



BRITAIN'S BRICK SPECIALISTS

Michelmersh Brick Holdings PLC
Company registration number: 03462378

FINANCIAL HIGHLIGHTS

Revenue

£70.1m

Gross Margin

35.8%

Adjusted* Operating Profit

£10.1m

Adjusted* EBITDA

£14.0m

Profit Before Tax

£8.0m

Cash flow from operations

£10.2m

Basic EPS

6.59p

Adjusted* EPS

8.18p

NAV per share

104.0p

* 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:

1. Brick Manufacturing
2. Prefabricated Brick Components, Systems & Terra Cotta
3. Investment Land
4. New Acres Landfill

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.

REVENUE BY END MARKET:

Non-residential
& specification

New build
residential

Repair,
Maintenance &
Improvement
("RMI")

OUR STRATEGY

KEY ELEMENTS DRIVING OUR STRATEGY

PREMIUM PRODUCT

A COMMITMENT TO QUALITY

We are the leading 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, we are positioned as a leader in innovation and sustainability.

The Group is dedicated to continuously achieving the highest standards of manufacturing accreditation and compliance.

DISTRIBUTION

ENHANCED ROUTES TO MARKET

The Group has been producing premium, long-lasting and beautiful clay-facing products with over 100 years of experience.

Our collaborative distribution model is underpinned by length and depth of our existing relationships with our loyal customer base. This supports a targeted order intake process through our robust distribution model.

DIVERSIFIED END MARKETS

THE FULL FAÇADE SOLUTION

We are proud to lead a combined Group in clay and associated prefabricated products to offer the full façade solution with a broad product portfolio and enhanced routes to market, utilising our individual brand expertise to draw on our ever expanding customer base and distribution channels.

This allows us to attract opportunities to support RMI, Housing, Commercial, Urban Regeneration and Specification end customers.

FUNDAMENTAL DEMAND

SUPPORTIVE DEMAND DYNAMICS

The Group benefits from an attractive market with supportive structural demand dynamics.

There is a critical shortage of new housing formations and as a result the Government is focused on increasing housebuilding and simplifying planning policy.

Significant legacy and ageing housing inventory constructed with brick façades underpin future RMI demand.

FINANCIAL STRENGTH

STRONG BALANCE SHEET

We are focused on prioritising and maintaining a strong balance sheet to support our strategy and capital allocation framework.

The business has fundamental operational cash flow generating characteristics and through this we target generating free cash flows to support our working capital cycle, our capital investments to deliver our innovation and sustainability strategy, and equally to underpin our disciplined annual shareholder returns policy.

FOCUS AREAS

CAPITAL INVESTMENTS

FOCUSED ANNUAL ORGANIC CAPEX PROGRAMME

EARNINGS GROWTH

FINANCIAL AND OPERATIONAL RESILIENCE

REGULAR RETURNS TO SHAREHOLDERS

DISCIPLINED ANNUAL SHAREHOLDER RETURNS POLICY



GEOGRAPHICAL LOCATIONS

FABSPEED
Prefabrication

BLOCKLEYS
Wirecut Bricks & Clay Pavers
Output - 23m bricks

FABSPEED
Prefabrication

MICHELMERSH
Hampshire Stock Bricks
Output - 7m bricks

CARLTON & FABSPEED
Wirecut Bricks & Prefabrication
Output - 36m bricks

HATHERN TERRA COTTA & FABSPEED
Bespoke Terra Cotta & Prefabrication

FLOREN
Specification Wirecut Bricks
Output - 21m bricks

FRESHFIELD LANE
Clamp-Fired Stock Bricks
Output - 34m bricks

“

A special thanks to Michelmersh for the continued support to colleges and a special thanks for sending your products to us for training hundreds of students every year, using excellent products, and it's a credit to deal with such an organised company within the building sector.

Excellent service and response times and a special mention to the sales team who are always more than happy to help, a pleasure to deal with!

Great range of products overall and we have a good working relationship with the external sales team and customer services.

The team are first class, always helpful, follows up leads and wants to increase business at all opportunities. We hope to always have the same great relationship with Michelmersh.

We always find everyone efficient and knowledgeable, you're easy to contact and engage with. You have a good product range at reasonable prices, always happy to deal with the team.

Honestly amazing work, the 100,000 brick scheme for colleges is amazing. Keep it up!

An excellent company and service.

Customer feedback - Customer Satisfaction Survey 2024.

WHO WE ARE

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.

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.

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.

Ouse Valley Viaduct, East Sussex. Photo © Luke Whatley-Bigg

STATEMENT FROM THE CHAIR

TONY MORRIS

The Group has been able to deliver a resilient performance once again this year. This is despite the long trough in activity levels in the wider construction industry, measured by the impact on brick despatch volumes, which have declined by over 30% since the end of 2022. Michelmersh's outperformance of this broader industry decline has been achieved by growing market share in 2023 and then maintaining those levels in 2024. The team has remained focused on ensuring the continuity of supply of our high-quality portfolio, active management of input costs, alongside delivering a year of significant capital improvement programmes.

We expect the fundamental resilience of our business model to support performance going forward, as we continue to trade in challenging market conditions. Against a backdrop of customer concerns about affordability and the elevated interest rate environment, the expected timeline for market recovery continues to face delays. However, with the strength of our balance sheet and the significant investments made in our facilities during the year, we are well positioned for 2025 and beyond.

During 2024, we experienced much change as a Board. Frank Hanna, our Joint Chief Executive Officer ("CEO") left to join Brickability Group, and in May, Martin Warner, co-founder of Michelmersh, retired as Chair after 35 years in the brick making industry. More recently, we announced the proposed retirement of Peter Sharp, CEO, and the appointment of our current Chief Financial Officer ("CFO"), Ryan Mahoney as Peter's replacement.

On behalf of the Board, I would like to thank Frank, Martin and Peter for their invaluable contributions in building Michelmersh into the brilliant business it is today. All leave with the Company in an excellent financial position, with an embedded organisational culture, which will continue to provide an outstanding foundation for the future delivery of the business.

Continuity of stewardship has been an important consideration in our succession planning, and I am delighted by Ryan's accession to the CEO role, as well as Peter's transition to his new position as industry advisor to the Board. Alongside Peter, Ryan has been instrumental in developing and executing the Group's strategy since joining us in 2021, and as a Board we look forward to supporting him and the wider Executive team.

I would also like to express my thanks to all our colleagues across the organisation. In what has been a challenging year industry-wide, their unwavering commitment and dedication to delivering our business has without question made the difference in how we have performed as a Group.

With our new leadership team in place, we enter 2025 with a renewed vigour and remain excited by the opportunity to continue to build long-term, sustainable success for the benefit of all of our key stakeholders.

DIVIDEND

The Board has recommended a final dividend for the year of 3.00 pence per share, to be paid on 9 July 2025 to shareholders whose names appear of the register of members at the close of business on 6 June 2025.

OUTLOOK

The resilience of our business model continues to be examined by the above 30% decline in sector-wide UK brick despatches since the end of 2022 which has in turn led to significant fluctuations in the competitive landscape of brick pricing in our end markets. Our approach has remained consistent through focusing on our core competencies by continuing to invest in well-maintained and efficient operations that manufacture the highest quality premium brick products for our customers. We have a resolute belief in the 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 challenge in our markets, the last two years of resilient trading have largely been achieved through maintaining a well-balanced forward order book covering a broad range of end markets, which is essential as we look to make further strategic progress into 2025.

Throughout 2024, our order intake ran ahead of our manufacturing capacity, which contributed to a high-quality opening forward order

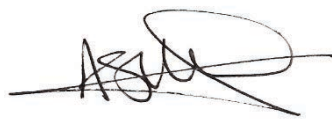
book to start our new financial year. This order intake momentum has continued into the first quarter of 2025 and this is despite the timing of a consistent recovery in construction activity levels remaining uncertain. The contraction in sector demand and our strong balance sheet continue to provide an opportunity to flex our production planning, evidenced by well-planned capex shutdowns at Floren and Carlton, and Michelmersh for the first two months of 2025, ensuring inventory volumes of core products are available to ensure near-term order opportunity fulfilment. We are focused on continuing to diversify across RMI, housing, commercial, social and specification projects, and this whole market strategy continues to underpin our resilient outlook.

Despite consumer demand remaining dampened by the combination of market sentiment and the associated elevated mortgage rate environment, we remain well-placed at the premium end of the brick market in the UK and Benelux markets. The UK Government continues to highlight their commitment to improving the planning process and reduce the impact of special interest groups as it looks to deliver on its clear commitment to supporting growth in the UK. These Government statements indicate that the medium-term fundamentals of our markets have positive momentum and, alongside the inherent characteristics of our portfolio, are hugely supportive 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. We believe our investment in our facilities throughout 2024, which is ahead of our normal run-rate, significantly contributes to being well-positioned operationally to benefit from an improvement in wider market conditions, including a more favourable interest rate environment.

Our active risk management of our cost base has supported our ability to maintain balanced price stability for our customers over the last two years, and with the focus on partnerships and collaboration with our customers, we have implemented low single digit price increases from the end of the first quarter in 2025 as we work to support and prioritise forward demand.

Our ability to deliver sustainable operational cash generation underpins our liquidity position at the start of the new year. Combining this with our £20 million undrawn borrowing facility provides the Group with both considerable financial resilience and flexibility to pursue our clear capital allocation framework as we focus on delivering further value for our shareholders.

The Group continues to operate on the basis of maintaining a well-balanced forward order book, deep and loyal customer and distributor relationships supported by a robust demand from the specification, housing, RMI and commercial sectors. The medium-term fundamental market drivers for our business are encouraging and we are very well-positioned. There are ongoing challenges in our sector with the timing of any reductions in the interest rate environment remaining uncertain. Importantly, we believe our broad brick and brick-fabrication portfolio supports our ability to address the full breadth of our end markets and it is these quality fundamentals in our business that provide resilience and underpin our outlook, and as a result give us confidence to continue to deliver against our strategic priorities as we look into 2025 and beyond.



Chair of the Board

REPORT FROM THE CHIEF EXECUTIVE

PETER SHARP

OVERVIEW

I am pleased to report on a resilient performance for our 2024 financial year and provide details on our progress against our strategic objectives. It has been a year of resilience for the Group despite the construction industry remaining in a challenging environment, it now marks over 24 months since our industry high point for brick despatches in 2022, which remains a key barometer for our sector activity levels. The overall sentiment for consumers remains dampened by the relative affordability of borrowing costs given the higher level of prevailing interest rates acting as a significant drag on demand across our key markets. Despite these market challenges, the Board remains enduringly grateful to all of our people who continue to support the Group, particularly through this year as we have managed to deliver a significant capital improvement programme across multiple sites whilst ensuring there is a continuity of supply of our premium product portfolio to our customers.

The core 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 brick despatches since the end of 2022 and the associated impact on brick despatches, we have achieved a resilient performance due to this strategic approach. Focusing our portfolio on diverse end markets, each with different supply and demand fundamentals, has created a business that has grown market share since the end of 2022 to facilitate the outperformance of the broader market declines in activity. This performance would not be possible without our customers, and we remain very grateful for the longevity and depth of these relationships. Our focus remains 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, RMI demand with continued requirements for brick cladding remedial solutions. Following the July election the new Government has intensified its verbal efforts to prioritise growth with a cornerstone of this strategy being increasing the supply of new homes in the UK. The rhetoric surrounding improvements to the planning process and removal of some of the barriers and red tape, which accompany planning applications, can only further improve the dynamics for the construction industry and our own end markets.

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 24 months in line with the consumer environment. In response, across the industry, manufacturing capacity of approximately 25% has been mothballed or permanently closed in the UK over this period with uncertainty at the point the market will return to 2022 levels. However, our ability to address the market's broad spectrum allowed us to grow our market share over that period as we have outperformed the broader level of decline in despatch volumes.

The Group's track record and fundamental inherent characteristics to deliver operational cash generation have supported the Board in providing more clarity around codifying the capital allocation framework priorities for the Group. Central to this framework is the support for continued investment in projects that address our strategic objectives to improve the innovation and sustainability of both our product portfolio and our manufacturing operations, together with supporting ongoing improvements in production efficiency. We are committed to regular returns to our shareholders, through our dividend policy linked to our adjusted earnings per share metric, and the proposal of a final 3.00 pence per share dividend underlines our confidence in the outlook for the business. Alongside, we will also look to supplement dividends with share buybacks where the Board determines that it is appropriate to do so to deliver value for shareholders and represent an attractive investment opportunity for the Company. Balancing the returns for our shareholders through dividends and buybacks alongside ensuring we maintain well-invested manufacturing sites are central to the Group's capital allocation priorities. Besides the articulation of the capital allocation framework the Board has reviewed the associated required level of advisor support and has taken the decision to focus on a single Corporate Broker arrangement with Canaccord Genuity Limited who has supported the Group with advisory support since 2018. Whilst the timing of any further acquisitions is now more uncertain given the availability of opportunities in our core markets, the Board will consider any opportunities where it believes it would deliver shareholder value. However, we will prioritise maintaining a strong balance sheet to support the overall business plans and returns to shareholders. This strategy leaves us well-positioned to deliver further progress and shareholder value in 2025 and beyond.

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 3 Facilities

Across the UK &
Europe

TRUSTED BRANDS

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

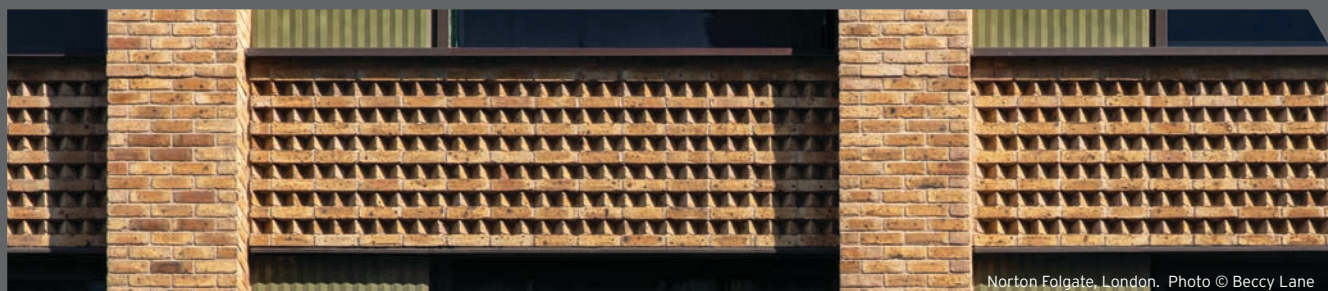
FINANCIAL HIGHLIGHTS

Fig. 1

Financial Highlights		31 Dec 2024	31 Dec 2023	Change
Statutory results	Revenue	£70.1m	£77.3m	(9.3%)
	Gross margin	35.8%	38.9%	(2.6%)
	Operating profit	£8.2m	£12.3m	(33.3%)
	Profit before tax	£8.0m	£12.5m	(36.0%)
	Basic earnings per share	6.59p	10.44p	(36.9%)
	Cash from operations	£10.2m	£13.6m	(25.0%)
	Net cash/(debt)	£6.0m	£11.0m	(45.5%)
Adjusted results*	Dividend per share	4.60p	4.50p	2.2%
	Adjusted EBITDA ¹	£14.0m	£17.8m	(21.3%)
	Adjusted operating profit	£10.1m	£13.7m	(26.3%)
	Adjusted profit before tax	£9.9m	£13.8m	(28.3%)
	Adjusted earnings per share	8.18p	11.91p	(31.3%)

* The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional costs associated with acquisitions and aborted corporate transactions 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 on page 19.

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



Norton Folgate, London. Photo © Beccy Lane

Board Changes

Martin Warner retired as Chair at the AGM in May 2024. Martin was succeeded by Tony Morris who was previously a Non-Executive Director. Martin was appointed Chair in 2016, having previously been joint founder and Chief Executive Officer. He oversaw 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. With Tony as Chair we look to the future with confidence and the business is in a strong position to continue to deliver against our strategy.

Frank Hanna left the business in April 2024 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 then 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 120 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 was an excellent JCEO of Michelmersh and a highly valued colleague and member of the Board, and he left 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.

In December 2024 I also announced my intention to retire from the Board during 2025 to move to a part-time position in the Company as an industry advisor. I have worked in the Group for over 20 years with the last nine of these on the Board as JCEO and CEO. I am therefore delighted to continue my support of the Company with my industry knowledge and experience. As part of the Group's ongoing succession planning, and following a third-party-led recruitment process involving both internal and external candidates, the Board was pleased to announce that Ryan Mahoney will succeed me as CEO. Ryan has been with Michelmersh since 2021 as CFO and has worked closely with me as part of the Executive team, accumulating a thorough and detailed understanding of the Company's operations, and plays a key role in developing and executing the Group's strategy; a formal search process for a new CFO is well underway.

Rob Fenwick, who joined the Board in 2023, stepped down from his position as Non-Executive Director of the Group in July and we would like to thank Rob for his efforts during his time with the Board.

With these changes, both this year and as we look into 2025, we believe that the Board will have the appropriate balance of skills

and experience to support the Group as we continue to deliver against our strategic objectives.

Sustainability

Sustainability and Innovation are two of the four pillars of our core company values which remain at the forefront of our responsibility as a good corporate citizen and drive our ambition to lead the ceramic product manufacturing sector. Our focus for incremental positive and proactive sustainable change to our business is testament to the trust and confidence our customers place with our Company. The Group continued to report and track progress against 17 non-financial KPI disclosures in alignment with our goal to reach net zero by 2050. This year we underpinned and grew the confidence of our stakeholders by seeking independent assurance of our KPI performance data, methodologies and frameworks.

The Group continues to demonstrate reductions in potable water, virgin wood, plastic and waste. We are close to achieving our end of year 2025 target for 10% reduction of energy, measured by kWh per tonne, as we continue to progressively work on our decarbonisation project roadmap targets for 2030.

The Group invests in projects which will enhance our environmental profile, optimise and increase the energy efficiency of our operations and lower the consumption of raw materials. In the period we completed scrubber upgrades to our Floren plant in Belgium, which complement the portfolio of investments this year. Continuing this approach, the Group was the first brick manufacturer to make a commitment to reduce non-essential plastics and has furthered this initiative by investing in carbon negative bio-plastics produced from sugar cane, which we are rolling out across our sites.

The Group's products continue to be utilised in the facades of multiple award-winning projects and proudly featured on five RIBA regional award-winning buildings in 2024. Fulfilling our commitment to sustainability and innovation, we were proud to achieve success at the Brick Awards specifically in the Innovation and Sustainability categories. In the Sustainability category, five of the seven shortlisted projects specified our products, including the HyBrick display, made from our world-first green hydrogen brick firing trials, which was unveiled at the Science Museum in London earlier this year in a decade long exhibition and reinforces our dedication for decarbonisation.

Awards and recognition

We were delighted that our high-quality product portfolio was once again recognised in 2024 through our successes at the Brick Development Association ("BDA") industry awards. The 48th BDA awards saw the Group win nine awards, which is a record year for the Group with this number being over half of the total 16 awards available. This recognition is also testament to the dedication of our

many partners, the fantastic architects we are delighted to work with and the craftsmanship and quality brickwork installed by so many dedicated contractors.

The awards included category wins in the areas of: Sustainability, Refurbishment, Innovation, Commercial, Urban Regeneration, multiple housing categories and, most importantly, we were delighted to win the Supreme Winner award. The importance of these awards is that fundamentally it provides a showcase of the Group's range of clay brick which are the ideal choice for specifiers and architects. Seeing clay brick celebrated as the façade product of choice amongst a wide range of architectural vernacular helps to validate the industry's strengths in promoting clay brick, which offers the best value, excellent longevity and inspiring sustainable credentials.

Among our awards was recognition for the Norton Folgate project which deservedly won Supreme Winner at the BDA awards with its transformative and diverse range of architectural approaches and styles. Norton Folgate successfully reenergised this fringe gateway between the City of London and Shoreditch, and it highlights the merits and aesthetics of clay brick.

Further success came with Gort Scott winning the Medium Housing Scheme Award at Forest Road which is an affordable housing project for first-time buyers with 90 one-bedroom homes. The triangular site is distinctively modern and uses a beautiful blend of Floren's Vecchio and Tartufo bricks.

Winning the Large Development Housing Award, Feilden Clegg Bradley Studios & Grant Associates designed a new neighbourhood skirting the edge of Bristol. Brabazon uses a host of Freshfield Lane's Selected Dark and Selected Light bricks in the 303 newly built homes. The project works towards the goal of bringing communities together while the site's layout inspires a more active lifestyle.

The recognition through our industry awards reaffirms our role as leaders in producing quality clay products that inspire sustainable architecture, where projects are crafted with a view to the present and the future. We are excited to continue shaping spaces that are not only functional and forward thinking but also reflect the beauty and richness of British and European architecture.

Charity

Our commitment to being a socially engaged and responsible employer remains unchanged as we continued our focus on charitable commitments in 2024. We increased our overall charitable contributions as well as the provision of support to a wider pool of charities that included not just national recognised charities but also smaller and more local 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. Due to the increased focus on local and community projects, we selected one charity from the nominations to be our main recognised charity for 2024 and this was The Lighthouse Construction Project.

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. 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 108,000 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 2024 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

The ongoing challenges in the broader construction market have affected the trading performance in the business during the year, and compared to our record financial performance in 2023, with the Group being impacted across all of our financial metrics.

INCOME STATEMENT

	Year ended 31 Dec 2024	Year ended 31 Dec 2023	Change
Revenue	£70.1m	£77.3m	(9.3%)
Gross margin	35.8%	38.9%	(2.6%)
Adjusted EBITDA ¹ *	£14.0m	£17.8m	(21.3%)
Adjusted operating profit *	£10.1m	£13.7m	(26.3%)
Operating profit	£8.2m	£12.3m	(33.3%)
Adjusted profit before tax *	£9.9m	£13.8m	(27.5%)
Profit before tax	£8.0m	£12.5m	(36.0%)
Adjusted basic earnings per share *	8.18p	11.91p	(31.3%)
Basic earnings per share	6.59p	10.44p	(36.9%)
Dividend per share	4.60p	4.50p	2.2%

* The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional costs associated with acquisitions and aborted corporate transactions 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 on page 19.

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

Revenue for the year reduced by 9.3% to £70.1 million compared with the equivalent comparable year in 2023 (2023: £77.3 million). This performance over the year was predominantly impacted by the highly competitive pricing dynamics in our sector, with a broad 8% reduction in pricing in conjunction with the impact from product and end customer mix dynamics during the year. Alongside, there was also a modest fall in despatches which was largely as a result of the timing impact of a shortfall in some of our on-hand inventory of available finished products at our Carlton plant following our two month shutdown for capital improvement works in Q4. Importantly, this resilient performance in a challenging sector was due to our close relationships with our supportive customers and the collaborative approach to portfolio pricing during the year, which helped maintain the diversity in our forward order book with order intake running ahead of our manufacturing capacity throughout the year.

We continue to trade in a very challenging environment which has seen sector-wide UK brick despatches falling over 30% from the recent peak in 2022. However, we have not seen this level of decline across the Group and are pleased to report that we have increased our market share in this current environment. We see this as an important indicator reflecting the overall resilience of our business model. This approach is evidenced by our important commercial indicator of order intake which is ahead of our normalised manufacturing capacity throughout the year, reflecting the benefits of our product portfolio's broad reach and the strong customer loyalty and distributor relationships we have across our end markets. This visibility supported our decision to maintain our production volumes alongside our planned capital improvement programmes as we targeted delivering the maximum operational leverage from our manufacturing base.

