UK LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

15 CONTINGENCIES

There are specific performance guarantees granted by HSBC amounting to £1,683,000 (2022: £417,000).

16 RELATED PARTY TRANSACTIONS

During the year the company made sales to Comorant Properties Ltd of £6,000 (2022 - £nil) a related party by virtue of its ownership by a close family member of a director. At 31 December 2023, the company was owed £nil (31 December 2022 - £nil) by Comorant Properties Ltd.

17 SHARE CAPITAL

Allotted, called up and fully paid:

	No.	2023 £000	No.	2022 £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 and full disclosure of options outstanding are disclosed in the parent companies consolidated accounts.

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.