As a result of the lower revenue, adjusted operating profit of £10.1 million was down 26.3% on the comparative 2023 year (2023: £13.7 million) and adjusted profit before tax of £9.9 million was down 28.3% (2023: £13.8 million). The reduction in our portfolio pricing impacted our ability to offset the increases in our cost base, which whilst stabilising, were still reflective of inflationary legacy pressures and led to our profit metrics performing below our relative revenue performance. We operated with the stability of having secured the price for 80% of our energy requirements across 2024. Looking forward, we have energy contracts in place for c. 60% of our expected requirements in 2025 with further contracts into 2026 and 2027 in line with our managed approach. Whilst remaining watchful of the impact of global macro factors, on balance we see utility pricing performing more consistently and as such feel it is appropriate to enter 2025 with lower hedging given the relative weighting of forward contract pricing to network pricing. We believe that our resilient financial performance is as a result of the strategy 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.

Adjusted EBITDA of £14.0 million is lower by 21.3% against 2023 (2023: £17.8 million). Our EBITDA margin of 20.0% (2023: 23.0%), a reduction of 300 basis points on the prior year, was in line with management expectations and represents a resilient performance given the pricing dynamics and cost increases during the year. Our 2024 margin performance is reflective of our medium-term expectations given the additional costs forecast in the business as a result of the increases in payroll costs following the changes announced in the October budget in the UK.

On a reported basis, the results include the impact of the amortisation of acquired intangibles and some exceptional items we incurred over the last 12 months. The adjustment of £1.3 million for the amortisation of intangibles is in line with 2023 with the one-off impact this year of the net exceptional costs of £0.5 million, being £1.0 million incurred in relation to an aborted corporate transaction, which we communicated in our interim results; offset by the impact of the removal of £0.5 million associated with our FabSpeed acquisition from November 2022, related to the release of £0.8m non-cash deferred consideration and £0.3m of non-recurring costs. As a result, operating profit of £8.2 million was 33.3% below 2023 with profit before tax reflecting the same performance also down 36.0% at £8.0 million.

After a tax charge of £1.9 million (2023: £2.8 million), the Group recorded a profit for the year after tax of £6.1 million (2023: £9.7 million). The tax rate of 22.5% (2023: 22.4%) reflects our effective Group tax rate for the full year, and which is broadly in line with 2023.

Basic earnings per share decreased by 36.9% to 6.59 pence (2023: 10.44 pence) reflective of the drop through of our revenue reductions and cost increases during the year.

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 2024 £'000	Year ended 31 Dec 2023 £'000	Change
Operating profit	8,171	12,338	(33.3%)
Adjustments:			
Exceptional items	543	-	
Amortisation of acquired intangibles	1,372	1,370	
Adjusted operating profit *	10,087	13,708	(26.3%)
Depreciation	3,924	4,105	
Adjusted EBITDA *	14,011	17,813	(21.3%)
Finance income/(expense)	(211)	119	
Depreciation	(3,924)	(4,105)	
Adjusted profit before taxation *	9,876	13,827	(28.3%)
Basic earnings per share	6.59p	10.44p	(36.9%)
Adjusted basic earnings per share *	8.18p	11.91p	(31.3%)

* Includes adjustments to exclude amortisation of acquired intangibles and exceptional items.

GROUP CASH AND WORKING CAPITAL

Cash generated from operations for the year was £10.2 million, compared to £13.6 million for the same comparable period in 2023. Operating cash conversion from adjusted EBITDA was 72.9% compared to 76.4% in 2023, slightly below our usual operating rhythm of +90%. This was largely the result of continuing to operate throughout all of our manufacturing locations during the year to invest in our inventory, which we continue to view as appropriate as we target supporting our commercial teams with the right product flexibility. This approach also underpinned the opportunity to bring forward planned capex improvement works at our Carlton facility in the fourth quarter, with a two month shutdown ensuring that there were as minimal interruptions as possible in the product supply for our customers.

As a result of these investment decisions and our historic ability to turn inventory to cash, we remain very confident in the underlying fundamental cash-generating ability of the business and we expect operating cash conversion to return to our targeted rhythm as we look into 2025 and beyond.

	Year ended 31 Dec 2024	Year ended 31 Dec 2023
Net cash generated from operations	£10.2m	£13.6m
Tax paid	(£2.3m)	(£2.8m)
Interest received/(paid)	(£0.2m)	£0.1m
Purchase of property, plant and equipment	(£5.6m)	(£3.1m)
Aborted corporate transaction costs	(£1.0m)	-
Proceeds from sale of land	-	£1.1m
Own shares acquired	-	(£1.9m)
Settlement for cancelled share options	-	(£1.8m)
Settlement for exercised share options	(£1.0m)	-
Lease payments	(£0.8m)	(£0.9m)
Dividend paid	(£4.2m)	(£4.0m)
Other	(£0.1m)	£0.1m
Net (decrease)/increase in cash and cash equivalents	(£5.0m)	£0.4m
Net cash	£6.0m	£11.0m

At the year end the Group had cash of £6.0 million (2023: £11.0 million).

Our operating cash generation, Group cash position and undrawn Sterling and Euro denominated bank facility of £20 million provides the Group with considerable financial resilience and flexibility to pursue our clear and codified capital allocation framework discussed above.

PROPERTY, PLANT AND EQUIPMENT

Our capital expenditure across the financial year highlights our continued focus on proactive delivery of sustainability improvements alongside maintaining well-invested and efficient manufacturing facilities. The principal expenditure over the year was focused on Floren and Carlton where we brought forward and completed a significant plant improvement programmes. At Floren, the production was offline for 16 weeks in two separate tranches across the year to ensure we were successful in fulfilling our customers' despatch requirements in amongst the improvement works. The improvement works included the installation of a new exhaust scrubber system to improve the environmental efficiency of our manufacturing process but also to facilitate changes in our input materials mix to extend the life of our mineral reserves. Separately, we also undertook a full capital enhancement programme of the equipment utilised in the end-to-end process from clay preparation through brick making to take advantage of the timescales afforded by these planned longer shutdowns.

Following the successful improvements at Floren we also took the decision to bring forward planned capex at Carlton. A significant kiln refurbishment project and key equipment upgrades originally scheduled for 2025 were completed in November and December and through the start of 2025. Again, as with Floren, working with our customers and targeting our inventory build leading up to this scheduled gap in production, we were largely successful in continuing to supply all our customers' requirements.

Continuing our planned expansion of our FabSpeed brand, we completed the installation of a new facility at our Carlton site to move our existing Stanley operations and to add brick cutting capacity, and we subsequently closed that previously leased site. Alongside, we continued our programme of planned roll-outs to electrify our fork-lift fleet which during the year focused on Carlton.

SETTLEMENT OF SHARE OPTIONS EXERCISED

We continue to prioritise the future expected returns of shareholders by focusing on the volume of our issued share capital. Accordingly, following the departure of Frank Hanna as Joint Chief Executive in April 2024, 0.85 million of his 2019 LTIP Tranche options issued under the legacy 2017 LTIP were exercised having met the full vesting criteria and cash settled. The cash settlement value of £1.0 million was paid in the year which included all associated employment tax obligations.

DIVIDEND

The Board is pleased to continue to commit to a 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 (2023: 3.00 pence per share), which, together with the 1.60 pence per share interim dividend (2023: 1.50 pence per share), gives a total dividend of 4.60 pence per share (2023: 4.50 pence per share), up 2.2% on last year. The proposed dividend will be paid on 9 July 2025 to members on the register on 6 June 2025 with shares being marked ex-div on 5 June 2025.

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 £20 million 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.



Heathy Wood, West Sussex. Photo © Beccy Lane

BUSINESS MODEL

OBJECTIVES AND STRATEGIES

The Group's principal activity is as a manufacturer and distributor of clay bricks and prefabricated brick components 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 and prefabricated brick components are produced at five manufacturing plants and three 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 and 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 and 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

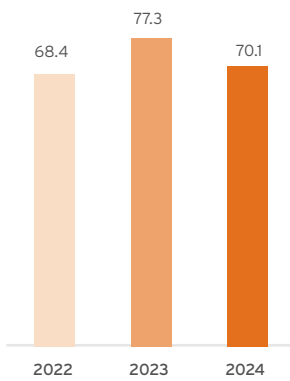
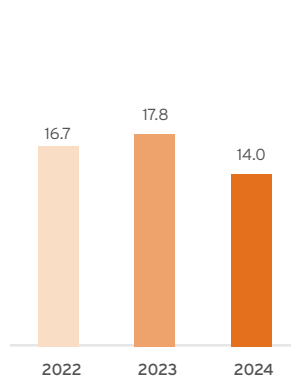
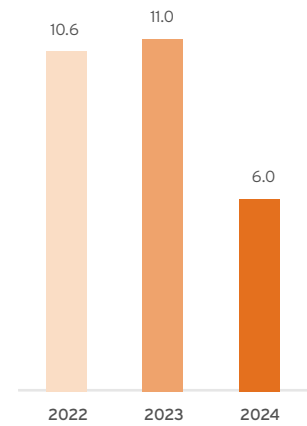
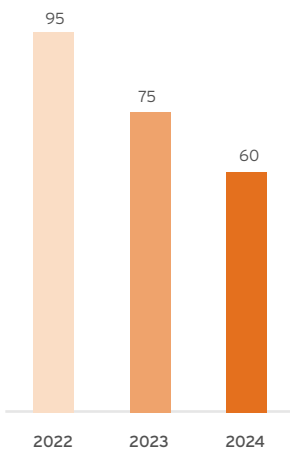
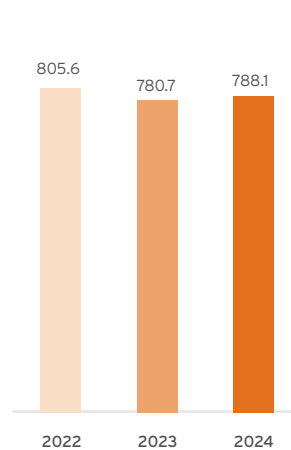
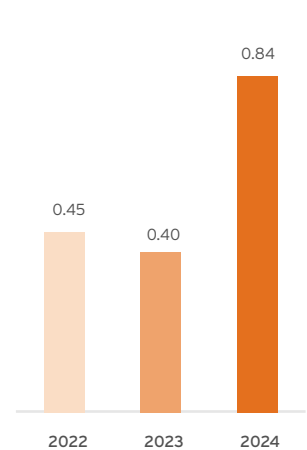
The Group has a strategy of maintaining a well-balanced forward order book. The product profiles available and the size of our plants helps us to ensure that as a business we always balance sector risk. Whilst, like others, we expect to benefit from the robust demand arising from a structural shortage 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 since the end of 2022 and most noticeably impacting the volume housebuilders. The Government have renewed their commitment to supporting residential development and are promoting housebuilding through focusing on simplifying the planning process alongside balancing the needs of special interest groups.

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 healthy activity over the long term. The last two years has bought significant input cost pressures that the Group has managed throughout this period. Energy costs, whilst more stable, remain well above historic levels and the benefits of the Group's hedging arrangements have ensured that our results have been managed through this period. Whilst inflation rates have stabilised we remain watchful of our cost environment and still expect challenges to persist in this current 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 60.

Revenue (£m)**Adjusted EBITDA (£m)****Net Cash (£m)****Gas Hedged % of following year****Energy kWh/tonne****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.

ESG STRATEGY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability is one of four core company values of Michelmersh. We are committed to playing our part in the move to a lower-carbon economy, in line with the Government's legally binding target of net zero emissions by 2050.

We understand the importance of our net zero disclosures to our various stakeholders, highlighting our commitment to reducing greenhouse gas ("GHG") emissions and our focus on Environmental, Social and Governance ("ESG") reporting. We continue to transparently declare our methodology, KPI performance and the progression of our reporting methods for all non-financial disclosures within the ESG Strategy section of the Annual Report and Accounts for the third year running.

Publishing the ESG Strategy and the KPI performance data has elevated the importance of sustainability throughout the business, and whilst the Group observes the pace of change within the ESG reporting landscape, we recognise the requirement to constantly evolve our sustainability strategy and governance thereof. The Group therefore chooses to voluntarily report on KPIs beyond our obligatory capacity. We also acknowledge the need to further investigate a clear climate transition plan and to map climate-related risks and opportunities to ensure that our 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°.

During this 2024 reporting period the Group has gone a step further, seeking independent assessment by SGS Ltd of its KPIs and GHG emissions data, to give extra trust and confidence to our valued stakeholders. The aim of this assurance assessment was to evaluate the reliability of our sustainability reporting, including underlying processes, in order to enable credible and high-quality reporting of KPIs and related data for material issues. The statement of this ESG and Sustainability KPI assessment work is featured within the ESG strategy report on page 46.

Climate change is a significant crisis facing the global community, and one the UK construction sector will need to continue to confront head-on amid the greater expectation of warmer, wetter winters and hotter, dryer summers, with more variable rainfall and severe storms. The Michelmersh Group understands that mapping these climate-related risks and opportunities around a Group framework, is pertinent to continued business planning and we have therefore committed to voluntarily disclosing our first Task Force on Climate-Related Financial Disclosures ("TCFD") report, inclusive of AIM listed clauses. The TCFD report has additionally been independently "pre-assessed" (assurance readiness assessment report to Directors) report to Directors and you will find further information on this report throughout pages 48-55.



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 data;
- highlight clear governance and management aims, incentives and accountability.

“

"From our exemplary decarbonisation hydrogen trialed products which were placed on display in the London Science Museum, our innovative introduction of bio-plastics for packaging and our award winning success at the brick awards for both Innovation and Sustainability in 2024, I am very proud of our achievements which show our drive and passion for positive change. This year we have also placed great focus on data improvement projects and independent assurance assessment which will add great credibility to our messaging and increase the trust of our stakeholders. In addition, 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," comments Sarah Le Gresley, Innovation and Sustainability Director.

Aspen Wood, Liverpool – Winner of the Brick Awards, Sustainability Category 2024. Photo © Beccy Lane



























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 our ambition this year to include the TCFD as indicated by the strategy and ESG roadmap contained within this report. In 2022 we 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 has allowed us 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 continues to promote clay building products and we are 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 Group, reflected in the main aim of our "Think Longer" campaign in 2021 and continuing to gain traction as a specification decision making tool for customers in the form of Environmental Product Declarations ("EPDs"). We aim to work towards publishing verified EPDs of our product ranges during 2025. These EPDs showcase clay bricks' 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). This will be an ever-evolving commitment which will require constant evaluation to show the great strides that the construction sector and the Group is taking towards decarbonisation and reducing the carbon EPD figures of our products.

Our Group understands 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, improve its financial value and lending opportunities whilst also resulting in a lower-carbon building per year of use.

Low lifetime cost	Industry preference	Sustainability	High product performance
 Low cost & strong value	 Matches UK vernacular	 Longevity	 Thermal performance
 Low maintenance	 Favoured by planners	 Durability	 Air quality
 Financially underwritten	 Product quality standards	 Recycled content	 Flood resilience
 Competitive whole-life cost	 Established supply chain	 Low operational carbon	 Overheating
	 Aesthetics	 Adaptability	 Non-combustible
	 Forgiving of tolerance	 Reusable	 Cavity wall construction
	 Variety of colours	 Climate resilience	 Class O fire rating above 18m
		 Locally sourced	

SUSTAINABLEBRICK.COM

We launched SustainableBrick.com in 2023, a bold new initiative 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. We also aim to educate and inform SMEs amongst 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, we aim to inspire and revolutionise the way sustainable construction practices can be adopted for future generations.

The Group has supported and contributed our data towards the Ceramics UK sector-wide decarbonisation roadmap. This important body of work showcases how ceramics underpins our economy and society's transition to net zero, highlighting the vast efforts the sector has taken and the significant reductions still required. This report and many other useful resources are available from SustainableBrick.com.



REUSABLE



DEMATERIALISATION



LONGEVITY



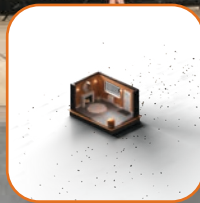
NATURAL



AUTOMATION



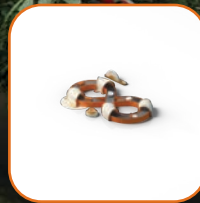
RENEWABLE



DURABLE



OPTIMISED



CIRCULAR



INNOVATION

Ice Factory, London - Photo © Becky Lane

GROUP OBJECTIVES

KEY OBJECTIVES

In recent years, we have experienced: a Covid-19 pandemic, energy fluctuations, economic inflationary pressures and governmental party changes. As a responsible corporate citizen, 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 the Group 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 we are not currently mandated to report on ESG, there are growing expectations from stakeholders to disclose ESG performance. The Group recognises increased stakeholder scrutiny, evolving legislation and ethical procurement drivers, which is why we want to be transparent and clear by including these non-financial disclosures beyond our obligations, continuing to retain a high level of trust and integrity with all stakeholders. This is also why we have chosen to go a step further and seek independent assurance with adherence to ISAE 3000 Limited Assurance. The objectives and benefits of this process are to assess, attest to and strengthen the credibility and quality of our data, and establish conformance with applicable reporting criteria within the scope of the verification as per the reporting standards. This assurance statement can be viewed on pages 46 to 47.

This ESG strategy and the TCFD report are tailored to address ESG risks and opportunities that are of the greatest importance or of material impact to the Group and its stakeholders. Through the primary materiality assessment published in the 2022 strategy report, focused areas included: Health, Safety and Well-being, GHG/Carbon emissions, Governance Processes, Financial Performance, Material Consumption, Innovation, Biodiversity as well as Climate Change. Within this third ESG strategy report we have elaborated further on how these climate-related impacts will be evaluated to contribute to the strategic decision 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 processes, materials sources, suppliers and energy consumption, which will contribute towards better performance against ESG targets in the future.

BUSINESS OBJECTIVES

No	Business Objective
1	To reduce the energy and carbon intensity of our products
2	To reduce our raw material usage and embed circular economy principles
3	Continue to increase our support for education and local communities
4	Evolve our core offering, delivering lower embodied carbon products through innovative product development, technologies or solutions
5	Maintain high standards of environmental compliance whilst improving the biodiversity of our land/estates
6	Continuous improvement of employee skills and development
7	Maintain and improve high standards of Health, Safety and Well-being

Our ESG strategy and decarbonisation roadmap, 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.

Further to the assurance and TCFD disclosure projects during 2024, we have worked on a lengthy data improvement project and transitioned our entire KPI and energy/carbon data into Power BI semantic models. This has given our team the ability to consume real-time data and insights that is integrated with the wide variety of digital platforms and IT infrastructure. The data visualisation and the ability to have all KPIs in one place enables collaboration and more informed decision making to occur whilst also facilitating an easier and more accurate platform for auditing. Having our own employees trained to manage the software gives us the scalability and cost efficiency to expand this facility across other areas of the business. The Innovation and Sustainability Director has also established our Net Zero Transition Plan and Carbon Reduction Policy which have had Executive approval and will form the basis of our short to mid- and long-term transition changes and set forth our decarbonisation aims.

KPI TARGETS (table of performance data, assessed against baseline data in 2016)

KPI No.	ESG Category	Business Objective	KPI Target	Target Year	Unit of Measurement	2024 Data	Narrative
1a 1b	Environmental	1	1a= 10% reduction in Energy 1b= 15% reduction in Energy	1a= 2025 1b= 2030	per kWh/tonne (gas and electric)	-9.56%	Through energy efficiency and investments in equipment or process upgrades we continue to achieve a strong reduction performance for 2024, against our -15% target for 2030. We introduced a baseline year recalculation to accommodate structural changes to the organisation since 2016 that were over a material threshold, inclusive of acquisitions, in-line with the corporate standard of reporting for the GHG Protocol. We are close to achieving the target of 10% reduction by the end of 2025, and we hope with further investment on energy efficiency projects, this target will be met.
2	Environmental	1, 4	25% reduction in Carbon	2030	kg CO2 per tonne, excluding distribution, without reduction in production output	-9.90%	During 2024 the Group temporarily closed key efficient factories to complete a planned programme of installation upgrades. This has had a significant impact on the performance of our intensity ratio for the Group's Carbon performance for 2024, which we predict will show in a more progressive reduction in 2025. Figures include all Scope 1 direct and Scope 2 indirect emissions. The percentage figure also reflects the baseline year recalculation which would have otherwise been at -17.42% to accommodate structural changes to the organisation since 2016 that were over a material threshold, inclusive of acquisitions and in-line with the corporate standard of reporting for the GHG Protocol.
3	Environmental	1, 4	100% of forklift fleet that are hybrid/electric	2030	% of vehicles	29.51%	After our most recent acquisition of FabSpeed and due to the existing lease or purchase agreements of this brand's vehicle assets, the overall performance of this KPI has stagnated. Therefore, we have introduced a new Group Vehicle Procurement Policy to ensure that as these assets are replaced, they are done so in alignment with our KPI goals.
4	Environmental	1, 4	100% of car fleet that are hybrid/electric	2030	% of vehicles (UK only)	57.14%	The lack of electrical vehicles available for lease agreements during 2023-2024 has had a negative effect on our ability to increase this percentage. Also due to our most recent acquisition of FabSpeed and its existing purchase agreements, the overall performance of this KPI has only marginally increased. We expect the new Group Vehicle Procurement Policy to help improve performance.
5	Environmental	1, 2, 4, 5	Ensuring Zero non-hazardous waste to landfill	2025	no. of tonnes. (UK only)	20.882	For the years 2020-2022 the Group maintained a very small waste profile. After acquiring the brick fabrication company, FabSpeed, this dramatically increased from under 1 tonne to over 20 tonnes of non-hazardous waste to landfill and we have therefore been integrating the brand into our waste policies, transitioning to our preferred suppliers who will agree to the Michelmersh Supplier Charter and relevant waste policies, whilst also investigating innovative ways to reduce its waste which will likely extend as an ongoing focus past the 2025 target deadline. Michelmersh is also actively working on ways to use waste from other sectors in its products, to improve the circularity of the range.

KPI TARGETS CONTINUED

KPI No.	ESG Category	Business Objective	KPI Target	Target Year	Unit of Measurement	2024 Data	Narrative
6	Environmental	1, 2	7% reduction in all plastic use	2030	kg per saleable tonne	8.56%	In 2024 Michelmersh announced the use of bioplastics made from sugar cane, changing our supply for multiple factories. This material is still classed as a plastic due to the chemical reaction to transform the material into a film and therefore whilst we are taking concerted efforts and investment to transition away from fossil-fuel based plastics and reducing the carbon emissions, we have been unable to reduce our consumption significantly. Our European factory is the highest user of plastics in the Group and a focus for 2025 and beyond will be to alter the deacking processes at this factory to enable better alignment with our plastic targets. Operations acquired during 2017 and 2019 have therefore had an impact on the performance with regard to total plastic usage compared to the 2016 base year usage.
7	Environmental	1, 2	70% reduction of virgin wood pallets. Pallets re-sourced from second hand sources	2030	kg per saleable tonne	-70.49%	The majority of factories procure second hand pallets with the exception of our European factory, therefore we have continued to maintain our trajectory towards the target. Operations acquired during 2017 and 2019 have had an impact on the performance with regard to virgin wood pallets procurement compared to the 2016 base year usage. We have however achieved a further 11.94% reduction on 2023's performance.
8	Environmental	1, 2, 4, 5	50% reduction in potable mains water	2030	use of m3 per tonne of production	-39.46%	We have significantly reduced our consumption of potable sourced water and are on target to achieve the target by 2030 whilst increasing production output. We have also installed rainwater harvesting initiatives at a variety of sites and will continue to work on overall water consumption reduction across the Group. Operations acquired during 2017 and 2019 have had a marginal impact on the performance with regard to total mains water usage compared to the 2016 base year usage.
9	Social & Governance	3	100,000 bricks per year	Annual	no. of products donated	108,496	The Group continues to run its Pledge 100 initiative which donates over 100,000 products to colleges across the country for bricklaying students to hone their skills and craft. Many of these colleges are located in the proximity of our factories, therefore offering a significant local community benefit. We continue to exceed our target and 2024 was no exception.
10	Social & Governance	3	15% year on year increase of charitable financial donations	Annual	% of charitable contributions against annual target	19.87%	Michelmersh has achieved its charitable target for 2024 which raises by 15% year on year. The charities chosen this year come from a selection of employee nominations and local community support applications.
11	Social & Governance	5, 7	Aspire for Zero environmental complaints	2030	no. of complaints	2	Michelmersh always aspires to have zero external complaints and not to place a numbered target on complaints so that we do not encourage any number of complaints to be acceptable. The Group has had a lower number of complaints for 2024 versus the previous year.

KPI TARGETS CONTINUED

KPI No.	ESG Category	Business Objective	KPI Target	Target Year	Unit of Measurement	2024 Data	Narrative
12	Social & Governance	5, 7	Aspire for Zero internal environmental incidents	2030	no. of incidents	14	Michelmersh always aspires to have zero internal incidents and not to place a numbered target on incidents so that we are not encouraging incidents to be acceptable. The Group has a lower number of incidents for 2024 versus the previous year.
13	Social & Governance	1, 2, 5, 7	100% of material suppliers/ contractors signed up to the Michelmersh Supplier Charter (Group)	2030	% of suppliers	0.00%	Michelmersh has been in the process of implementing a new Michelmersh Supplier Charter process which will commence in 2025 and will require all material suppliers to sign up to the Group's KPI targets, principles, policies and procedures, they will also be required to show evidence of management systems, certifications and carbon emission recording amongst other elements. This KPI has not been assessed externally as a result of this KPI being a work in progress.
14	Social & Governance	3, 6, 7	60 hrs training per employee per year	2030	average no. of training hours per employee	38.81	With almost half duration towards the target complete we are just under where our trajectory performance should be. We hope to introduce further initiatives during 2025 to ensure recording of all training (both informal and formal) is logged by all employees. It is our goal to reach an average of 60 hrs per employee by 2030.
15	Social & Governance	3, 6, 7	100% department managers to be trained in Mental Health Awareness	2030	% of department managers	85.11%	All department managers are encouraged to train in mental health awareness and maintain this relevant qualification which expires bi-annually. The Group also has a Mental Health team who meet regularly and are trained as Mental Health First Aiders. The performance is in-line with our expectations as we head towards 100% by 2030.
16	Social & Governance	5, 6, 7	50% increase in proactive reporting to promote zero harm to employees	2030	% increase in reporting frequency	1442.86%	During 2023 and 2024 we saw a significant increase in the number of general safety concerns due to the promotion of a new initiative to request all concerns to be proactively logged digitally and instantaneously at all zones at all UK sites. This has meant that the target of 50% has been excessively achieved. We wanted to await two full years of data to see if a continuous pattern of number of logged concerns would occur before re-evaluating the target.
17	Social & Governance	7	Achieve ISO 45001 Health & Safety Management System (UK only by 2025)	2025	% of progress of deliverables/ actions	80.00%	Due to our prioritisation of managing Health and Safety and our safety first approach, we have recruited a new Health and Safety Manager who now reports to the Group Operations Director. We believe this is going to underpin clear accountability for the safety of all of our employees. We are enhancing the assurance around achieving ISO 45001 assurance during the 2025 year. This KPI has not been assessed externally as a result of this KPI being a work in progress.

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, unless otherwise stated. During 2024, we re-based KPI 1 and 2, the recalculation accommodates for a structural change to the organisation in 2016 that was over our stated material threshold and was inclusive of acquisitions, in-line with the corporate standard of reporting for the GHG Protocol.

The Group has achieved another year of accomplishments since setting the 2030 KPI targets, highlighting specifically the 39.46% reduction in potable water whilst also coming very close to achieving our 2025 goal for KPI 1 of a 10% reduction in energy (gas and electric) kWh per tonne. 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 Group's performance against many of these targets remain encouraging and positive, even with the inclusion of the acquisition of FabSpeed which has a differing product portfolio and the added complexity of implementing and integrating different data sets. When the Sustainability Group re-evaluates its KPI targets, the decisions are then made by the CEO and communicated to the Board by the Innovation and Sustainability Director. During 2024 we removed two KPIs from the scope of assurance; the Supplier Charter due to commencing the digital infrastructure and procedures for communicating and logging all supplier supporting evidence. The second was the ISO 45001 target, which is being re-entered into 2025 due to our prioritisation of managing Health and Safety and our safety first approach we have recruited a new Health and Safety Manager who now reports to the Group Operations Director. We believe this is going to underpin clear accountability for the safety of all of our employees. We are therefore enhancing the audit process for achieving ISO 45001 assurance during the 2025 year. These two KPIs have not been assessed externally as a result of these KPIs being a work in progress and will be included back in the scope for 2025.

In 2023 we raised our carbon reduction target to 25%, our product donation raised to 100,000 every year, our charitable donations raised from 10% to 15% with an increase of target year to 2030 for the car fleet to be electric or hybrid. In 2024 our recycled paper target was consistently achieved at 100% and therefore has become a commitment instead of a target; our target for potable water reduction was raised from 5% to 50% and the Supplier Charter target year was adjusted to 2030.

The Board Sustainability Group sponsor, Peter Sharp, has supported all 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 wider objectives and KPI overall performance to date.



2024 KPI ACHIEVEMENT HIGHLIGHTS



Kangaroo Works, Sheffield. Photo © Beccy Lane

19.38% reduction in CO₂ per tonne of production

Against 2016 baseline (non-rebased normalised figure for comparison to previous years)

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

From October 2022

17.90% reduction in energy (gas and electric)

kWh per tonne against 2016 baseline (non-rebased figure for comparison to previous years)

We have reduced our potable water usage by 39.46%

m³/tonne of production against 2016 baseline

70.49% reduction in virgin wood pallets

kg/tonne against 2016 baseline

1442.86% 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

108,496 bricks were donated to education or social/community led projects

In 2024

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

In 2024

ENERGY & CARBON REPORTING

Emissions and Energy use is declared on a Market and Location Basis.

Market-Based Emissions (Without Offsetting)	2024	2023	Location-Based Emissions*	2024	2023
Group Energy Use (kWh):	201,219,073	216,782,696	Group Energy Use (kWh):	201,219,073	216,782,696
Associated Greenhouse Gas Emissions (tCO ₂ e):	53,195	55,915	Associated Greenhouse Gas Emissions (tCO ₂ e):	53,825	55,990
Group Intensity Ratio (tonnes CO ₂ e/tonne fired product):	0.221	0.202	Group Intensity Ratio (tonnes CO ₂ e/tonne fired product):	0.224	0.203

As in 2023 the Company has chosen to offset its carbon emissions for both electricity and gas for this reporting year.

Market-Based Emissions (With Offsetting)	Offset Emissions	2024 Residue	SECR Scope 1 tCO ₂	SECR Scope 2 Electricity tCO ₂
Associated Greenhouse Gas Emissions (tCO ₂ e):	31,786	21,409	50,789	2,406
Group Intensity Ratio (tonnes CO ₂ e/tonne fired product):		0.089		

NARRATIVE

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

CO₂/Drawn saleable tonnes has increased this year due to one of our most efficient sites being shut down in November and December for major improvement works; this came back online in January 2025. Our Group solar generation capacity increased significantly in 2024 and contributed a saving of 629 tonnes of CO₂e emissions.

CO₂ affects the climate regardless of its emission point and we include all Group operations in our SECR reporting data, including Floren Brick, Belgium and the FabSpeed brick cutting and fabrication division. Reporting these separately would potentially reveal commercially sensitive data and we believe that every site has a collective responsibility in meeting our energy and carbon performance targets.

The Company has chosen to offset its carbon emissions for both electricity and gas for the reporting year of 2024, through verified carbon offsets and the generator issued REGOs, equivalent to 31,796 tonnes of CO₂e. This reduces our market-based carbon intensity to 0.089 tCO₂e per tonne from 0.221 tCO₂e, with the chosen reporting methodology being location-based as published above in the table. Whilst performance calculations are based on market-based emissions we do not include any carbon offsetting that would artificially affect the figures.

METHODOLOGY

Figures are based on all Scope 1 & Scope 2 activities including transport, no Scope 3 emissions have been included in the declared figures in line with reporting standards. Scope 3 emissions will be declared separately in future reports. 2023 figures published here reflect this revision.

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

Due to the nature of the products, FabSpeed production is not easily counted in tonnes, however fair and reasonable estimates have been used and any deviation will not be material to the overall data. The intensity ratio is chosen to reflect our principal environmental impact and aligns with the Group's wider sustainability performance indicators.

* Location-based emissions take no account of renewable energy generated by ourselves or any offsetting.



Quality Management



Responsible Sourcing



Energy Management



Environmental Management



Health & Safety Management



Employment Practices



Anti-modern Slavery Policy



Product Certification in all (Clay Brick) Products

COMMITMENT TO CARBON REDUCTION

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

During 2024 we temporarily paused production at a number of our more efficient factories to continue our commitment to investment and upgrade programmes at our factories. This had a negative effect on our carbon performance in 2024 which we anticipate will reflect with a more significant reduction in 2025. CO₂ 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. 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. We are 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, the Group 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 our 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 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. The Group 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 four years.

CULTURE & MATERIALITY

CULTURE, EDUCATION AND SOCIAL SUPPORT

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

We continue to exceed expectations on both charitable financial donations and product donations through our Pledge 100 initiative, further substantiated by our social targets increasing in 2022's ESG strategy report. In 2024 the Group continued to exceed our charitable targets, donating over 8,000 more products to 14 brickwork college courses and a variety of community-led charitable product support requests, to help local communities and educational initiatives surrounding our factories.

The Group 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 2024, Sarah Le Gresley, Innovation and Sustainability Director, spoke at a webinar titled Building Sustainability Strategies, attended by over 800 guests and also featured in a dedicated educational video regarding the HyBrick project titled, Reducing Carbon in Brick Manufacture: Michelmersh HyBrick Trial Case Study. We have also worked with the Brick Development Association on promotional videos to showcase what the sector is doing to reduce plastic and packaging. Sarah Le Gresley featured in a video announcing the Group's transition to bio-ethylene packaging to further reduce its carbon emissions. 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 2024, which entailed the SCSS developing four bespoke internal learning sessions for its managers, sales staff and senior managers across the business regarding:

- Collaborative Planning and Production Control Workshop
- Leading Change
- Problem Solving and Effective Collaboration
- Quarrying and Sustainability

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 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. In 2024 we were proud to see Paul Freeman receive the Special Recognition Award for his contribution to the ceramics industry.

MATERIALITY

Working with independent sustainability consultants on the ESG strategy, a select group of 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.

“

Thank you to the amazing Michelmersh Brick Holdings PLC for our brick donation. We received 9,600 facing bricks as part of the Pledge 100 programme in 2024. This vital initiative supports industry education and training; our brilliant brick lecturer Ian Bartlett applied for the donation and cannot wait to use them this September.

This donation will ensure we are using the highest quality materials, helping our students build confidence and take pride in their work. It will mean the world to our learners and staff within construction here at Bournemouth and Poole College.

Brittany Claxton, Learning Manager of Construction Skills, Bournemouth and Poole College.

“

This donation provides a valuable opportunity for Bricklaying Level 1 learners to develop their practical skills using high-quality materials. The bricks will be used in hands-on training sessions, helping students gain experience and confidence as they prepare for future careers in construction.

I'd like to extend our heartfelt gratitude to Michelmersh for their unwavering support, which will have a lasting impact on the students' learning experiences. Michelmersh's support will enable students to build and refine their skills in real-world scenarios, ensuring they are equipped with the expertise and confidence needed to succeed in the competitive construction industry.

Ayub Moosa, Head of Department for Construction at Accrington and Rossendale College

Trego Road, London. Photo © Vivienne Freeman

MATERIALITY CONTINUED

SOCIAL MATERIALITY

The most material social factors to the Group 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 our many social campaigns such as proactive reporting of general safety concerns and the Pledge 100 initiatives, the Group is well regarded within 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.

MATERIALITY THRESHOLD

During 2024 the Group established a Base Year Emissions Recalculation Policy. This policy establishes the framework for recalculating base year greenhouse gas ("GHG") emissions in accordance with the principles and requirements of the Greenhouse Gas ("GHG") Protocol. It ensures the consistency, accuracy and relevance of emissions data over time, enabling meaningful comparisons and credible reporting.

This policy applies to all entities, operations and activities included in Michelmersh Brick Holdings PLC GHG inventory boundary. It governs the recalculation of base year emissions for Scope 1, Scope 2, and, where applicable, Scope 3 emissions.


Recalculations will only be performed when changes are considered material. The materiality threshold will be set at 10%, determined by the Group based on its reporting requirements and stakeholder expectations. Changes below this threshold will not trigger recalculations.

NET ZERO TRANSITION PLAN AND CARBON REDUCTION POLICY

In 2024 the Directors approved our Net Zero Transition Plan and Carbon Reduction Policy. The Group aims to achieve net zero carbon emissions by 2050 in line with global climate goals and the UK Government's legally binding target. We are committed to adopting sustainable practices and reducing our carbon footprint across our entire value chain to transition towards a lower-carbon economy. The policy outlines our approach to carbon reduction and a transition plan to guide our operations towards a low-carbon future.

After a comprehensive Sustainability Report in 2021, we first introduced our ESG strategy into the 2022 Annual Report and continue to transparently declare our methodology, Key Performance Indicators ("KPI") performance and the progression of our reporting frameworks annually within the report. This has elevated the importance of sustainability throughout the business, and whilst the Group observes the pace of change within the ESG reporting landscape, we recognise the requirement to constantly evolve our sustainability strategy and governance thereof. The Michelmersh Group currently chooses to voluntarily report on KPIs beyond our obligatory capacity, however we also acknowledge our need to further investigate a clear climate transition plan and to map climate-related risks and opportunities to ensure that our 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°C.

The Group is committed to being a leader in sustainability within the construction industry. By implementing our carbon reduction policy and transition plan, we aim to contribute to a sustainable future while maintaining our reputation for producing high-quality low-carbon products.



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

**A NEW ERA OF
SUSTAINABLE
CONSTRUCTION
MATERIALS.**

HyBrick - Low-carbon brick bench in Energy Revolution: The Adani Green Energy Gallery at the Science Museum. © Science Museum Group

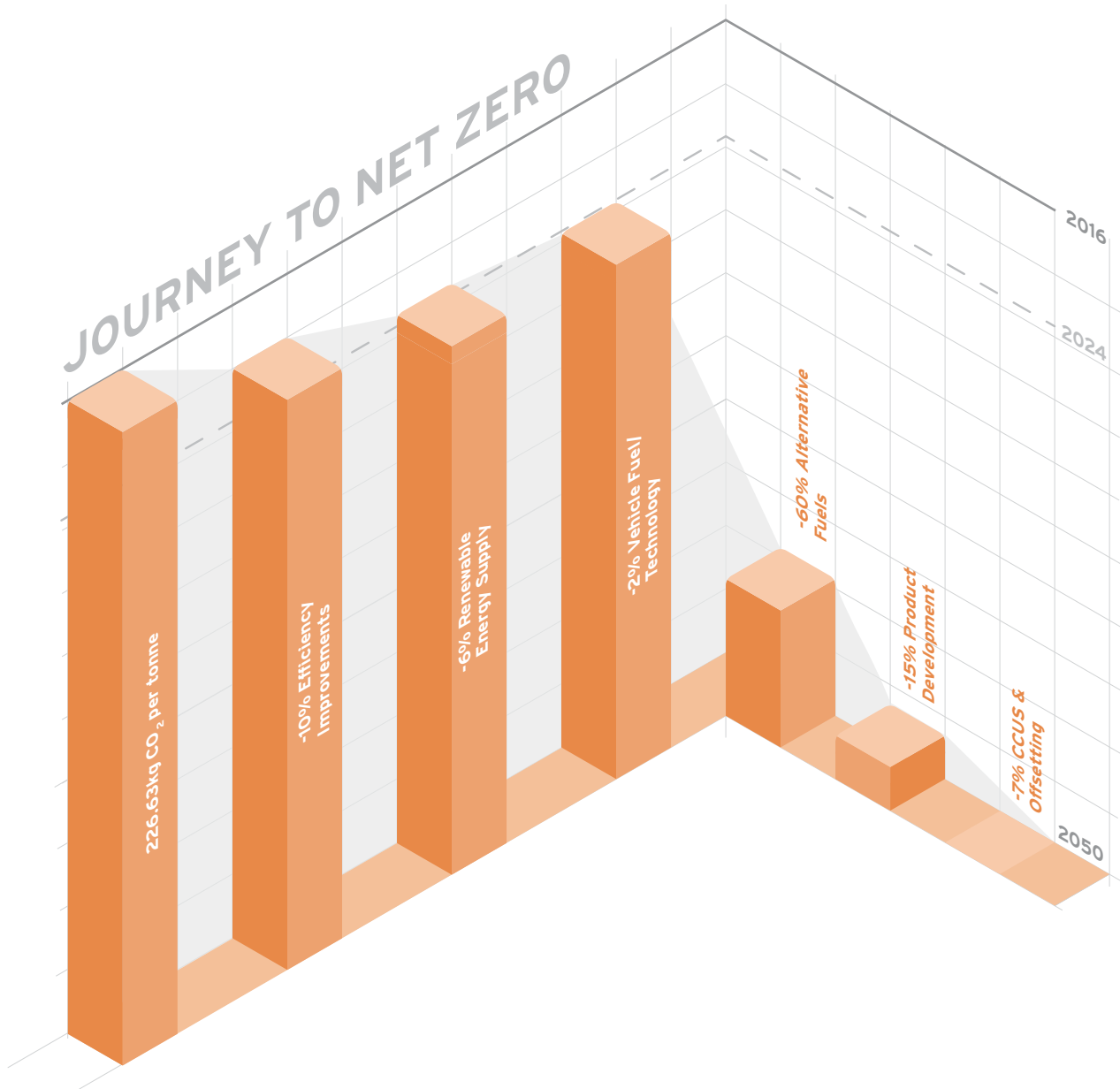
The Group announced in 2022 its successful bid to the Department for Business, Energy & Industrial Strategy ("BEIS") UK Government, Industrial Fuel Switching competition to conduct a feasibility study to replace natural gas with hydrogen in the brick making process. The programme was part of the £1 billion 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 our 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, we 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 we were pleased to announce last year that the feasibility was a success and the three 100% green hydrogen burns showed that it is technically possible to fire bricks. All three hydrogen trials were successful and achieved reductions in the gas firing carbon emissions of 80-84%. This data was verified by the air quality monitoring results, where CO₂ emissions were directly monitored during all hydrogen trials and one natural gas burn.

The Group was then proud to announce during 2024 that the Science Museum has used a proportion of the HyBrick's world-first products to showcase a low-carbon brick bench in the new Energy Revolution: The Adani Green Energy Gallery at the Science Museum in London, which will be on display for the next decade. The bench went on to win the Innovation category Brick Award later in 2024 and is testament to the future of brick making across the world.

NET ZERO ROADMAP



Decarbonisation Strategy

-10%

Efficiency Improvements

- + Business process efficiencies
- + Production efficiencies

-6%

Renewable Energy Supply

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

-2%

Vehicle Fuel/Technology

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

-60%

Alternative Fuels

- + Natural gas consumption reduction
- + Fuel switching

-15%

Product Development

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

-7%

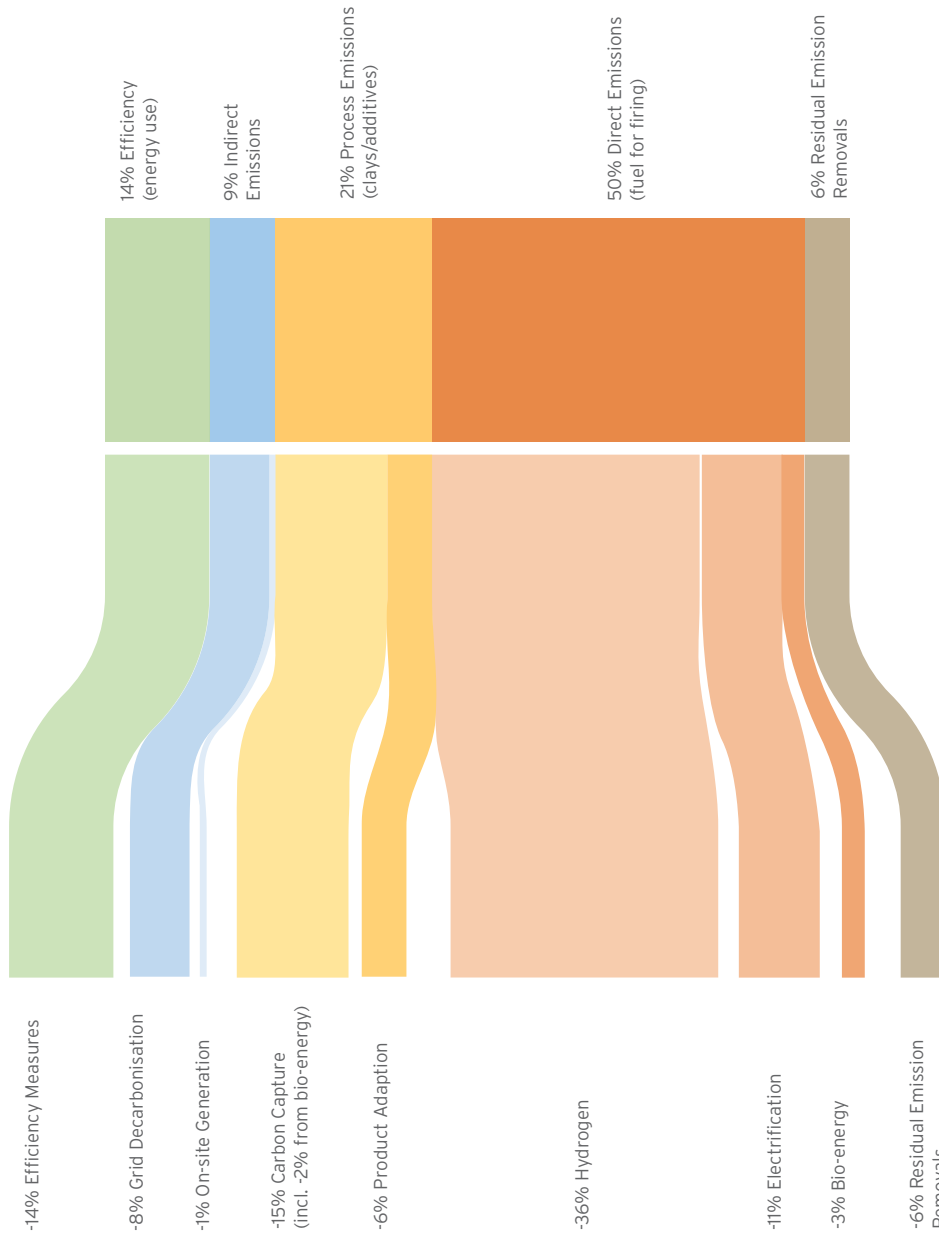
CCUS & Offsetting

- + Carbon capture usage & storage
- + Offsetting

2024 performance - showing non-rebased and normalised data for comparison to 2023

Decarbonisation Technologies

UK Ceramic Production



During 2024, Ceramics UK completed the Decarbonising UK Ceramic Manufacturing report which encapsulates how the sector will reduce emissions. The Group contributed our data to the report which highlights how ceramics underpin the economy and society's transition to net zero. The information contained within the report showcases the data above which we have represented in a sankey diagram, outlining how the ceramic sector (inclusive of whitewares, technical ceramics and refractories) can utilise a variety of fuels, process changes and technology applications to decarbonise. This sector-wide data closely reflects the technologies and opportunities our Group intends to embrace on our journey to net zero; we fully support Ceramics UK as it strives to highlight the challenges and successes our sector faces.

MICHELMERSH
THE BRICK
FAÇADE
SPECIALISTS

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

The Group's growing portfolio of premium products and services has increased its ability to optimise and grow an off-site and modern method of construction product offering in support of its sustainability centred ethos. The FabSpeed brand pioneers prefabricated building components, utilising efficient solutions to complex masonry design specifications. The Group portfolio, with the inclusion of the production of arches, chimneys, façade systems, environmental products and more, encapsulates our position as the leader in clay and associated prefabricated products for our broad customer base.



The 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 we are 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, our sustainable reflections range of thin double-faced bricks and our 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 Group's 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. The Bricology range of products featured above, 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 Group to design-in that biodiverse plan from the start of the project.

SOLAR INVESTMENT

Significant investment in on-site renewable energy generation has concluded 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. The Group continues to investigate additional areas within the Group's assets, which are appropriate for increasing our on-site renewable electricity generation.

SECTOR ALIGNMENT

Ceramics Decarbonisation Roadmap

We have contributed our 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. We endorse 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 Brick Development Association ("BDA") which offers a comprehensive and compelling exploration of this timeless material, revealing its relevance and potential in modern construction. The Group 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

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



Marchwood House, Berkshire. Photo © Beccy Lane

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, we are aware that risks and opportunities can change and we are therefore prepared to undertake a further materiality assessment, engaging with a wider range of the Group's stakeholders in the coming years.

We will continue to develop our 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 our processes. This will contribute positively towards our 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 project trajectories.

The Group has engaged an independent sustainability consultancy to perform sustainability maturity and ESG strategy assessment and the result concluded that we follow a robust process for collecting, measuring and analysing data. The Group is also continuing to focus on improvements to the automation and forecasting of data with a key objective to collect Scope 3 data in the coming years and further automate other operations process in real-time, across Group assets. Following this initial assessment, we have also sought assurance for our KPIs and GHG data to give extra trust and confidence to our stakeholders regarding our performance.

After increasing our reporting capacity this year to include TCFD, 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 will continue to be the vehicle to evaluate and drive positive change for ESG amongst the senior leadership of the Company. We promote a top-down and bottom-up approach to motivation and encouragement for innovative ideas to decarbonise, or improve biodiversity net gain, employee health, product development and many other wider far reaching and impactful initiatives. We want to encourage employees to feel empowered to drive our Company objectives throughout every department of the business.

INNOVATION

Showcased through our 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.

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. We also contribute towards the consortium of the Ceramics UK, IFS Phase 2 bid; demonstrating hydrogen in the ceramics sector, which will demonstrate 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 we are prepared to focus resource to researching suitable solutions or technologies to implement.

The Group 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 our product portfolio and continuing to drive for low-carbon product development. With 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 Executive and Senior Leadership Team 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.

ESG STRATEGY LIMITED ASSURANCE STATEMENT



SGS UNITED KINGDOM LIMITED'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE MICHELMERSH BRICK HOLDINGS PLC'S ESG STRATEGY REPORT FOR THE PERIOD 01ST JANUARY 2024 TO 31ST DECEMBER 2024

NATURE OF THE ASSURANCE/VERIFICATION

SGS United Kingdom Ltd (hereinafter referred to as SGS) was commissioned by Michelmersh Brick Holdings PLC (hereinafter referred to as Michelmersh) to conduct an independent assurance of the ESG Strategy Report (hereinafter referred to as the 'Report').

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all Michelmersh's Stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors and the management of Michelmersh. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Michelmersh Brick Holding PLC's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

In obtaining a Limited level of assurance in this engagement, we have used the guidance provided through the ISAE3000 (Revised, International Standard on Assurance Engagements) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ISAE3410 Assurance Engagements on Greenhouse Gas Statements. Assurance has been conducted at a Limited level of scrutiny as per both ISAE3000 and ISAE3410.

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy, and reliability of specified performance information as detailed below:

Reporting Criteria Selected by Reporting Organisation

1	Environmental, Social & Governance KPIs – No reporting criteria selected
2	GHG Emissions - GHG Protocol

SPECIFIED PERFORMANCE INFORMATION AND DISCLOSURES INCLUDED IN SCOPE

#	KPI / Theme	#	KPI / Theme
1	% Reduction in Energy Intensity	10	50% reduction in potable mains water
2	GHG Emissions (Market & Location Based)	11	Donate 100,000 bricks per year
3	% Reduction in GHG Emissions Intensity	12	15% year on year increase of charitable financial donations
4	Group Intensity Ratio tCO ₂ e / Drawn Saleable tonnes	13	Aspire for Zero environmental complaints
5	Percentage of forklift fleet that are hybrid/electric	14	Aspire for Zero internal environmental incidents
6	Percentage of car fleet that are hybrid/electric	15	60hrs training per employee
7	Ensuring Zero non-hazardous waste to landfill	16	100% of department managers to be trained in Mental Health Awareness
8	7% Reduction in all Plastic use	17	50% increase in proactive reporting to promote zero harm to employees
9	70% reduction of virgin wood pallets		

ASSURANCE METHODOLOGY

The assurance comprised a preliminary stage which was concluded in October 2024 for Q1 – Q3 data. The assurance stage that commenced in January 2025 comprised of a combination of a site visit, review of findings and corrective actions from the preliminary stage, interviews with relevant employees including Innovation and Sustainability Director, Chief Financial Officer, Technical Director, Director of HR, and other managers; documentation and record review and validation with external bodies and/or stakeholders where relevant. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gasses.

STATEMENT OF INDEPENDENCE, ETHICS, QUALITY CONTROL, AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Michelmersh Brick Holdings PLC, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. In conducting assurance engagements, SGS is governed by the 'SGS Code of Conduct' and the 'Assurance Ethical Code SAGSP2', which has been established with the requirements of the IESSA (International Ethics Standard for Sustainability Assurance), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

At SGS assurance quality control is governed through the Sustainability Assurance Global Systems Procedure (SAGSP). This quality management system compliments the requirements of ISAEs and are designed to be as demanding as quality control requirements stipulated by ISO17029:2019, and the ISQM1.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with relevant bodies. The assurance team comprised of; Lead Assurance Practitioner - Indika Edussuriya, Trainee Assurance Practitioner - Elisa Zandanel, Technical Reviewers - Finn Han & Jing Wang.

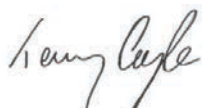
FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the specified performance information included in the scope of assurance is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Signed for and on behalf of SGS UNITED KINGDOM LTD:

pp



On behalf of Liz Moran – Business Manager

SGS United Kingdom Limited

24th February 2025

TASK FORCE ON CLIMATE-RELATED DISCLOSURES (“TCFD”)

INTRODUCTION

The following section outlines Michelmersh's voluntary disclosure of Climate-Related Financial Disclosures in accordance with the Section 414CB of the Companies Act 2006, which are aligned to the Task Force on Climate-related Financial Disclosure (“TCFD”) Recommendations.

This is our first TCFD aligned disclosure. Whilst we don't yet fall within scope of mandatory reporting, we have developed this report in line with all recommended AIM listed requirements, across the four sections; Governance, Strategy, Risk Management and Metrics and Targets with the 9 clauses as listed in each section below. We engaged SGS to undertake a TCFD pre-readiness assessment alongside utilising an ESG specialist advisor to support us with this initiative.

Sustainability is at the core of Michelmersh's values; and we are committed to playing our part in the move to a lower-carbon economy, in line with the Government's legally binding target of net zero emissions by 2050. We have been tracking climate change and sustainability as a principal risk to the business, and as transition to a net zero business is part of our long-term strategy, reporting to the TCFD aligned regulation ahead of mandatory disclosures has been a natural step to further strengthening and stress testing the resilience of the business, whilst increasing transparency to stakeholders.

Our analysis has identified two significant climate-related opportunities and four risks. Whilst the Board recognises that there are several challenges in the journey ahead, we remain committed mitigating the physical climate and transition risks facing the business over the long term. Considering our world-leading innovation initiatives to the inherent long-term sustainability of our products, which is underpinned by our sustainability-centric values, governance and strategy, the Board is confident that Michelmersh is well-positioned to grasp the exciting opportunities presented.

Looking ahead, we will continue to invest in our carbon-related reporting, strengthening our scenario analysis with more data, building our KPIs further and evolving our response to the risks and opportunities.

Our transition to net zero is well-integrated into our business. As such we have referenced relevant additional reading throughout our disclosures.

1. GOVERNANCE

(a) a description of the **governance arrangements** of the Company in relation to assessing and managing climate-related risks and opportunities.

KEY GOVERNANCE FORUMS

BOARD:

Overall responsibility for the stewardship of the Company's ESG framework. The Board is accountable for the overall delivery of the Company's objectives and non-financial KPI targets, including those related to climate, as well as ultimate oversight of climate-related risk and opportunity management.

- Reviews principal climate risk quarterly.
- Approves ESG (including climate-related) KPIs and Targets.
- Reviews and signs off TCFD report on Audit Committee assessment and recommendation.

AUDIT COMMITTEE:

Accountable for an independent assessment of climate-related risk and opportunity management and disclosures as part of its responsibility to monitor the effectiveness of the Group's internal controls and Annual Reporting disclosure accuracy.

- Reviews principal climate risks at least twice yearly.
- Reviews and signs off TCFD report annually.

REMUNERATION COMMITTEE:

Accountable for setting climate-related incentives for Executive Director Long-term Incentive Plans (“LTIP”) and allocates (subject to shareholder approval) Executive remuneration annually in line with pre-determined criteria.

- Reviews progress against climate-related KPIs and targets at least annually.

SUSTAINABILITY GROUP:

Board-delegated responsibility for monitoring the Group's sustainability strategy, which includes its response to climate change. It is responsible for effective identification, monitoring and management of all sustainability risks and opportunities, including climate-related items.

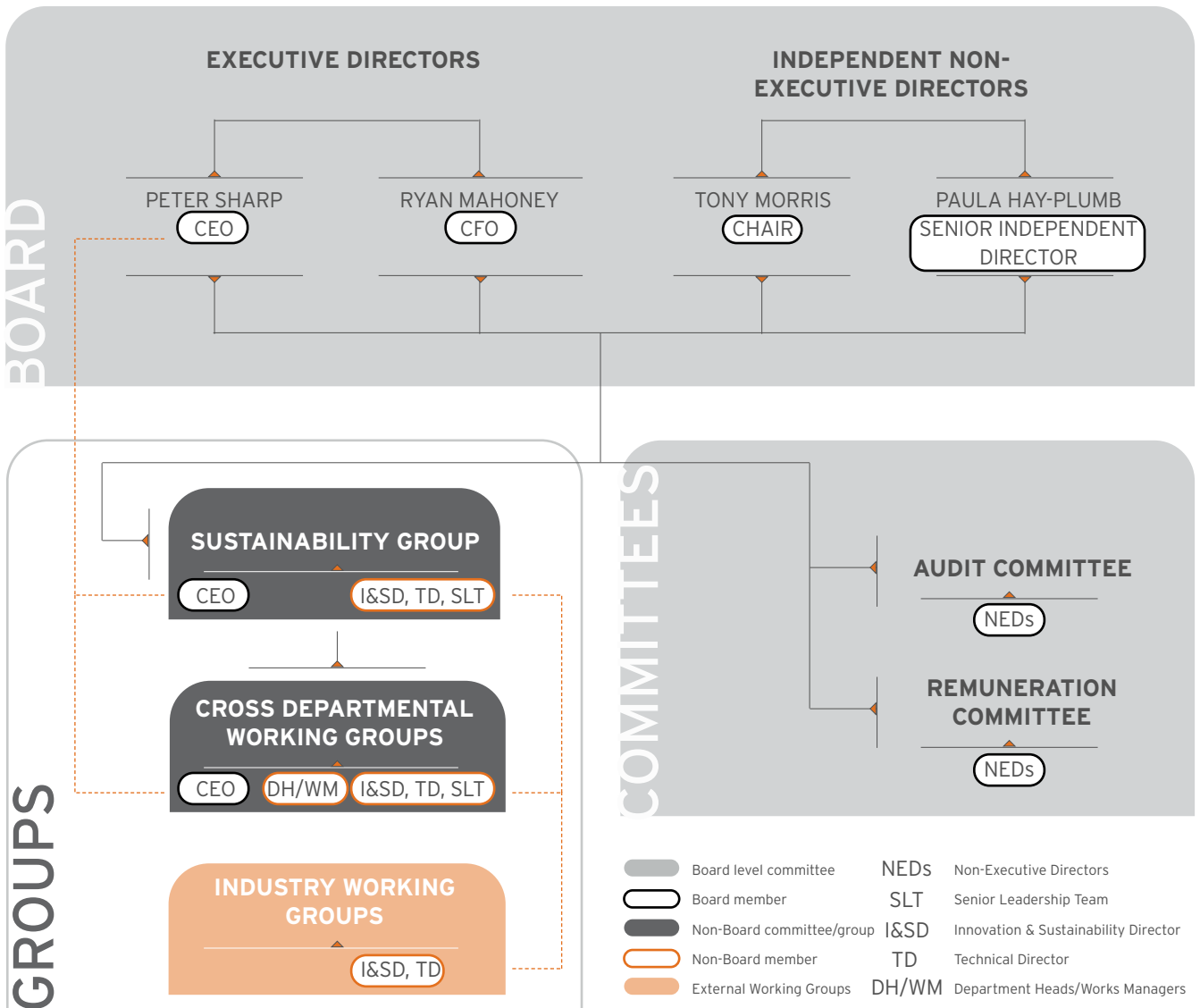
- Recommends ESG (including climate-related) KPIs and targets to the Board.
- Monitors and reports progress on ESG KPIs and Targets to the Board.
- Monitors and reports on risk and opportunity management plans to the Board.

CROSS DEPARTMENTAL WORKING GROUPS:

Cross-discipline meetings ensure that climate and sustainability-related issues are understood and implemented across the business.

- Implement and integrate ESG (including climate-related) risk and opportunity management plans into the organisation.

KEY SENIOR MANAGEMENT ROLES



CEO AND EXECUTIVE DIRECTOR:

Has ultimate responsibility for climate-related matters. The CEO acts as the Board sponsor for sustainability and ensures alignment of discussion at Board and Sustainability Group level on sustainability including climate-related strategy and performance. The CEO is also accountable for identification and assessment of climate-related risks and opportunities.

CFO AND EXECUTIVE DIRECTOR:

Sits on the Board and is responsible for identification and assessment of climate-related financial risks and opportunities.

THE GROUP INNOVATION & SUSTAINABILITY DIRECTOR:

A member of the Senior Leadership Team (“SLT”) and is the chair of the Sustainability Group. They have overarching responsibility for day-to-day implementation of the Group’s sustainability strategy. Attends Board and Audit Committees as required to present on strategy updates and progress, including management of significant risks and opportunities. Attends cross departmental working groups to integrate ESG (including climate-related) response plans, identify bottom-up risks and opportunities. An active member of industry working groups to support innovation, risk identification and effective implementation by leveraging industry expertise and aligning incentives for comprehensive climate resilience.

THE GROUP TECHNICAL DIRECTOR:

A member of SLT, and responsibility for Net Zero climate strategy. They attend the Sustainability Group, chair the Net Zero Steering Group, and also attend other cross departmental and industry working groups to support climate-related integration and innovation.

THE SENIOR LEADERSHIP TEAM (“SLT”):

Made up of the Group’s Associate Directors, who are responsible for developing and monitoring the Company’s approach to sustainability. This includes regularly reviewing objectives and effective operation of the Group’s internal control framework including ISO certifications: ISO 14001 Environmental Management System, ISO 9001 Quality Management System, ISO 50001 Energy Management System, BES 6001 Responsible sourcing and future certifications of ISO 45001 Occupational Health and Safety Management Systems. SLT delegate to Department Heads and Work Managers (“DH/WM”) across the Group as required and via Cross Departmental Working Groups.

Further information is available on the following pages:

1. Corporate Governance Statement, from page 78
2. Audit Committee report, from pages 80 to 83
3. Remuneration Committee report, from pages 87 to 95
4. Risk Management & Principal Risks, from pages 60 - 67

2. STRATEGY**IDENTIFICATION AND IMPACT OF SIGNIFICANT RISKS**

(b) a description of:

- (i) the principal **climate-related risks and opportunities** arising in connection with the operations of the Company, and
- (ii) the **time periods** by reference to which those risks and opportunities are assessed;

(c) a description of the **actual and potential impacts** of the principal climate-related risks and opportunities on the business model and strategy of the Company;

(d) an analysis of the **resilience** of the business model and strategy of the Company, **taking into consideration different climate-related scenarios**;

As part of our first TCFD aligned climate impact assessment, we conducted a qualitative scenario analysis to test the long-term resilience of our business with considerations and focus on the UK business.

Two scenarios were chosen to stress test the extremes of potential future states:

Scenario	Summary descriptions
RCP 8.5, a “Climate Chaos”, business-as-usual scenario, aligned to Representative Concentration Pathway (“RCP”) 8.5, which will see a temperature rise of 4 degrees by 2100	<ul style="list-style-type: none"> Limited action is taken to combat climate change, there are no new regulations implemented Physical threats will be at their peak as the number of climate tipping points are likely to have been crossed Significant rise in global temperatures and sea level, resulting in a significant increase in acute weather events Continued use of coal, oil and gas
RCP 2.6, An “Orderly Transition” scenario, achieving net zero in 2050 with a 1.5-degree warming in 2100 following the Representative Concentration Pathway (“RCP”) 2.6	<ul style="list-style-type: none"> Governments, organisations and society collaborate to keep global warming to 1.5°C/2.7°F by 2100 compared to pre-industrial levels Paris Agreement principles are adopted and governments establish rules and regulations to drive the transition, including the transition to renewable energy Although physical impact will be greatly lessened, there will likely be physical climate change impacts, however these will be better prepared for

The impacts of the risks and opportunities were assessed against three time-horizons:

Description	Time-horizon	Rational
Short-term	To 2030	Chosen in line with our current sustainability strategy and targets
Medium-term	2031 - 2045	Chosen in line with currently considered feasible technology transition to lower-carbon fuel switching alternatives
Long-term	2046 - 2050	Chosen in line with our 2050 net zero ambition

Multiple resources were used to support the scenario analysis, including from the Intergovernmental Panel on Climate Change (“IPCC”), the UK Government, Climate Analytics and Climate Financial Risk Forum.

Michelmersh has set a “flexible” risk appetite for sustainability and net zero risks, meaning 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.

All identified risks and opportunities were assessed in the scenario analysis against the likelihood of occurring in the three timeframes and the potential financial exposure to Michelmersh. Of the 10 risks we identified; 4 are considered significant, where significant means we have estimated a potential financial impact of more than 5% of our FY24 revenue in at least one scenario, in one timeframe.

Additionally, two opportunities of the five identified are considered significant, as their estimated potential is to generate greater than 5% of our FY24 revenue in at least one scenario, in one timeframe.

The identified significant opportunities and risks have been summarised below and include a description of the financial impact, under which scenario(s) and timeframes the opportunity/risk is considered to present a significant impact to management plans and supporting KPIs to track management plans. We have also mapped the opportunity and risk to the Company’s strategic objectives that underpin our mission. The table is split into opportunities, physical climate risks and transition risks.

The following opportunities and risks are aligned with the Company strategy stated on page 6.

CLIMATE-RELATED OPPORTUNITIES

Theme & description	Impact description	Scenario Analysis	Realisation Plan	KPIs	Alignment to strategic objectives
Products - Adaptation					
Opportunity from increasing demand for products that support climate adaptation, notably the UK retrofit market	Increased revenue from UK retrofit, as well as new build markets, heightened by competitive advantage	RCP 8.5 & 2.6; Medium & Long-term	Continued investment in adaptation and thermal property innovation	Innovation spend on adaptation projects	Evolve our core offering, delivering lower embodied carbon products through innovative product development, technologies or solutions
	Reduced cost of finance		Clear communication to market on progress		
Products - Transition					
Opportunity from increasing demand for low-carbon products which may create access to new markets	Increased revenue from sustainability driven market sentiment & policy	RCP 2.6; Medium & Long-term	Continued investment in sustainable brick innovation	Innovation spend on sustainable brick projects	Evolve our core offering, delivering lower embodied carbon products through innovative product development, technologies or solutions
	Reduced costs of finance		Clear communication to market on progress		
	Potential new market opportunities in demolition and Carbon Capture & Storage				

PHYSICAL CLIMATE RISKS

Theme & description	Impact description	Scenario Analysis	Mitigation Plan	KPIs	Alignment to strategic objectives
Acute					
The risk from increasing frequency of extreme weather events, such as cyclones and flooding, leading to site and critical infrastructure damage	Lost revenues from inactive sites	RCP 8.5; Medium & Long-term	Ongoing investment and refinement of Business Continuity Plan ("BCP")	Sites insured for climate damage Annual review of BCP	Maintain high standards of environmental compliance whilst improving the biodiversity of our land/estates
	Increased costs for site damage repair and insurance premiums		Ensure appropriate insurance coverage		
	Asset value loss in severe cases		Continued investment in biodiversity action plans		
Chronic					
The risk of increasing precipitation and lack of soil moisture impacting manufacturing productivity and supply chain disruptions	Delayed revenue from value-chain disruptions	RCP 8.5; Medium & Long-term	Ongoing investment and refinement of Business Continuity Plan ("BCP")	Energy intensity per site e.g. emissions per brick Site water usage, % borehole vs mains	To reduce our raw material usage and embed circular economy principles
	Increased energy costs in manufacturing		Strengthen supply chain strategy		
	Increased costs from damage repair and sourcing diversification		Continued investment in dematerialising products & transition from mains water		

TRANSITION RISKS

Theme & description	Impact description	Scenario Analysis	Mitigation Plan	KPIs	Alignment to strategic objectives
Product					
Risk from changing product requirements from policy and customer sentiment leading to a reduction in current product demand and requiring significant investment into innovation to remain competitive	Reduced revenue if unable to innovate in line, or ahead of competition	RCP 2.6; Short, Medium & Long-term	Continue to invest in research and development, working with trade bodies and leading scientific institutions	Revenue/orders in low-carbon products	Evolve our core offering, delivering lower embodied carbon products through innovative product development, technologies or solutions
	Increased cost of innovation		Proactively investigate green financing and grant funding	Status of sustainable projects % of green-linked funding	
Policy & Legal					
Risk of carbon-linked policy evolution, including CBAM implementation and removal of government free allowances, increasing cost to the business	Short term revenue risk until CBAM implemented in UK (assuming ceramics in scope)	RCP 2.6; Short, Medium & Long-term	Continued investment in sustainable brick manufacturing innovation	Carbon price	To reduce the energy and carbon intensity of our products
	Medium and longer-term annual carbon cost to the business directly		Develop a Transition Plan Taskforce and Science Based Target aligned transition plan Continuously monitor the carbon price	Revenue/orders in low-carbon products Status of transition plan implementation	

Further information can be found on the following pages:

1. Risk Management & Principal Risks, for more details on risk appetite and our Group level climate change risk and mitigation, on page 65
2. Company's strategic mission and objectives, on page 22

3. RISK MANAGEMENT

(e) a description of how the Company identifies, assesses and manages climate-related risks and opportunities;

(f) a description of how processes for identifying, assessing and managing climate-related risks are integrated into the overall risk management process in the Company;

Our approach to climate-related risk management is embedded in our Group risk management approach. Michelmersh's comprehensive risk management approach is embedded across all levels of the organisation, enabling us to effectively mitigate risks and deliver sustainable long-term success.

We have a robust risk management framework overseen by the Board of Directors which includes bottom-up and top-down reviews. The framework allows us to identify, assess and manage risks transparently, with the Board regularly reviewing principal risks and their potential impact on our strategic objectives. Our risk management culture and processes are central to supporting the Group's resilience.

As part of the bottom-up aspect of the Group risk management framework, the Group Innovation and Sustainability Director, with support from an ESG Advisory firm, has undertaken this TCFD aligned scenario analysis and risk and opportunity identification process. The outcomes have been socialised where relevant across the business. Responsibilities of risk and opportunity management have been allocated to relevant Directors and Heads of Departments and discussed within specific and relevant working groups across the Group for ongoing management. Actions and results are fed back to the Executive Management.

Further information:

1. Risk Management & Principal Risks, from page 60

4. METRICS & TARGETS

(g) a description of the targets used by the Company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and

(h) the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those KPIs are based.



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.

Michelmersh has set several interim targets and is tracking 17 KPIs with 2030 targets as part of its full ESG strategy, of which 8 are relevant to monitoring its climate-related risk mitigation and opportunity realisation plans. A further 9 KPIs have been identified to support the monitoring of the key risks and opportunities identified.

KPIs are detailed and mapped to specific risks and opportunities in the Strategy section of this report.

Further information can be found on the following pages 24 to 45

1. Commitments to carbon reduction and net zero
2. Environmental KPI targets
3. Greenhouse Gas emissions that have been disclosed in line with Streamlined Energy and Carbon Reporting ("SECR")
4. Climate-related risk and opportunities from, page 52 and 65



STAKEHOLDERS

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.

OUR STAKEHOLDERS

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.

Our shareholders

Why they are important to us:

Ensuring investor confidence in the business strategy is essential for long-term success. In exchange, shareholders provide feedback and support which enables us to strengthen our business model and plan for the future.

How we engage at Board level and across the Company:

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 also 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.

How we considered their interests:

- The Board held a strategy day in May 2024 to focus on the broad range of strategic opportunities available to the Group over the medium to long-term all of which focused on targeting the promotion of long-term value for shareholders
- The risk register is discussed by the Board quarterly, and those discussions inform the Board in their considerations and judgements in establishing the risk appetite of the Company
- Ongoing enhancements to our risk management framework continue, along with the Directors targeting an appropriate balance between risk and shareholder reward
- Approving an interim dividend of 1.60 pence per share which was paid to shareholders on 9 January 2025, and recommending a final dividend for the year of 3.00 pence per share to be paid on 9 July 2025

Our customers

Why they are important to us:

Ensuring strong relationships with our customers is key to delivering long-term sustainable success. We value our customers trust and loyalty immensely, with their feedback helping us improve products, services, customer experiences and operations. Customer satisfaction is vital to brand loyalty and maintaining our strong market position.

How we engage at Board level and across the Company:

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. 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.

How we considered their interests:

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. The Group distribution aims are clearly set out within the Approved Distributors Trading Policy and Terms of Business.

Our employees**Why they are important to us:**

Our employees are at the heart of everything that we do and are the driving force behind all that we have achieved so far. With a diverse range of views, backgrounds and experience our employees promote our culture as well as ethical values and behaviours throughout the business.

How we engage at Board level and across the Company:

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.

How we considered their interests:

During the year we made changes to improve the alignment between our Health and Safety operating activities and our Health and Safety reporting processes. This continuous improvement programme will better support our clear safety-first operating activities. The average hours of training per employee increased on the previous period underpinning our approach to motivating career opportunities and clear succession planning.

Our suppliers**Why they are important to us:**

Maintaining a positive relationship with all our suppliers through mutual respect and understanding is essential in allowing us to deliver a high level of service to our customers, and benefits for all our stakeholders.

How we engage at Board level and across the Company:

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.

How we considered their interests:

- Through our commitment to high ethical standards
- Requiring high ethical standards from all our suppliers and partners
- Ensuring regular communication with our key suppliers
- Zero-tolerance approach to bribery, corruption and modern slavery and reviewing / updating the necessary Group policies to support this

Our community**Why they are important to us:**

We have always sought to foster a strong relationship with the communities within which we work. Our aim is to make a positive contribution to the lives of our employees, local environment, communities, charities and those within the brick industry.

How we engage at Board level and across the Company:

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.

How we considered their interests:

- Continued to focus on charitable commitments, as well as increasing our overall charitable contributions
- Increased the financial contribution to charities that we support, including local community projects
- Directly involving employees but inviting all staff to put forward nominations for the following financial year
- Retaining one of our core commitments to supporting industry education and training of bricklayers

Our environment**Why it is important to us:**

We understand just how important it is for us all to adopt environmentally responsible practices. Protecting the environment is not only crucial for our business but also all our stakeholders. We are focused on reducing negative environmental impacts, whilst at the same time achieving long-term sustainability through innovation.

How we engage at Board level and across the Company:

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 24 to 45.

How we considered its interests:

- Cascading the Group ESG Strategy across the business
- More formal governance framework seen and structured reporting to the Board and Audit Committee
- Board Sustainability Group is sponsored by the Group CEO, Peter Sharp
- Continuing with our commitment to achieve net zero by 2050
- Undertook a limited assurance review to qualify our ESG reporting whilst striving for transparency in our methodologies, KPIs and reporting measures
- The Group has supported and contributed data towards the Ceramics UK sector-wide decarbonisation roadmap
- Achieving challenging KPI targets during the year due to progressive behaviours adopted by our employees.

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 2024, 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 considered Board and Committee composition and discussed succession planning.	Following considerable change during the year, the Board was keen to maintain an appropriate balance between Executive and Independent Non-Executive Directors, and to ensure that 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 agreed the final dividend for 2023 of 3.00 pence per share, and later in the year the Board agreed an interim dividend for 2024 of 1.60 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.
Annual review of ESG strategy.	The need to review progress towards our sustainability goals established in 2021 and revisit the appropriateness of ESG KPI targets and to ensure we benchmark the Group against established best practice.
Appointment of Designate CEO.	To ensure business continuity and that the new CEO demonstrated the correct range of knowledge and necessary experience to help promote the ongoing success of the Company strategy.
Agreement, despite progress already being made, to continue to increase engaging with the Senior Leadership Team.	A number of the Senior Leadership Team were invited to Board and Committee meetings across the year to give presentations. Due to the success, these have been scheduled for 2025 as well.
Approval of the adoption of the new QCA Corporate Governance Code ("the 2023 Code").	The importance of keeping up to date with the latest corporate governance principles and best practice so as to ensure a robust framework within which the Company can peruse its long-term strategy.

RISK MANAGEMENT AND PRINCIPAL RISKS

RISK OVERVIEW

Our overall approach to risk management is rooted 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 choosing 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 is 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 roadmap 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.

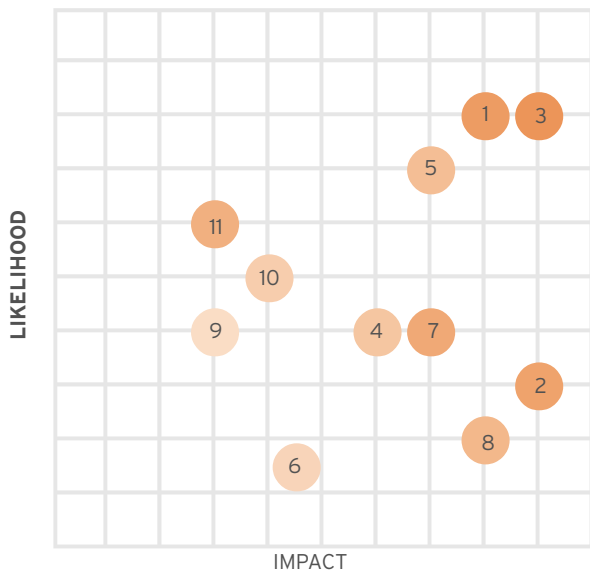
PRINCIPAL RISKS

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 2024
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The Board continuously monitors all key business performance indicators for signs of changes in the economic climate and the potential impact on the cyclical nature 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. 	<ul style="list-style-type: none"> Risk Likelihood Change: \longleftrightarrow Risk Impact Change: \longleftrightarrow <p>The construction industry remained in a challenging environment throughout 2024 and this now marks what is over a 24 month period since our industry high point for brick despatches in 2022, which remains a key barometer for our sector activity levels. The overall sentiment for consumers remains dampened by the relative affordability of borrowing costs given the higher level of prevailing interest rates acting as a significant drag on demand across our key markets. As a result, the risk impact and risk likelihood have not changed this year.</p>
Risk Appetite Link		
1 Strategic		


2 Business Continuity (previously "business interruption")

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> The production process is most efficient when in continuous operation at full capacity and any disruption impacts on our output and efficiency. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Risk Likelihood Change:  Risk Impact Change:  <p>The risk likelihood has increased in the year as we have undertaken a significant level of specific plant improvement activities during the year which changed the likelihood of maintaining our usual business continuity cadence. At Floren the production was offline for 16 weeks in two separate tranches across the year and at Carlton we brought forward a planned significant kiln refurbishment project and key equipment upgrades which were completed in November and December and through the start of 2025.</p>

Risk Appetite Link

13 Business Continuity



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

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> We prioritise working with third party experts to fully evaluate our investment strategy in projects which will deliver long-term sustainability through achieving carbon and energy reduction towards 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. 	<ul style="list-style-type: none"> Risk Likelihood Change:  Risk Impact Change:  <p>The Group continues to release our ESG strategy report within the Annual Report and remain committed to delivering against our Sustainability Strategy and wider Group KPI targets.</p> <p>Notably this year we have sought limited independent assurance of our GHG emissions, KPI performance data and also included our first TCFD disclosure and as a result we have maintained the risk rating this year. Please see further information in the ESG strategy report on page 24.</p>

Risk Appetite Link

14 Sustainability & Net Zero
16 Environmental Regulatory Compliance

4 Financial Risk Management (previously "input prices")

Principal risk and relevance	Mitigation	What happened in 2024
<p>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:</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 longstanding 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. 	<ul style="list-style-type: none"> Risk Likelihood Change:  Risk Impact Change:  <p>The risk likelihood did not change during the year due to the stabilising inflation environment and the associated impact on our costs of production not experiencing the same levels of volatility as in the prior few years of trading.</p> <p>We remain very watchful of the utility market pricing environment with prices remaining significantly above historic levels as the impact of the removal of Russian gas availability from the Continent continues to drag on forward pricing with the clear potential for further global shocks.</p> <p>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 the Group cash position to provide flexibility to support our capital allocation framework.</p> <p>The Audit Committee also concluded that the financial internal control environment had operated effectively during the year.</p>

Risk Appetite Link

4 Financial Risk Management
6 Availability of Raw Materials

5 Product Demand (previously "quality")

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • We have close and longstanding 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. 	<ul style="list-style-type: none"> • Risk Likelihood Change: • Risk Impact Change: <p>Product despatches were largely stable as a year on year comparison between 2024 and 2023 which has resulted in no change to our risk likelihood assessment. The construction industry remains in a long trough with construction activity levels still 30% below 2022 levels. The resilience of our business model and the demand levels for our product portfolio therefore continue to be thoroughly examined but the combination of the loyalty of our customers and the diversification of our end markets continues to be a real strength of the Group as we focus on delivering against our core business fundamentals.</p>
<p>Risk Appetite Link</p> <p>2 Operational 8 Commercial</p>		

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

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Risk Likelihood Change: • Risk Impact Change: <p>The Group has long-term reserves at all our brick manufacturing sites and during the year the improvement works at Floren included the installation of a new exhaust scrubber system to improve the environmental efficiency of our manufacturing process but also to facilitate changes in our input materials mix to extend the life of our mineral reserves at this site and as a result this has further reduced our risk likelihood assessment.</p>
<p>Risk Appetite Link</p> <p>5 Land, Property & Plant</p>		

7 Customer Relationship

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Risk Likelihood Change: • Risk Impact Change: <p>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.</p> <p>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.</p>
<p>Risk Appetite Link</p> <p>9 Customer Requirements & Demand Dynamics</p>		

8 Major Project Delivery

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Risk Likelihood Change: • Risk Impact Change: <p>All major projects were either delivered within our timing expectations or continued to meet our progress thresholds during the year. This was a significant year of investment for the Group with significant upgrade works at Floren and Carlton specifically. Given the successful outcome of these major works there has been no change to our risk levels this year.</p>
<p>Risk Appetite Link</p> <p>12 Project & Programme Investment</p>		


9 Cyber and Information Security

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Risk Likelihood Change:  Risk Impact Change:  <p>We conducted an independent third-party review of our cybersecurity and IT control environment during the year and this supported a clear programme of activities to ensure that our security posture is robust and fit for purpose in a continually evolving cyber and IT risk landscape. The Group is on schedule with the cybersecurity programme of works and we have a robust security posture but given the changes we have made in this area we have elevated the risk likelihood as we look back across 2024.</p>
<p>Risk Appetite Link</p> <p>11 IT & Technology</p>		

10 Health and Safety

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Risk Likelihood Change:  Risk Impact Change:  <p>During the year we have made changes to improve the alignment between our Health and Safety operating activities and our Health and Safety reporting processes and continuous improvement programme. This was the result of our assessment that there was an increased risk likelihood in our Health and Safety activities given the split accountabilities inherent in our operational design. We have therefore aligned all Health and Safety processes and reporting under our Group Operations Director and are confident that this clear accountability will better support our clear safety first operating activities.</p>
<p>Risk Appetite Link</p> <p>4 Governance, Legal & Regulatory 15 Health & Safety</p>		

11 People and Culture

Principal risk and relevance	Mitigation	What happened in 2024
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Risk Likelihood Change:  Risk Impact Change:  <p>The UK and Belgium remain competitive environments for people and as a result we are grateful for the ongoing loyalty of our key staff and are delighted by the significant tenure of many of our people; this remains a core strength of our Group.</p> <p>We continue to operate in an elevated interest rate environment and maintaining competitive remuneration packages remains a challenge with pressure remaining on the wages and salary inflation environment particularly. As a result, we have not changed the risk assessment this year which remains elevated in reference to the ongoing potential impact on our people and culture risks.</p>
<p>Risk Appetite Link</p> <p>10 People & Culture</p>		



Approved by the Directors, Peter Sharp and Ryan Mahoney, on 24 March 2025
 Michelmersh Brick Holdings PLC
 Registered in England and Wales No: 03462378

CHAIR'S INTRODUCTION TO GOVERNANCE

I am pleased to present the Company's Corporate Governance Report for the year ended 31 December 2024. This section of the Annual Report describes our governance framework, sets out our Corporate Governance Statement and our approach to ensuring the continued application of high levels of corporate governance throughout the Group. Along with our core values, this provides a robust foundation from which we can deliver on the Group's strategic aims.

SUCCESSION

The Board and its respective Committees have undergone much change as a result of succession plans executed during the course of the year. In March, Peter Sharp took over as sole CEO, in May, my predecessor, Martin Warner retired from the Board as Chair, and in July, Rob Fenwick left the business as Non-Executive Director. In December, we also announced the intended retirement of Peter Sharp during 2025, and I am delighted we were able to confirm the proposed appointment of Ryan Mahoney, our current CFO, as Peter's successor.

In the year, Paula Hay-Plumb, our Senior Independent Director, took on the Chair of the Remuneration Committee, and I rejoined the Audit Committee as a member.

I am pleased with the continuity of leadership we have been able to achieve at a Board level in both executive and non-executive capacities, and we are well set for augmenting the Board during 2025 with a new CFO, and as appropriate, incremental independent non-executive director support.

BOARD EFFECTIVENESS

The Board undertook an internal review of its own effectiveness, and that of its Committees during 2024, and this was led by the Group's Company Secretary. The review concluded that the Board and its Committees had operated effectively during the period, and highlighted a number areas of focus for us as Board as we move through the new financial year.

A separate review of the Chair's performance was also carried out by the Senior Independent Director, against objectives set during 2024.

In addition to this, each Board member completed a self-review of capability and skills, which helped to identify any capability and skills gaps, which we have then been able to use to inform our ongoing succession planning activities.

CORPORATE GOVERNANCE CODE

The Company continues to adopt the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), as the Board believes that this is the most appropriate corporate governance code for us as an AIM listed company. The Company supports the Principles of the QCA Code and has adhered to these 10 Principles during the year. Further details can be found in our Corporate Governance Statement set out on page 78. This corporate Governance Report should be read in conjunction with our Section 172 statement on page 56, which describes how the Board has engaged with key stakeholders and considered their interests in its decision making.

In November 2023, the QCA issued the third edition of its Corporate Governance Code (the "2023 QCA Code"), which we have started adopting with effect from 1 January 2025. The QCA has not made many changes in the new 2023 QCA Code, rather more it has been enhanced to align with evolving investor expectations. The Company Secretary performed a gap analysis of our current corporate governance framework and expect to be compliant with the Principles and will set out further details in our FY25 Annual Report.

2025 AND ONWARDS

In 2025, the Board remains focused on the health, safety and well-being of employees across our sites. Improvements in our working practices, and internal health and safety reporting systems continue to be a key priority as we move through the year to ensure we maintain regulatory compliance, enhance operating efficiencies, and above all, keep our employees safe.

We will also continue to execute on our succession plans, and the training and development of our employees, which this year includes the

launch of our inaugural Michelmersh leadership programme. We will further develop contingency planning alongside succession in order to mitigate key person risk across the Group.

Given the significance of the personnel changes on the Board, as a group we will continue to focus on embedding the new Executive and Non-Executive team to ensure continuity and cohesiveness of leadership across the organisation.

As outlined on pages 24 to 45, innovation and sustainability are central to the continued success of the Group. As a Company, we will seek to advance our ESG strategy, leveraging internal and external expertise as we monitor and evaluate performance against our ESG KPIs in pursuit of our 2030 innovation and sustainability objectives.

Our 2025 Annual General Meeting ("AGM") will be held on Thursday 15 May 2025. Full details, including time, location and the resolutions to be proposed to shareholders, will be set out in the Notice of AGM, which will be made available on our website. My colleagues on the Board and I very much look forward to taking the opportunity to meet with our longstanding shareholders, and those that have recently joined us.

TONY MORRIS
Chair
24 March 2025

BOARD OF DIRECTORS



PAULA HAY-PLUMB, SENIOR INDEPENDENT DIRECTOR

Appointment:

Paula joined Michelmersh as an Independent Non-Executive Director in June 2020 and was immediately appointed as a member of the Audit, Remuneration and Nomination Committees. Since then, she was appointed as Chair of the Audit Committee in August 2020, and as Chair of the Remuneration Committee in May 2024. Paula also holds the role of Senior Independent Director.

Skills and Experience:

Paula has extensive directorship experience and has sat on the Board of a number of prominent organisations in the property sector. Paula is a board member of Shurgard Self Storage Limited, as well as 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. With her extensive experience, Paula brings wide-ranging finance, governance and risk management expertise to the Board. Her experience in stakeholder engagement, corporate finance, major project delivery and pensions and investment management enhances the Board's overall skill mix. Paula is a Chartered Accountant (FCA) and is a Fellow of the Association of Corporate Treasurers.



TONY MORRIS, CHAIR

Appointment:

Tony joined Michelmersh initially as an independent Non-Executive Director in November 2020, before taking over as Chair of Michelmersh in May 2024. He currently also chairs the Nomination Committee and remains a member of Audit and Remuneration Committees.

Skills and Experience:

Tony has over 20 years' experience as principal and advisor in M&A, and equity capital markets and holds a number of directorships within public and private companies in an executive and non-executive capacity. He began his career in credit working within leveraged finance at Barclays, before moving to Marwyn Capital, a UK-based listed equity investor that backed consolidation strategies within numerous sectors including software, media and entertainment rights, support services and industrials. In 2012, he co-founded Tessera, a strategic advisory firm that works with organisations and family offices in the development and execution of their acquisition and investment strategies, where he remains a director. Tony was also formerly a Non-Executive Director of Summerway Capital Plc. Tony graduated from Kings College London with a first-class honours degree in Business Management (BSc).





PETER SHARP, CHIEF EXECUTIVE OFFICER

Appointments:

Peter joined the Michelmersh Brick Holdings PLC Board in May 2011 as an Executive Director, and became Joint Chief Executive in January 2016. Since March 2024, when Frank Hanna (former Joint CEO) left the business, Peter has been the sole Chief Executive Officer. In December 2024 it was announced that Peter had informed the Board of his intention to retire during 2025.

Skills and Experience:

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.



RYAN MAHONEY, CHIEF FINANCIAL OFFICER

Appointments:

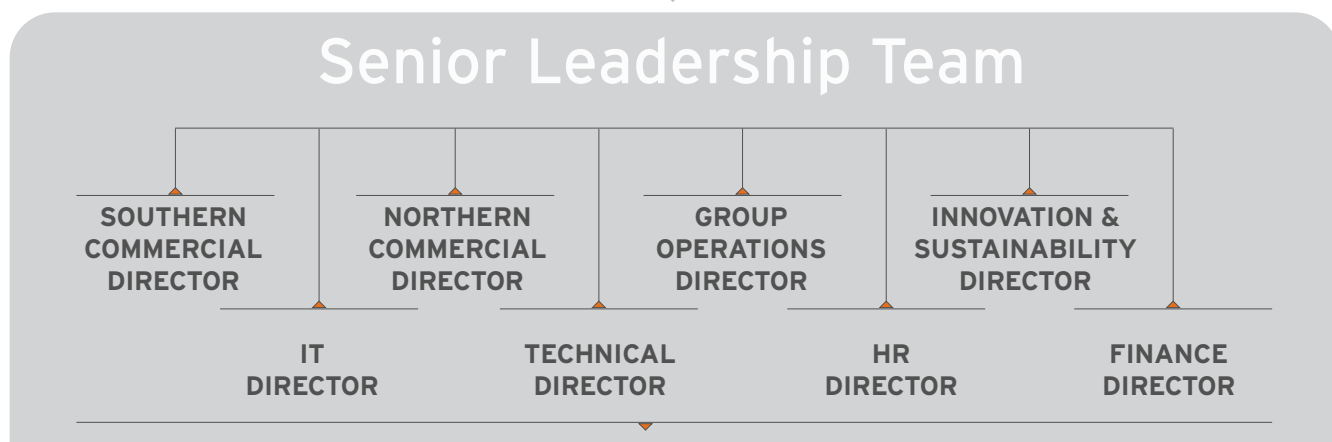
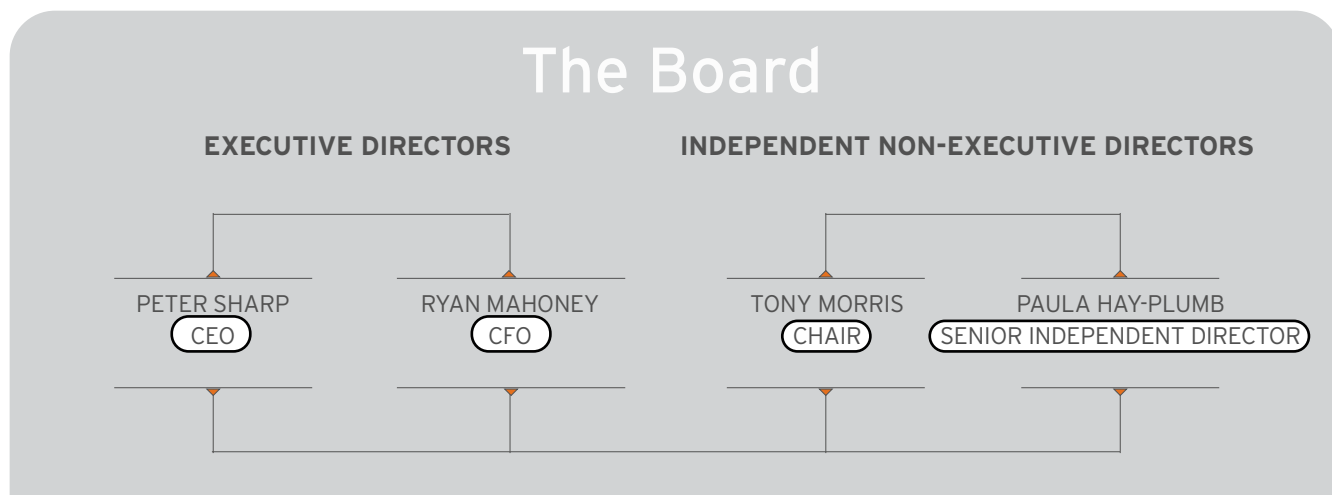
Ryan was appointed as Chief Financial Officer on 3 June 2021. Alongside the announcement in December 2024 of Peter Sharp's decision to retire from the Board, it was announced that Ryan was appointed as the Designate Chief Executive Officer and he is expected to take over the role during 2025.

Skills and Experience:

Prior to joining the Company, Ryan was previously Deputy Chief Financial Officer of Avon Rubber, the FTSE 250 defence engineering and manufacturing Group, from April 2018. Ryan had also been the Group Financial Controller of Unite Students, the FTSE 250 property group, from November 2015 having previously held other senior roles within the business. Ryan is a qualified Chartered Accountant (FCA) and prior to joining Unite, Ryan worked for KPMG in both advisory and audit roles. Ryan's background brings a broad range of skills to the Board including expertise across finance, risk and assurance and M&A activities.



GOVERNANCE FRAMEWORK



STRUCTURE OF THE BOARD AND BOARD COMMITTEES

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 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 and Tony Morris 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.

HOW THE BOARD OPERATES

The Board is accountable to shareholders for all the actions of the Company. The Company's Articles of Association set out the rules governing how the Company is run as well as the powers and responsibilities of the Directors. There is also a formal Schedule of Matters Reserved for the Board which sets out matters which only the Board may decide on and approve. It is reviewed annually and was last updated in February 2025 and can be found on our website www.mbhplc.co.uk/investor-relations/corporate-governance.

At each Board meeting, the Executives report on key matters such as finance, operations, sales, health and safety, IT, HR and sustainability 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 Brokers and legal advisor to address Board meetings to provide comment on current market issues and specific developments. Additionally, Senior Leadership Team from across the business are invited to attend and present; this supports the Non-Executive Directors in having a greater insight into certain aspects of the business which they may otherwise not see.



The Chair, with support from the Company Secretary, sets each agenda and ensures that the Group's key stakeholders are considered throughout its discussions as necessary. Board packs are distributed electronically in good time before all meetings, and following the meetings minutes are recorded and actions logged on a Schedule of Matters Arising. Each Director has access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors of the Company. Each Director also has access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advising the Board on all corporate governance matters.

The Board is supported by three Committees (the Audit Committee, the Remuneration Committee and the Nomination Committee) to which it formally delegates matters as set out in each Committees' terms of reference. These are reviewed annually, and as and when required, and can be found on our website. Details of the key responsibilities of each Committee along with areas of focus for the year can be found within their respective Committee Reports. 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 also hold meetings at which the Executive Directors are not present.

BOARD ACTIVITIES

The information below is a non-exhaustive list of the key areas of focus for the Board and topics discussed during the year to 31 December 2024:

- Board and Committee composition
- Succession planning and contingency planning
- Board performance review
- Review Schedule of Matters Reserved for the Board
- Review Committees' terms of references
- Approval of year end 2023 Annual Report and Financial Statements
- Approval of a new remuneration policy
- Approving an interim dividend
- Recommending to shareholders the payment of a final dividend
- Annual review of Group-wide policies
- Sustainability
- Approval of ESG strategy
- Health and Safety
- Directors' conflicts of interest
- New Corporate Governance Code

BOARD AND COMMITTEE MEETING ATTENDANCE

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

* Francis Hanna resigned from his position as a Director on 26 March 2024. Martin Warner resigned from his post on 16 May 2024. Robert Fenwick resigned from his position as a Director on 8 July 2024. The above-named Directors attended all meetings until their resignations.

In addition to the scheduled Board and Committee meetings, there were two meetings held by a Sub-Committee of the Board to approve the Annual Report and Financial Statements for the year ended 31 December 2023, and the Interim Financial Statements for the half-year ended 30 June 2024. The Remuneration Committee held three ad hoc meetings (one in May and two in December 2024); and the Nomination Committee held two ad hoc meetings in August and December 2024.

EXTERNAL APPOINTMENTS AND CONFLICTS OF INTEREST

The Chair and Non-Executive Directors have other third-party commitments, including directorships of other companies, which are set out in their biographies on pages 70 to 71. The Company is satisfied that these associated commitments have no measurable impact on their ability to discharge their responsibilities effectively. The Executive Directors have no third-party commitments. Ahead of any new Director appointments, the candidate will be required to advise the Board of any external appointments, which the Board will be required to review and approve.

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company's Articles of Association allow the Directors to authorise conflicts of interest and the Board has adopted a policy for managing and, where appropriate, approving potential conflicts of interest. New Directors will be briefed on their duty to avoid conflicts of interest as part of their induction upon appointment. Authorisations are recorded in the minutes of the meetings at which they are raised, and all requests for authorisations of potential conflicts held centrally in a register which is maintained by the Company Secretary.

DIRECTOR SKILLS AND ONGOING TRAINING

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, 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. The Company Secretary also provides a comprehensive governance update at each Board meeting which sets out all relevant legal and regulatory updates that have occurred since the previous meeting. Each Director has completed a recently refreshed and updated skills matrix. These were then reviewed by the Committee with the intention of informing succession activities for the forthcoming year.

BOARD AND COMMITTEE ANNUAL PERFORMANCE REVIEW

At the end of the year, the Board 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, stakeholder engagement 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 2025. The responses received recognised that the relationships on the Board continue to work well over the last 12 months, despite much change, and the universal view was that the Board is operating effectively. In addition to the annual performance review, as part of the process for monitoring Board performance, the Non-Executives also meet to discuss and assess the performance of the Executives.

SUCCESSION PLANNING

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 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 2025 AGM.

CULTURE

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.

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2024, and up to the date of this report, the Company has applied the 2018 QCA Corporate Governance Code (the "QCA Code"). Full details of how we have complied fully with the Code throughout the year are provided below.

Principle:	How we comply:	Further information:
1. Establish a strategy and business model which promote long-term value for shareholders	<p>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 ("KPIs") and internal measurement is also set by the Board. This ensures delivery of a clearly defined and agreed set of sales, market and 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.</p> <p>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. Our strategy and business model, including the key challenges in their execution, are set out in the Strategic Report.</p>	<p>Strategy on page 6.</p> <p>Business Model on page 22.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>The Board recognises the importance of creating a clear flow of communication with all shareholders and the investment community. Further details of how we engage with our shareholders can be found in the Strategic Report. The Board also looks forward to meeting with the Company's longstanding shareholders, and those who have recently joined, at the 2025 AGM.</p>	<p>Strategy on page 6.</p> <p>Business Model on page 22.</p> <p>AGM details on page 99.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>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.</p> <p>We consider our key stakeholders, other than our shareholders, to be our customers, employees, 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.</p>	<p>Section 172 Statement within the Strategic Report on page 56.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board has an established risk register which is reviewed at Board meetings. 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.</p> <p>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.</p>	<p>Risk Management on pages 60 to 67.</p>
5. Maintain the board as a well-functioning, balanced team led by the chair	<p>Our Chair, Tony Morris, is responsible for leading the Board which currently comprises two Executive Directors (Peter Sharp, the Chief Executive Officer, and Ryan Mahoney, the Chief Financial Officer) and one independent Non-Executive Director (Paula Hay-Plumb, Senior Independent Director). Details of all Directors can be found in their biographies, with information such as meeting attendance set out in the Corporate Governance section of this report.</p>	<p>Biographies on pages 70 to 71.</p> <p>Corporate Governance on pages 68 to 100.</p>
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>Our 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. Having considered and discussed the composition of the Board and its Committees throughout the year, the Board is satisfied that there is an appropriate balance of skills, experience, independence and knowledge.</p>	<p>Biographies on pages 70 to 71.</p> <p>Corporate Governance on pages 68 to 100.</p>

Principle:	How we comply:	Further information:
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>A Board and Committee performance review is undertaken annually at the end of each financial year, with the last review being undertaken in respect of FY24. An overview of the performance review process is set out in the Corporate Governance section of the Annual Report. Details of how the Board approaches succession planning can also be found there as well as in the Nomination Committee Report.</p>	<p>Corporate Governance on pages 68 to 100.</p> <p>Corporate Governance (Nomination Committee Report) on pages 84 to 86.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board places much importance in fostering a strong and ethical culture and believes that its employees are crucial to the success of the Group. The Board therefore monitors culture and the values which underpin it during the year to ensure they drive the right behaviours and are aligned with the Groups purpose and strategy.</p>	<p>Corporate Governance on pages 68 to 100.</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>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 Committee's terms of reference and the Schedule of Matters Reserved for the Board were reviewed during the year by the Board, with minor updates approved.</p> <p>Details of the roles and responsibilities of the Chair, Chief Executive Officer, Chief Financial Officer and Non-Executive Directors are described earlier in the Corporate Governance section of the Annual Report. The terms of reference for each of the Committees and the Schedule of Matters Reserved for the Board are available on our website, along with the Company's Corporate Governance Statement, setting out how it has applied the principles of the Code (www.mbhplc.co.uk/investor-relations/corporate-governance).</p>	<p>Corporate Governance on pages 68 to 100.</p> <p>ESG strategy report on pages 24 to 45.</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>There are three Board Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. More information on the activities of each 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.</p>	<p>Audit Committee Report: on pages 80 to 83.</p> <p>Remuneration Committee Report: on pages 87 to 95.</p> <p>Nomination Committee Report: on pages 84 to 86.</p>

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2024.

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), who is an independent Non-Executive Director, and Tony Morris who is the Chair of the Board and prior to his appointment in May 2024 was considered an independent Non-Executive Director and is still considered to be so. 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 2024, 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 78.

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 115). 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 that a competitive re-tendering process is run ahead of the FY25 audit process;
- 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);
- internal audit: a review of the effectiveness of the cybersecurity and IT control environment;
- ESG external assurance review: undertaking a limited assurance process to review the methodology and accuracy of our ESG reporting;
- 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.

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

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 2024 are set out in the table below:

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.	<p>The Committee reviewed a report detailing the key issues outlining 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.</p> <p>There were no inconsistencies or misstatements that were material in the context of the financial statements as a whole.</p>
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.	<p>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 manage the business as a single operating segment and consider that at the year end the Group also operates one CGU but recognise the judgement involved in this regard. As such, the Group continues to also test for impairment under the consideration of FabSpeed as a separate CGU to further verify there was no impairment requirement.</p> <p>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.</p>
Going concern.	<p>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.</p> <p>There were no reported inconsistencies or misstatements that were material in the context of preparing the financial statements on a going concern basis.</p>

EXTERNAL AUDITOR

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 2024 is set out in note 10 to the financial statements on page 118.

At the outset of the audit process, the Committee receives from the auditor a detailed audit plan, identifying their assessment of the key audit matters and their intended areas of focus. The Committee also reviews the effectiveness of the external process on an annual basis, with the review 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 2023 year-end audit process during the year, and concluded that it was effective. It will review the 2024 year-end audit process during the course of 2025.

At the conclusion of the 2024 audit cycle CLA Evelyn Partners Limited will have been the Group's auditors since 2007, and whilst the QCA code does not place codified guidance on audit re-tendering, the Committee has recommended to the Board that it is also good practice to intermittently run a competitive re-tender process to support the Group's assessment that the audit process is effective and independent. As such, during the summer of 2025 a competitive re-tendering process will be undertaken to allow sufficient time to transition to new auditors, should this be required.

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 is 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;
- 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 ongoing assessment of risk levels and the effectiveness of mitigating actions or controls.

The Committee has discussed 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);
- a full review conducted by an independent third party of the cybersecurity and IT control environment to ensure that the environment remained robust and fit for purpose;
- encouraging management to continue the development of the internal controls framework, ensuring that all relevant controls are appropriately documented alongside a continuous improvement of the assurance methodology; and
- supporting management to undertake a limited assurance review conducted by an independent third-party of the methodology and accuracy of the Group's ESG KPI reporting set out in pages 24 - 45.

WHISTLEBLOWING

The Group has in place a whistleblowing policy which sets 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 that no changes to the policy (which provides clarity to employees with regards to the definition of bribery, our zero tolerance approach to bribery as well as providing clarity on gifts and hospitality) were required.

PAULA HAY-PLUMB
Audit Committee Chair
March 2025



Acklam Road, London. Photo © Becky Lane

NOMINATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Nomination Committee Report for the year ended 31 December 2024.

MAIN RESPONSIBILITIES OF THE NOMINATION COMMITTEE

The Nomination 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 Committee's terms of reference are reviewed annually and were last reviewed and updated in November 2024.

The key responsibilities of the Nomination Committee are:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board;
- ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keep under review the leadership needs of the organisation;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- review annually the time required from Non-Executive Directors.

MEMBERS OF THE NOMINATION COMMITTEE

The members of the Committee are Tony Morris (Chair) and Paula Hay-Plumb, who both continue to be considered independent. Martin Warner, who was the Committee's Chair, retired in May 2024, and was succeeded by Tony Morris. Robert Fenwick also stepped down as a Non-Executive Director of the Company and member of the Committee on 5 July 2024.

ACTIVITIES DURING THE YEAR

The Nomination Committee met on two occasions during 2024, and once following the year end with all Committee members being present at every meeting. Attendance at the meetings held during the year is set out in the Corporate Governance Statement on page 75.

BOARD CHANGES DURING THE YEAR

During the year, Frank Hanna stepped down as Joint CEO and from the Board on 26 March, and as mentioned above, Robert Fenwick stepped down as a Non-Executive Director on 5 July. Following the announcement to the market on 1 August 2023, Martin Warner, who was a joint founder of the Company, retired as Chair of the Board at the 2024 AGM and was succeeded by Tony Morris who had joined the Board as an Independent Non-Executive Director in November 2020. On 5 December 2024, the Company announced that Peter Sharp had informed the Board of his intention to retire as CEO and Director of the Company during 2025, and that Ryan Mahoney would take on that role.

After a year of considerable change and a review of Board and Committee composition, the Directors felt comfortable moving forward with a Board consisting of two Executive Directors and two Non-Executive Directors (one of whom was the Chair of the Board). The current Board and Committee compositions are compliant with the Code; however, the Committee has agreed to continue to closely monitor the Company's corporate governance structure and review the need for an additional independent Non-Executive Director as necessary, whilst in the meantime focusing on the recruitment of a new CFO.

EXECUTIVE DIRECTOR RECRUITMENT

The process to identify a CEO-designate was led by the Committee and began in Q4 2024 with the appointment of Korn Ferry, a third-party firm specialising in executive searches, to lead the recruitment process as part of a programme of ongoing succession planning work. A shortlist of strong internal and external candidates was compiled, and interviews and assessments were held in relation to the requirements set out in a success profile that had been built for the CEO role.

The Committee concluded that Ryan Mahoney had demonstrated the requisite skills to be able to take on the role, and had the correct range of knowledge, strengths and necessary experience dealing successfully with the Group's external stakeholders. In making their decision to recommend to the Board that Ryan Mahoney be appointed as CEO, the Committee had also considered the impact that a change of CEO would have on the composition of the Board and its Committees. They considered the balance of knowledge, skills, diversity and experience and were comfortable that the current combination would help promote the success of the Company's strategy.

Since the year end a formal search process for a new CFO has commenced, and details of the recruitment and appointment process will be set out in next year's Annual Report. Following Peter Sharp's retirement from his role as CEO it is intended that he will become a retained industry advisor to the Board, enabling the Company to continue to benefit from his wealth of industry knowledge and expertise.

SUCCESSION AND CONTINGENCY PLANNING

During the year the Nomination Committee also discharged its responsibilities by reviewing and discussing successions plans at each meeting, along with contingency planning for both Board members and senior management. Through a programme of thematic presentations, the Non-Executive Directors had an opportunity to get to know the Associate Directors and gain insights into business operations below Board level.

DIVERSITY AND INCLUSION

The Company values diversity and seeks to provide all employees with the opportunity for employment, career and personal progression and development on the basis of ability, qualifications and suitability for the work as well as their potential to be developed by the job. The Board undertook its annual review of the Group's Diversity & Dignity at Work Policy in November, a copy of which can be found along with other Group policies here: www.mbhplc.co.uk/about/corporate-responsibility.

RE-ELECTION OF DIRECTORS AT AGMS

Ahead of the 2024 AGM the Committee considered and approved the re-election of all Directors. In previous years Director election/re-election had been undertaken on a rotational basis, however, to ensure that Company was in line with best practice and the new 2023 QCA Corporate Governance Code the Committee agreed that going forward all Directors would stand for re-election at the Company's AGM.

ANNUAL COMMITTEE PERFORMANCE REVIEW

A formal internal review of the Committee's performance was undertaken in January 2025. The members were asked to anonymously complete a comprehensive questionnaire to rate the effectiveness of the Committee and submit feedback. The results were then discussed at the Committee meeting in March 2025. Further details on the performance review and the results can be found in the Corporate Governance Statement on page 75.

FOCUS FOR 2025

It is expected that the following items will be focused on by the Committee during the forthcoming year:

- Consider and discuss the Board of Directors' skills matrix.
- Evaluate the balance of skills, knowledge and experience and diversity on the Board.
- Recruitment of a new CFO and, when appropriate, consider appointing a new independent NED.
- Monitor the structure, size and composition of the Board throughout the year.
- Business continuity plan for senior management.

TONY MORRIS
Nomination Committee Chair
24 March 2025



Ashcroft Place, Surrey. Photo © Betty Lane

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present our Remuneration Committee report for the financial year ended 31 December 2024.

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 2025.

The principles underlying our remuneration policy remain in line with the prior year. 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 Tony Morris and myself (as Chair). The QCA Corporate Governance Code notes that members of a remuneration committee should be independent, and I can confirm that Tony Morris and I are considered to be independent Directors by the Board.

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. The Committee's terms of reference are reviewed annually and were last reviewed and updated in November 2024. The Committee's core responsibilities include:

- determining the policy for the remuneration of the Executive Directors;
- 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;
- ensuring that no Director or senior manager is involved in any decisions as to their own remuneration (the Chair 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 three occasions during 2024. 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 75.

DIRECTORS AND THEIR INTERESTS IN SHARES IN 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 2024 Ordinary Shares of 20p each	31 December 2023 Ordinary Shares of 20p each
MR Warner (resigned 16 May 2024)	349,678	4,129,732
RM Mahoney	-	-
P Hay-Plumb	17,300	17,300
AJ Morris	22,658	22,658
FJ Hanna (resigned 26 March 2024)	-	591,000
PN Sharp	104,157	104,157
R Fenwick (resigned 5 July 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 87 to 95. Further details of the Directors, along with their brief biographical details, are given on pages 70 to 71.

KEY REMUNERATION DECISIONS

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

Base salaries	<ul style="list-style-type: none"> Performed an annual Executive Director remuneration benchmarking exercise supported by a specialist third-party remuneration advisor Approved a 21% increase in base salary for Ryan Mahoney as CEO Designate with effect from 1 January 2025 as a result of his changed and expanded role following an orderly handover of duties from retiring CEO Peter Sharp Resolved not to increase the base salary of retiring CEO Peter Sharp for 2025
Bonus	<ul style="list-style-type: none"> Approved the 2024 bonus outturn for the Executive Directors based on the Group's financial performance for the financial year ended 31 December 2024 and achievement of Executive Directors' corporate and personal objectives Introduced new financial performance metrics, and corporate and personal objectives for the 2025 Executive Director Bonus Plan ("EDBP") Resolved to pro rate for time retiring CEO Peter Sharp's EDBP entitlement for 2025
Share plans and awards	<ul style="list-style-type: none"> Approved an options grant to senior employees of the Group Approved the level of vesting achieved by the Executive Directors for the 2022 Grant issued under the 2022 LTIP Established performance targets for any 2025 Grant including the introduction of a new cash generation performance metric Resolved not to grant any new award under the 2022 LTIP to the Executive Directors during 2024 Reduced the annual grant level to 100% of base salary (from 125%) Resolved to apply dividend equivalents to the remaining 2019 Tranche issued under the legacy 2017 LTIP in order to continue to harmonise certain key terms and conditions of this scheme, and better align it to the 2022 LTIP
Other	<ul style="list-style-type: none"> 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 2025 Reviewed and approved the Committee report in the 2024 Annual Report and Accounts

ANNUAL COMMITTEE PERFORMANCE REVIEW

A formal internal review of the Committee's performance was undertaken at the end of 2024. The members were asked to anonymously complete a questionnaire to rate the effectiveness of the Committee and submit feedback. The results were then discussed at the Committee meeting in March 2025. Further details on the performance review and the results can be found in the Corporate Governance Statement on page 76.

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 to take effect from 2024. 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 is provided below:

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

The EDBP operates with an overall bonus cap which shall continue to be set at 100% of an Executive Director's 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 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 continued to operate the 2022 LTIP as it related to existing grants made in 2022 and 2023. The 2022 LTIP was designed in order to create a long-term incentivisation structure which had 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.

In 2024, the Committee resolved not to grant an award to the Executive Directors as 2024 was considered a transitional year given the personnel changes made and announced during the period, as well as revisions to the Group's corporate strategy. Furthermore, the Committee resolved to apply dividend equivalents to the remaining 2019 Tranche issued under the legacy 2017 LTIP in order to continue to harmonise certain key terms and conditions of this scheme, and better align it to the 2022 LTIP. As a result, it was also agreed to reduce any future award level under the prevailing 2022 LTIP to 100% of base salary (down from 125%).

A summary of the key terms of the 2022 LTIP are provided below:

Frequency of award	Annually at the discretion of the Committee
Awards	For awards outstanding that were made in 2023, nil-cost options equivalent to 125% of base salary For any awards made from 2025 onwards, nil-cost options equivalent to 100% 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 awards: <ul style="list-style-type: none"> • 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) For any awards made in 2025: <ul style="list-style-type: none"> • Delivery of EPS growth (55% weighting) • Total Shareholder Return Performance when benchmarked against a UK industry peer group (20% weighting) • Net cash generated from operations for each year under the performance period (15% 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: <ul style="list-style-type: none"> • 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.

2024 PERFORMANCE

The challenging trading conditions faced by the Group, and industry as a whole in 2023 continued into 2024, whereby the construction sector suffered significant contraction due to higher inflation and rising interest rates that combined to dampen consumer demand during a period of considerable political and economic uncertainty. While the Company was not immune to these challenges, the resilience and robustness of our business model was reflected in a solid performance for 2024, where we were able to deliver trading in line with revised analyst expectations.

Revenue in the period was down 9.3% on the prior year, with reported profit before tax down by 34.4% and Adjusted EBITDA also down 20.2%. Cash flow from operations in the period meant the Group finished the year with net cash of £6.0 million. The Company's £20 million committed banking facilities with HSBC remain undrawn, and this continues to unpin the financial resilience and strategic optionality for the Group.

As a result of this solid performance, the Company has been able to announce a full year dividend of 4.60 pence per share, up 2.2% on 2023, demonstrating the Company's confidence in the outlook for 2025.

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 2024 £'000	Annual Bonus 2024 £'000	Other Benefits 2024 £'000	Pension 2024 £'000	Total Emoluments 2024 £'000	Total Emoluments 2023 £'000
MR Warner <small>(resigned 16 May 2024)</small>	42	-	1	-	43	107
P Hay-Plumb	52	-	-	-	52	48
AJ Morris	87	-	-	-	87	44
R Fenwick <small>(resigned 5 July 2024)</small>	34	-	-	-	34	17
FJ Hanna* <small>(resigned 26 March 2024)</small>	66	-	13	13	92	505
PN Sharp	318	48	24	26	416	502
RM Mahoney	248	37	24	20	329	380
	847	85	62	59	1,053	1,603

Total emoluments including cash settled options and employer's NI amounted to £2,090,734 (2023: £3,596,000).

* FJ Hanna also received a cash settlement of £843,200 due to cash settled exercised share options.

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 for the period until his cessation of employment on 26 March 2024.

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

EXECUTIVE DIRECTOR BONUS PLAN ("EDBP")

2024 was the first year of performance measurement under the Company's new EDBP, which is detailed further on page 88.

Under the EDBP, Executive Directors are entitled to an annual bonus payout of up to 100% of base salary, with 80% of any potential payout linked to the achievement of financial performance objectives, and 20% of any potential payout linked to the delivery of certain corporate and personal objectives.

For 2024, the Group delivered adjusted EBITDA, adjusted PBT and cash conversion at levels that were less than 90% of the Group budget for the financial year. As a result, the Executive Directors did not achieve the threshold level of financial performance required to trigger a bonus payout for the financial performance component of the EDBP.

During the year the Executive Directors did deliver on certain corporate and personal objectives, and notwithstanding the missed financial metrics, achieved revised analyst expectations. The delivery of this solid operational and financial performance was despite considerable industry headwinds, and that positions the business well into 2025 and beyond. As a result, the Committee has therefore awarded an EDBP payout equivalent to 15% of base salary for 2024 out of the maximum 20% available after financial performance thresholds were not met.

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 LTIP Tranche remained outstanding, and the table below shows those that have accrued based on EPS performance in each year from 2018 to 2024.

Executive Director	2019 Tranche EPS accrued 2024 No. of options	2019 Tranche Good leaver accrued No. of options	2019 Tranche Cancelled for cash No. of options	2017 LTIP Total of Options Accrued as at 31.12.24	2017 LTIP Total of Options Accrued as at 31.12.23
FJ Hanna	50,000	200,000	(850,000)	-	600,000
PN Sharp	200,000	-	-	800,000	600,000
RM Mahoney	200,000	-	-	716,712	516,712
	450,000	200,000	(850,000)	1,516,712	1,716,712

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 2024 was met and therefore a total of 400,000 options were accrued for Peter Sharp and Ryan Mahoney in relation to 2019 LTIP Tranche as they served for the full performance year, whereas Frank Hanna only accrued 25% of the full annual option accrual as he ceased employment on 26 March 2024. Out of the 1,000,000 2019 LTIP Tranche options issued to Frank Hanna, he therefore accrued 650,000 to his exit from the business. As a result of Frank Hanna's good leaver status and the Committee and Board recognising his overall contribution to the success of the Company during his tenure as Co-CEO, the Committee resolved to apply discretion to permit Frank Hanna to retain a further 200,000 options under the 2019 LTIP Tranche, increasing his total accrued entitlement to 850,000 options out of the 1,000,000 originally granted. The Company elected to settle the options for cash for Frank Hanna's 850,000 vested options under the legacy 2017 LTIP at a total cost of £960,000.

2022 LTIP

Under the 2022 LTIP, two grants have been made since its implementation in October 2022; the 2022 Grant and the 2023 Grant. Following the completion of the performance period pertaining to the 2022 Grant and associated lapsing and exercising of these options as announced on 13 February 2024, only options under the 2023 Grant remain outstanding under the 2022 LTIP. These are detailed as follows:

Executive Director	2022 Grant lapsed No. of options	2022 Grant vested and exercised No. of options	2022 LTIP Total Options Accrued as at 31.12.24	2022 LTIP Total Options Accrued as at 31.12.23
FJ Hanna	(331,027)	(57,654)	354,463	743,144
PN Sharp	(311,810)	(76,871)	354,463	743,144
RM Mahoney	(243,211)	(59,960)	276,481	579,652
	(886,048)	(194,485)	985,407	2,065,940

The performance targets for the 2022 Grant were based on EPS growth (75% weighting) and Total Shareholder Return performance (25% weighting). The performance period for the 2022 Grant closed on 31 December 2024. The three year performance target pertaining to EPS was missed and as such 75% of the options issued under the 2022 Grant lapsed. Following third-party testing of the Total Shareholder Return performance, it was confirmed that the Company achieved 79.1% of this target, and therefore 19.8% of the options under the 2022 Grant vested and were exercised by the Executive Directors. Frank Hanna's vested options were also pro rated for a shorter duration of time served during the performance period.

In line with the 2022 LTIP Rules, the Executive Directors each received dividend equivalents in cash for those vested shares under the 2022 Grant, which totalled between £6,000 and £8,000 per 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 £201,593 (2023: £791,000).

2025 REMUNERATION**Salary and 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 agreed that the Executive Director salary for Ryan Mahoney would be increased by 21% effective 1 January 2025. This increase was on the basis of a material change to, and expansion of his role as CEO Designate, which occurred in January 2025 as part of the handover of roles and responsibilities from retiring CEO, Peter Sharp.

It was agreed that Peter Sharp's salary for 2025 shall remain at his 2024 level until such time as his employment with the Company ceases.

For 2025, the Executive Director base salaries will therefore be as set out below:

Executive Director	2025 Salary £'000	Executive Director	2025 Salary £'000
PN Sharp	318	RM Mahoney	300

On recommendation of the Executive Directors, the Board resolved to apply the wider Group workforce increase of 2% to the Chair and Non-Executive Director fees following a benchmarking exercise, and to take into account the scope of the roles performed by the Chair and Non-Executive Director. These fee changes are effective from 1 January 2025.

For 2025, the Chair and Non-Executive Director fees will therefore be as set out on the following table:

Chair	2025 Fees £'000	Senior Independent Director	2025 Fees £'000
AJ Morris	112	P Hay-Plumb	57

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 EDBP, the participants can achieve up to a maximum of 100% of their base salaries by way of an annual bonus on the basis they delivery at least a 10% outperformance to plan and meet all of their corporate and personal objectives. In 2025, Peter Sharp's EDBP payout entitlement shall be pro rated for time served during the performance period.

For 2025, the EDBP performance targets are as follows:

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

2022 LTIP

The Committee expects to recommence its annual options grant under the 2022 LTIP to Ryan Mahoney only in April 2025 as CEO Designate. The value of any grant will be set at 100% of base salary, and with performance criteria as detailed on page 95, which shall include for this year, a new net cash generated from operations metric alongside three year targets for adjusted EPS, Total Shareholder Return and ESG.

It is anticipated that once the Group's new CFO is appointed, they will also participate in the 2022 LTIP.

Pension and benefits

For 2025, there shall be no changes to the pension and benefits packages for the Executive Directors.

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
<p>Base salary</p> <p>The provision of competitive fixed salary supports the recruitment and retention of Executive Directors, reflecting their role, skills and experience.</p>	<p>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.</p>	<p>Total salaries paid during each year are determined by the Remuneration Committee in line with the Group's review and implementation cycle.</p> <p>Changes in roles/responsibilities may require an adjustment to salary levels.</p>	<p>Not applicable, although individual performance is considered when determining base salary increases.</p>

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
<p>Benefits</p> <p>To provide market benefits on a cost-effective basis.</p>	<p>Benefits offered include car allowance, private medical insurance and life assurance.</p> <p>Other benefits may be offered in line with market practice if it is considered appropriate to do so.</p>	<p>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.</p>	<p>Not applicable.</p>
<p>Pension</p> <p>To assist Executive Directors in providing for retirement where this is considered an aid in attracting and retaining the individual.</p>	<p>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.</p>	<p>Peter Sharp receives a contribution of 5% of base salary and bonus to the Group pension scheme.</p> <p>Ryan Mahoney has opted out of the Group pension scheme and instead receives a cash payment equivalent to 5% of base salary paid through PAYE.</p>	<p>Not applicable.</p>
<p>Executive Director Bonus Plan ("EDBP")</p> <p>To recognise an Executive Director's achievement of annual objectives that support the Group's strategy and financial performance.</p>	<p>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.</p>	<p>100% of base salary.</p>	<p>Performance conditions are set and reviewed by the Committee.</p> <p>The Committee retains discretion to adjust payout in cases where it believes that the bonus outcomes are not a fair and accurate reflection of business performance.</p> <p>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.</p>

LONG-TERM INCENTIVE PLAN (2017 LTIP)

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
<p>Long-Term Incentive Plan (2017 LTIP)</p> <p>To encourage value creation and executive retention, by way of share price growth through the delivery of shares.</p> <p>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.</p> <p>No further grants will be made under the 2017 LTIP</p>	<p>Awards granted at the discretion of the Remuneration Committee in the form of nil-cost options.</p> <p>Awards accrue annually in equal tranches over a five year period based on financial performance in each year and subject to continued employment.</p> <p>Awards vest and become exercisable at the end of the five year period.</p> <p>Awards are subject to discretionary good leaver/bad leaver provisions.</p>	<p>No maximum.</p>	<p>Awards are subject to performance conditions measured over a five year period and divided equally between EPS performance and continued employment.</p>

LONG-TERM INCENTIVE PLAN (2022 LTIP)

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
<p>Long-Term Incentive Plan (2022 LTIP)</p> <p>To encourage value creation and executive retention, by way of share price growth through the delivery of shares with appropriate hold periods post vesting.</p> <p>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.</p> <p>All future grants will continue to be made under the 2022 LTIP</p>	<p>Awards granted annually at the discretion of the Remuneration Committee in the form of nil-cost options.</p> <p>Awards vest after three years based on financial, operational and strategic performance over a three year period from the year of grant.</p> <p>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.</p>	<p>Annual awards outstanding equivalent to 125% of base salary.</p> <p>All new awards from 2025 onwards equivalent to 100% of base salary.</p>	<p>Awards are subject to performance conditions measured over a three year period.</p> <p>Performance metrics for inaugural grants included the delivery of EPS growth (75% weighting), and Total Shareholder Return performance when benchmarked against a UK industry peer group (25% weighting).</p> <p>For grants issued in 2023, EPS weighting reduced to 65%, TSR remained at 25%, and an additional ESG performance objective was introduced (10% weighting).</p> <p>For any grants to be issued in 2025, EPS growth weighting at 55%, Total Shareholder Return weighting at 20%, net cash generated from operations weighting at 15%, and ESG weighting at 10%.</p> <p>The Committee has discretion to amend key terms to ensure that any performance targets remain appropriate.</p>
<p>Executive Director shareholding guidelines</p> <p>To increase long-term alignment between Executive Directors and shareholders.</p>	<p>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.</p>	N/A	N/A

The table summarises the key elements of the remuneration policy for Non-Executive Directors¹:

Purpose & link to strategy	Operation	Maximum potential value	Performance conditions & assessment
<p>Fees</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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 chairmanship of a committee.</p>	<p>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.</p> <p>Changes in roles/responsibilities may require an adjustment to fee levels.</p>	N/A

¹ By exception, the Chair's remuneration for FY25 was reviewed and approved by the Board. This was deemed the most appropriate course of action due to the Committee consisting of only two members, one of whom was the Chair, at that point in time.

By order of the Board

PAULA HAY-PLUMB
Remuneration Committee Chair
24 March 2025

DIRECTORS' REPORT

In accordance with Section 415 of the Companies Act 2006, the Directors present their report and consolidated financial statements of Michelmersh Brick Holdings PLC (the "Company") and its subsidiaries ("the Group") for the year ended 31 December 2024. The Company is a public limited company incorporated and domiciled in the United Kingdom and is listed on the AIM sub-market of the London Stock Exchange. The address of the Company's registered office is Freshfield Lane, Danehill, Haywards Heath, Sussex, RH17 7HH.

The Corporate Governance Statement on pages 78 to 79 is incorporated by reference into the Directors' Report and, accordingly, should be read as part of this report. As permitted by legislation, some matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 4 to 67 as the Board considers them to be of strategic importance.

Strategic Report	on pages 4 to 67
Corporate Governance Statement	on pages 78 to 79
Stakeholder engagement	on pages 56 to 59
Section 172 Statement	on pages 56 to 59
Financial risk management	on page 65
Principal risks & uncertainties	on pages 60 to 67
Going concern	on page 21
Greenhouse gas emissions/ESG/Sustainability	on pages 24 to 45
Financial instruments	on pages 125 to 126
Employees and employee engagement	on pages 98 to 99
Directors' interests in shares	on page 87

GROUP RESULTS AND DIVIDENDS

The Group's results for the year are set out on pages 106 to 130. The Board has recommended a final dividend for the year of 3.00 pence per share, to be paid on 9 July 2025 to shareholders whose names appear of the register of members at the close of business on 5 June 2025. More information about dividends can be found in the Chair's Statement on page 12 and on page 117 of the financial statements.

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 4 to 67 provide a review of the business, the Group's trading for the year ended 31 December 2024, KPIs and an indication of future developments and risks, and form part of this Directors' Report.

Directors during 2024

The Directors who have held office during the year ended 31 December 2024 and to the date of this report are as follows:

Executive Directors

Frank Hanna (Joint Chief Executive Officer) (resigned 26 March 2024)

Peter Sharp (Chief Executive Officer)

Ryan Mahoney (Chief Financial Officer)

Non-Executive Directors

Martin Warner (Chair) (resigned 16 May 2024)

Tony Morris (Independent Non-Executive Director)

Paula Hay-Plumb (Senior Independent Non-Executive Director)

Robert Fenwick (Independent Non-Executive Director) (resigned 5 July 2024)

It was announced on 5 December 2024 that Peter Sharp had informed the Board of his intention to retire as CEO and Director of the Company during 2025, and that Ryan Mahoney would succeed him as CEO. Full details on Board and Committee composition and succession planning can be found on page 85.

Further details of the Directors, along with their biographical details, are given on pages 70 to 71.

APPOINTMENT AND REAPPOINTMENT

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 AND INSURANCE

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 2024, the Company's issued share capital was £19,180,716 (2023: £19,180,716) divided into Ordinary shares of 20 pence 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 2024, 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	10,531,620	11.24%
Hargreaves Lansdown	8,262,672	8.82%
Interactive Investor	6,392,448	6.82%
Evelyn Partners Investment Management	3,811,728	4.07%
Charles Stanley	3,382,906	3.61%

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 16 May 2024, 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 9,367,858 of its Ordinary shares. During the year the Company did not enter into any share buyback programmes in respect of its Ordinary shares. As at 31 December 2024 the 2,225,000 Ordinary shares that were repurchased continue to be held in Treasury.

Share options

Details of share option schemes which the Company operates are included on pages 127 to 128.

SUBSIDIARIES

The Group has 12 subsidiaries, 11 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.

RELATED PARTY TRANSACTIONS

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

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 internally 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 2024. 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. The Board were pleased to support the changes in organisational design during the year which clearly articulated accountability for health and safety, operational responsibility and reporting all under the remit of the Group Operations Director. The Board believe that these changes will positively benefit the Company, and our health and safety processes and most importantly putting safety first for all of our people.

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 2024, the Group employed 393 male and 52 female members of staff. The Board comprised 1 female and 3 male Directors as at 31 December 2024. Three of the Group's 12 senior leaders 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 56 to 59.

MODERN SLAVERY ACT

The Group is committed to ensuring best practice to combat slavery and human trafficking. In November 2024 the Board undertook an annual review of 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 £17,827.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") will be held on 15 May 2025 in London. 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.

EXTERNAL AUDITOR

CLA Evelyn Partners Limited has expressed its willingness to continue as auditor. In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint CLA Evelyn Partners will be proposed at the forthcoming AGM.

PROVISION OF INFORMATION TO AUDITOR

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 is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

STATEMENT OF 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.

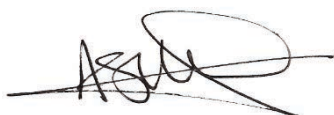
In preparing these financial statements, the Directors are required to:

- 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



TONY MORRIS

Chair

Approved by the Directors on 24 March 2025
 Michelmersh Brick Holdings Plc
 Registered in England and Wales No. 03462378

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS	A Morris - Chair P Sharp - Chief Executive Officer R Mahoney - Chief Financial Officer P Hay-Plumb - Senior Independent Director	AUDITOR	CLA Evelyn Partners Limited Chartered Accountants and Statutory Auditor Portwall Place, Portwall Lane, Bristol BS1 6NA
COMPANY SECRETARY	Prism Cosec Limited Highdown House, Yeoman Way, Worthing West Sussex, BN99 3HH	SOLICITORS	Burges Salmon LLP One Glass Wharf, Bristol BS2 0ZX
REGISTERED OFFICE	Freshfield Lane, Danehill, Haywards Heath West Sussex, RH17 7HH	REGISTRARS	Equiniti Aspect House, Spencer Road, Lancing West Sussex, BN99 6DA
NOMINATED ADVISOR AND BROKER	Canaccord Genuity Limited 88 Wood Street, London, EC2V 7QR	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 2024 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 2024 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

We subject two component in the group to full scope 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. For the remaining components, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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 4 and 14)	Land and freehold buildings are revalued annually with guidance from external valuers and are measured at fair value based upon their highest and best use. Fair value measurement is inherently judgemental and this is based on guidance from external valuers, 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: <ul style="list-style-type: none"> 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)	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. 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: <ul style="list-style-type: none"> 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 4 and 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 as well as FabSpeed in FY22. 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: <ul style="list-style-type: none"> 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 £4,564,000. 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 subsidiaries and the principal consideration for those companies is their trading performance, and an element materiality has been calculated at 2% of Group turnover, being £1,454,000. This element materiality has been factored into our overall conclusions on the consolidated income statement.

Performance materiality for the Group financial statements was set at £3,651,000 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 £1,164,000 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 2026;
- Considering historical accuracy of budgeting;
- Comparing the actual results to budget for 2024 and post year end results to 2025 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 99, 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 2024.

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

24 March 2025

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2024

	notes	12 months ended 31 Dec 2024 £'000	12 months ended 31 Dec 2023 £'000
Revenue	5	70,107	77,338
Cost of sales		(44,981)	(47,279)
Gross profit		25,126	30,059
Administrative expenses		(15,618)	(16,421)
Amortisation of intangibles		(1,372)	(1,370)
		(16,990)	(17,791)
Other income	6	35	70
Operating profit	8	8,171	12,338
Finance income/(expense)	7	(211)	119
Profit before taxation		7,960	12,457
Taxation	12	(1,856)	(2,795)
Profit for the financial year		6,104	9,662
Basic earnings per share attributable to the equity holders of the Company	27	6.59p	10.44p
Diluted earnings per share attributable to the equity holders of the Company	27	6.46p	10.09p

The profit for the financial year is wholly attributable to the equity holders of the parent company. The accounting policies and notes on pages 110 to 130 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024

	notes	12 months ended 31 Dec 2024 £'000	12 months ended 31 Dec 2023 £'000
Profit for the financial year		6,104	9,662
Other comprehensive income/(expense)			
Items which may subsequently be reclassified to profit or loss			
Currency movements		(65)	41
Items which will not subsequently be reclassified to profit or loss			
Revaluation deficit of property, plant and equipment	14	(2,325)	(2,692)
Revaluation surplus of property, plant and equipment	14	5,187	1,199
Tax credit on exercise of options		-	26
Recognised in other comprehensive income	22	(969)	383
		1,828	(1,043)
Total comprehensive income for the year		7,932	8,619

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 110 to 130 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2024

	Notes	As at 31 Dec 2024 £'000	As at 31 Dec 2023 £'000
Assets			
Non-current assets			
Intangible assets	13	22,587	23,951
Property, plant and equipment	14	69,387	63,366
		91,974	87,317
Current assets			
Inventories	16	19,212	16,462
Trade and other receivables	17	9,772	9,241
Cash and cash equivalents		6,004	10,958
Total current assets		34,988	36,661
Total assets		126,962	123,978
Liabilities			
Current liabilities			
Trade and other payables	18	11,437	12,803
Lease liabilities	19	689	698
Interest bearing borrowings	19	-	-
Corporation tax payable		1,061	1,528
Total current liabilities		13,187	15,029
Non-current liabilities			
Interest bearing borrowings	19	-	-
Lease liabilities	19	1,575	743
Deferred tax liabilities	22	16,269	15,362
		17,844	16,105
Total liabilities		31,031	31,134
Net assets		95,931	92,844
Equity attributable to equity holders			
Share capital	23	19,181	19,181
Share premium account	25	16,724	16,724
Other Reserves	25	22,764	21,615
Retained earnings	25	37,262	35,324
Total equity		95,931	92,844

These financial statements were approved by the Directors and authorised for issue on 24 March 2025 and are signed on their behalf by: P Sharp, Director & R Mahoney, Director.

The accounting policies and notes on pages 110 to 130 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 2023	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 purchased during the year	-	67	-	-	67
Dividend paid	-	-	-	(3,993)	(3,993)
As at 31 December 2023	19,181	21,615	16,724	35,324	92,844
Profit for the period	-	-	-	6,104	6,104
Revaluation deficit	-	(2,325)	-	-	(2,325)
Revaluation surplus	-	5,187	-	-	5,187
Deferred tax on revaluation	-	(969)	-	-	(969)
Currency difference	-	(65)	-	-	(65)
Total comprehensive income	-	1,828	-	6,104	7,932
Share based payment	-	426	-	-	426
Released on settlement of exercised share options	-	(960)	-	-	(960)
Deferred tax on share options	-	(104)	-	-	(104)
Shareplan purchase	-	(41)	-	-	(41)
Dividend paid	-	-	-	(4,166)	(4,166)
As at 31 December 2024	19,181	22,764	16,724	37,262	95,931

Other reserves consists of merger reserve, FX reserve, revaluation reserve and share based payment reserve and is broken down in note 26. The accounting policies and notes on pages 110 to 130 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

	Notes	12 months ended 31 Dec 2024 £'000	12 months ended 31 Dec 2023 £'000
Cash flows from operating activities			
Profit before taxation		7,960	12,457
Profit on sale of fixed assets		(6)	(15)
Finance (income)/expense		211	(119)
Depreciation	14	3,924	4,105
Amortisation	13	1,372	1,370
Share based payment charge	24	426	1,258
Cash flows from operations before changes in working capital		13,887	19,056
(Increase)/decrease in inventories		(2,750)	(6,777)
(Increase)/decrease in receivables		(531)	2,560
(Decrease) in payables		(420)	(1,219)
Net cash generated by operations		10,186	13,620
Taxation paid		(2,323)	(2,790)
Net cash generated by operating activities		7,863	10,830
Cash flows from investing activities			
Investment in intangible assets		(8)	(30)
Purchase of property, plant and equipment		(5,600)	(3,085)
Proceeds from sale of land and buildings		-	1,101
Proceeds from sale of Fixed Assets		6	-
Net cash used in investing activities		(5,602)	(2,014)
Cash flows from financing activities			
Lease payments		(821)	(885)
Interest (paid)/received		(211)	119
Aborted corporate transaction cost		(958)	-
Dividend paid		(4,166)	(3,993)
Share plan purchase		(41)	-
Settlement for exercised share option		(960)	-
Settlement for cancelled share options		-	(1,798)
Own shares acquired		-	(1,941)
Net cash used in financing activities		(7,157)	(8,498)
Net (decrease)/increase in cash and cash equivalents		(4,896)	319
Cash and cash equivalents at the beginning of the year		10,958	10,598
Foreign exchange differences		(58)	41
Cash and cash equivalents at the end of the year		6,004	10,958
Cash and cash equivalents comprise:			
Cash at bank and in hand		6,004	10,958

The accounting policies and notes on pages 110 to 130 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 2024, with comparative figures for the year 1 January to 31 December 2023.

The companies within the Group during the financial year ended 31 December 2024 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 2024 and 31 December 2023 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/ Belgium GAAP, all to the same reporting date. Adjustments are made to remove any differences that may exist between UK GAAP/Belgium GAAP and IFRS for consolidation purposes.

The preparation of the financial statements, in conformity with UK-adopted international accounting standards, 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

There are no new or amended Standards and Interpretations effective from 1 January 2025 which are expected to materially impact these financial statements.

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 the current challenging conditions of our end markets and further 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 where applicable, 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 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, there are currently no landfill activities active. Mineral reserves are included within freehold land and buildings as the value is derived from its ongoing use in brick manufacturing 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. The expense for these equity settled instruments is recognised over the vesting period of the scheme within the income statement and other reserves within the consolidated statement of changes of equity. 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 2023 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

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 operating segment, but recognise the judgement involved in this regard. The Group has tested for impairment considering FabSpeed as a separate CGU to verify there was no impairment requirement. There is judgement involved in determining the CGU's based on the smallest identifiable cashflows. 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 the calculation of the net present value of cash flows. The further key assumptions are the perpetuity growth rate and discount rate. A 1% reduction in the perpetuity growth rate (2%) changes the net present value of cash flows by c. £8m, which may result in an impairment of c. £0.5m. 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.	No changes
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. A 5% change in valuation inputs could change the values by c. £2m. 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. A one year change in useful life assessments could change the values by c. £0.5m. 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 assesses 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	In the prior year, there was potential for an additional deferred consideration of up to £2m under the terms of the FabSpeed acquisition which was payable in cash and was based on achieving future adjusted EBITDA growth targets over the two financial years following the acquisition. The estimation of the potential additional consideration required the Board to estimate future performance which was inherently uncertain due to potential changes in the business both internally and externally. The deferred consideration was not triggered during 2024 and as such there is no estimation uncertainty at the end of the year.	It is possible that factors can arise in the short term that impact the values included in the accounts.	Deferred consideration is no longer considered to be an estimation uncertainty in 2024.

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 110 to 114.

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 which aggregates brick and prefabrication manufacturing operations 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 2024 £'000	12 months ended 31 Dec 2023 £'000
Revenue	5	70,107	77,338
Cost of sales		(44,981)	(47,279)
Gross profit		25,126	30,059
Administrative expenses		(15,618)	(16,421)
Amortisation of intangibles		(1,372)	(1,370)
		(16,990)	(17,791)
Other income	6	35	70
Operating profit	8	8,171	12,338
Finance income/(expenses)	7	(211)	119
Profit before taxation		7,960	12,457
Taxation	12	(1,856)	(2,795)
Profit for the financial year		6,104	9,662
Segment assets		126,962	123,978
Segment liabilities		(31,031)	(31,134)

REVENUE BY GEOGRAPHICAL DESTINATION

	2024 £'000	2023 £'000
Revenue by geographical destination		
United Kingdom	66,680	72,449
Europe	3,427	4,889
Rest of the World	-	-
	70,107	77,338
Revenue by geographical origination		
United Kingdom	64,817	70,834
Belgium	5,290	6,504
	70,107	77,338

Segment assets include property, plant and equipment and intangible assets are held in the UK except £17.5 million (2023: £17.6 million) of segment assets relating to Floren held in Belgium.

Sales of £7,727,000 (2023: £9,458,000) were made to a single customer of the Group. Total Group revenue made to the top five customers amounted to £23,952,000 (2023: £28,339,000). No other customers were individually material (assessed as >10% revenue) in revenue value.

6. OTHER INCOME

	2024 £'000	2023 £'000
Rents receivable	4	15
Other	25	39
Insurance claim	-	1
Profit on disposal of fixed assets	6	15
	35	70

7. FINANCE (EXPENSE)/INCOME

	2024 £'000	2023 £'000
Interest expense		
Bank Loan	(366)	(78)
In respect of lease liabilities	(91)	(53)
	(457)	(131)
Less interest earned	246	250
	(211)	119

8. OPERATING PROFIT

	2024 £'000	2023 £'000
Operating profit is stated after charging:		
Amortisation	1,372	1,370
Depreciation	3,924	4,105

9. DIVIDEND

During the year the Company paid a dividend of 4.50 pence per share in relation to 2023, an interim dividend of 1.50 pence per share on 11 January 2024 and a final dividend of 3.00 pence per share on 10 July 2024, amounting in total to £4,166,000 (2023: £3,993,000). In relation to 2024, the Company paid an interim dividend per share of 1.60 pence per share on 9 January 2025 and recommends a final dividend of 3.00 pence per share. The proposed final dividend will be paid on 9 July 2025 to members on the register on 6 June 2025 with shares being marked ex-div on 5 June 2025.

10. AUDITOR'S REMUNERATION

	2024 £'000	2023 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	74	70
Fees payable to the Group's auditor and its associates for other services	-	-
- the audit of the Group's subsidiaries, pursuant to legislation	113	110
Fees payable to the Group's auditor and its associates for interim reporting	12	12

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

11. PARTICULARS OF EMPLOYEES

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

	2024	2023
Manufacture and supply of bricks	356	366
Administration	81	86
	437	452

	2024 £'000	2023 £'000
Wages and salaries	18,208	18,489
Social security costs	2,089	2,590
Other pension costs	589	665
	20,886	21,744

Details of Directors' emoluments are shown in the Remuneration Committee Report on page 87.

12. TAXATION**a) Recognised in the income statement**

	2024 £'000	2023 £'000
Current tax expense		
Current year	2,071	3,318
Prior year	(49)	(132)
	2,022	3,186
Overseas tax	-	-
Deferred tax	-	-
Origination and reversal of temporary differences:	(166)	(391)
Total income tax charge in the income statement	1,856	2,795

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2023: lower) than the standard rate of corporation tax in the UK of 25% (2023: 25%). The differences are explained below.

	2024 £'000	2023 £'000
Reconciliation of effective tax rate		
Profit before taxation	7,960	12,458
Income tax using the domestic corporation tax rate	1,990	2,930
Effects of:		
Expenses disallowed	455	335
Rate changes	-	(3)
Fixed asset differences	-	(11)
Change to prior year estimate	(461)	(144)
Difference in overseas tax	-	23
Movement in deferred tax not recognised	-	(336)
Non-taxable	(128)	1
	1,856	2,795

c) Factors affecting future tax charges

As at 31 December 2024, the Group had £785,000 further tax losses carried forward (2023: £785,000). A deferred tax asset has not been recognised in respect of £503,000 (2023: £503,000) of these tax losses, as the Directors do not consider their recovery to be sufficiently certain in the near future.



The Old Engine Yard, Edinburgh. Photo © Beccy Lane

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 2023	10,176	21,911	75	-	32,162
Additions	-	-	-	30	30
As at 31 December 2023	10,176	21,911	75	30	32,192
Additions	-	-	-	8	8
As at 31 December 2024	10,176	21,911	75	38	32,200
Amortisation					
As at 1 January 2023	-	6,796	75	-	6,871
Charge for the year	-	1,370	-	-	1,370
As at 31 December 2023	-	8,166	75	-	8,241
Charge for the year	-	1,369	-	3	1,372
As at 31 December 2024	-	9,535	75	3	9,613
Net book value					
As at 31 December 2024	10,176	12,376	-	35	22,587
As at 31 December 2023	10,176	13,745	-	30	23,951

GOODWILL

The goodwill brought forward relates to the acquisitions of Freshfield Lane Brickworks Limited in 2010, Carlton Brick in 2017 and FabSpeed in 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, but recognise the judgement involved in this regard. As such, the Group have also tested for impairment considering FabSpeed as a separate CGU and have allocated the acquisition goodwill in this regard to verify there was no impairment requirement. At 31 December 2024, 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. The level of headroom against the FabSpeed goodwill carrying value is low, given that FabSpeed is more exposed to the new build environment where demand remains subdued, 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% (2023: 17%) and revenue and cost growth rates of 2% (2023: 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 (2023: £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 £'000
Cost or valuation						
As at 1 January 2023	61,986	472	2,712	42,856	631	108,657
Additions	95	33	938	2,816	141	4,023
Transfers to inventories	-	-	-	-	-	-
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
Additions	1,472	28	1,756	4,070	58	7,384
Disposals	-	(9)	(337)	(31)	-	(377)
Transfers	355	-	-	(564)	-	(209)
Adjustment	-	-	-	11	-	11
Revaluation deficit	(2,325)	-	-	-	-	(2,325)
Revaluation surplus	5,187	-	-	-	-	5,187
FX	-	-	-	(471)	-	(471)
As at 31 December 2024	64,209	495	3,856	48,677	830	118,066
Depreciation						
As at 1 January 2023	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
Charge for the year	1,044	42	837	1,901	100	3,924
Transfer	-	(23)	-	(186)	-	(209)
Disposals	-	(3)	(204)	(32)	-	(239)
FX	-	-	-	(297)	-	(297)
As at 31 December 2024	14,547	395	1,614	31,973	151	48,680
Net book value						
As at 31 December 2024	49,662	100	2,242	16,704	679	69,387
As at 31 December 2023	46,017	97	1,456	15,075	721	63,366

The Group's freehold land and buildings were valued by the Directors at £49,662,000 at 31 December 2024 (2023: £46,017,000), resulting in a net increase in the revaluation reserve of £2,861,000 (2023: £1,493,000). Deferred tax liabilities were increased by £969,000 (2023: £373,000) 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 £49,172,000 are all derived using Level 3 inputs and there have been no transfers between Levels during the period. The observable inputs include the following discussed in more detail below: estimated rebuild costs using available market data; the remaining estimated life of clay reserves and the estimated cost of extraction.

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 2024, ascribing a construction industry price inflation factor and applying a remaining life period over the total life of each manufacturing plant asset of between 22 and 39 years. These values were confirmed by a third-party valuation in 2024 across all of our brickwork properties. Mineral reserves were assessed during 2024 and the volumes of 6.0 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 2024 updating them where they consider conditions have changed in the year. The Directors continue to value land held at Charnwood as investment land as the land is no longer used in brick making and this is still held at 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

Company Name	Country of Incorporation *	Class of Shares held	% of holding	Company No.	Nature of business
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 ^a	England	Ordinary	100	02600118	Non Trading Landfill Operations
Truchot Trustees Limited	Guernsey	Trust	100	n/a	Employee Benefit Trust
FabSpeed Holdings Limited ^a	England	Ordinary	100	13195766	Prefabrication Products
FabSpeed UK Limited ^a	England	Ordinary	100	12955889	Prefabrication Products

^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 2024.

* The country of incorporation is the same as the principal place of business, all England incorporated companies have a registered office at Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH.

16. INVENTORIES

	2024 £'000	2023 £'000
Raw materials	5,406	4,710
Work in progress	3,092	3,229
Finished goods	10,714	8,523
	19,212	16,462

The cost of inventories expensed during the year is £41,511,000 (2023: £43,761,000).

17. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2024 £'000	2023 £'000
Trade receivables	7,945	8,293
Prepayments and accrued income	1,827	948
	9,772	9,241

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

Included within trade receivables is £575,000 (2023: £1,054,000) 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:

	2024 £'000	2023 £'000
1 - 30 days overdue	268	793
31 - 60 days overdue	201	170
61+ days overdue	112	91
	581	1,054

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 £6,004,000 (2023: £10,958,000) as shown in the balance sheet, totalling £13,949,000 (2023: £19,251,000).

During the year no provisions were made against any debtors (2023: 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	2024 £'000	2023 £'000
Trade payables	4,899	3,969
Other taxation and social security	1,246	1,067
Other payables	269	334
Accruals	4,902	6,479
Deferred contingent consideration	-	813
Pension	121	141
	11,437	12,803

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 £1,246,000 (2023: £1,067,000).

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 (2023: £nil).

The Group's financial assets at 31 December 2024 and 31 December 2023 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 2024 (2023: €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 2024 of £21,000,000 (2023: £21,000,000). The facilities are committed until December 2026.

The Group currently operates with positive cash reserves. The Group has a £20 million committed revolving credit facility and a £1 million overdraft facility with HSBC which was extended in December 2024. 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 2024 in respect of the right-of-use assets is as follows:

	2024 £'000	2023 £'000
In one year or less	689	698
Between one and two years	543	324
Between two and five years	840	419
Over five years	192	-
	2,264	1,441

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 £1,010,000 (2023: £665,000). Amounts unpaid at the year end in respect of contributions amounted to £121,000 (2023: £141,000).

22. DEFERRED TAXATION

Deferred tax at 31 December 2024 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 2023	(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
Recognised in income	-	(368)	(342)	614	(70)	(166)
Recognised in other comprehensive income	-	-	-	969	-	969
Credited to equity	-	-	-	-	104	104
As at 31 December 2024	(71)	-	3,094	13,504	(259)	16,269

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 (2023: £127,000) in respect of unrelieved tax losses.

23. SHARE CAPITAL

During the year, the Company did not issue any new shares (2023: Nil).

	2024 Number	2024 £'000	2023 Number	2023 £'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 (2023:Nil) 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 held in treasury and 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, no further shares (2023: 2,225,000) had been bought up to 31 December 2024.

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 2024	2,527
Deferred taxation on share options	(104)
Charge for the year	426
Shareplan Purchase	(41)
Released on settlement on exercised share options	(960)
As at 31 December 2024	1,848

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 2023	Options exercised in the year	Options granted	Options forfeited/lapsed in the year	No. of options as at 31 December 2024
2019	nil	March 2026 - March 2027	2,916,712	(850,000)	-	(150,000)	1,916,712
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	-	-	(97,170)	983,363
2023	nil	March 2026 - March 2027	151,521	-	-	(10,500)	141,021
2023	nil	December 2028 - December 2029	985,407	-	-	(206,770)	778,637
2024	nil	March 2027 - March 2028	-	-	175,469	(10,500)	164,969

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 87).

b) **Michelmersh Brick Holdings PLC SAYE scheme**

Year of Grant	Exercise price per share	Period of exercise	No. of options as at 31 December 2023	Options exercised in the year	Options granted	Options forfeited/lapsed in the year	No. of options as at 31 December 2024
2018	75.1p	August 2018 - August 2023	1,597	-	-	(1,597)	-
2021	112p	March 2023 - March 2024	504,120	-	-	(504,120)	-
2021	112p	March 2025 - March 2026	89,993	-	-	(89,993)	-
2024	81.6p	December 2027 - December 2028	-	-	763,530	-	763,530
2024	81.6p	December 2029 - December 2030	-	-	186,461	-	186,461

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.

	2024	2021
Weighted average share price	£0.94	£1.48
Expected volatility	27%	27%
Expected dividend yield	3.0%	3.0%
Risk free rate	4.371%	1.045%

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:

	2024 No	2024 Weighted average exercise price	2023 No	2023 Weighted average exercise price
Outstanding as at 1 January	5,978,483	11.2p	5,227,797	18.0p
Exercised	(957,274)	-	(228,396)	43.6p
Lapsed and forfeited	(1,070,650)	59.5p	(157,846)	112.0p
Granted	1,125,460	75.2p	1,136,928	-
Outstanding as at 31 December	5,076,019	15.2p	5,978,483	11.2p

The weighted average contractual life for the share options outstanding at 31 December 2024 is 3 years (2023: 3 years).

25. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

Share premium account

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

Retained earnings

Retained earnings comprises of accumulated profit and loss, less dividends paid and deducting the amount paid for the purchase of own shares.

Other reserve

Other reserve is made up of the three items below:

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 to the financial statements.

Revaluation reserve

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

Merger reserve

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

Currency reserve

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

	Merger reserve £'000	Revaluation reserve £'000	Share option reserve £'000	Foreign exchange reserve £'000	Total £'000
As at 1 January 2024*	3,571	15,816	2,527	(299)	21,615
Revaluation deficit	-	(2,325)	-	-	(2,325)
Revaluation surplus	-	5,187	-	-	5,187
Opening adjustment	-	-	-	-	-
Deferred taxation on revaluation	-	(969)	-	-	(969)
Currency difference	-	-	-	(65)	(65)
Total comprehensive income	-	1,893	-	(65)	1,828
Share based payments charge for the year	-	-	426	-	426
Released on maturity of options	-	-	(960)	-	(960)
Shareplan purchase	-	-	(41)	-	(41)
Deferred taxation on share options	-	-	(104)	-	(104)
As at 31 December 2024	3,571	17,709	1,848	(364)	22,764

* In the prior year financial statements the merger reserve (unchanged from 2023) was included in the revaluation reserve, this has been reclassified above for better presentation.

27. EARNINGS PER SHARE

	2024 £'000	2023 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders	6,104	9,662
Number of shares		
Weighted average number of Ordinary shares for the purposes of basic earnings per share*	92,601,027	92,535,734
Number of dilutive shares under option	1,976,771	2,946,585
Weighted average number of Ordinary shares for the purposes of dilutive earnings per share	94,577,798	95,482,319

* 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 1,077,552.

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 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

	As at 31 December 2023 £'000	Currency adjustment £'000	Drawn during the year £'000	Repaid during the year £'000	As at 31 December 2024 £'000
Term Loans	-	-	-	-	-
Lease liabilities	1,441	-	1,644	(821)	2,264

29. CONTINGENCIES

There are specific performance guarantees granted by HSBC amounting to £485,000 (2023: £417,000).



MICHELMERSH BRICK HOLDINGS PLC

PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2024

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 2024 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 2024
- 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 and is reliant on guidance from external valuers.	In order to address this key audit matter, the audit team have performed the following procedures: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 £4,560,000. 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 £3,648,000, 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 2026;
- Considering historical accuracy of budgeting;
- Comparing the actual results to budget for 2024 and post year end results to 2025 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 99, 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 2024.

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.

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

24 March 2025

COMPANY BALANCE SHEET

as at 31 December 2024

	Notes	2024 £'000	2023 £'000
Fixed assets			
Property, plant and equipment	1	675	716
Investment properties	2	39,188	35,138
Investments in subsidiaries	3	64,821	65,673
Total fixed assets		104,684	101,527
Current assets			
Debtors - amounts falling due within one year	4	796	455
Cash and cash equivalents		16	8,289
Total current assets		812	8,744
Creditors: amounts falling due within one year	5	515	1,906
Net current assets		297	6,838
Creditors: amounts falling due after more than one year			
Deferred taxation	6	7,639	6,172
		7,639	6,172
Net assets		97,342	102,193
Capital and reserves			
Share capital	10	19,181	19,181
Share premium account	11	16,575	16,575
Other reserves	12	25,707	24,093
Profit and loss account		35,879	42,344
Equity shareholders' funds		97,342	102,193

The profit for the parent company was £117,000 (2023: profit £9,326,000).



These financial statements were approved by the Directors and authorised for issue on 24 March 2025 and are signed on their behalf by
P Sharp R Mahoney
Director Director

The accounting policies and notes on pages 137 to 143 form part of these financial statements.

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 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.

Significant accounting judgements and key sources of estimation uncertainty

All details are disclosed in notes 3 and 4 of the Group financial statement.

1. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £'000
Cost	
As at 1 January 2024	765
Additions	58
As at 31 December 2024	823
Depreciation	-
As at 31 December 2023	49
Charge for the year	99
As at 31 December 2024	148
Net book value	
As at 31 December 2024	675
As at 31 December 2023	716

2. INVESTMENT PROPERTIES

	£'000
Cost or valuation	
As at 1 January 2023	38,449
Additions	190
Disposal	(1,163)
Revaluation deficit	(3,008)
Revaluation surplus	670
As at 31 December 2023	35,138
Additions	363
Disposal	-
Revaluation deficit	(1,435)
Revaluation surplus	4,768
Transfer	354
As at 31 December 2024	39,188

Revaluation of fixed assets

The Company's investment property was valued by the Directors on 31 December 2024 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

	2024 £'000	2023 £'000
Cost		
As at 1 January	65,673	65,673
Adjustment for deferred consideration	(852)	-
As at 31 December	64,821	65,673

The Company's investment in the Ordinary share capital of unlisted subsidiary companies at the balance sheet date includes 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 ^a	England	Ordinary	100	02600118	Non Trading Landfill Operations
Truchot Trustees Limited	Guernsey	Trust	100	n/a	Employee Benefit Trust
FabSpeed Holdings Limited ^a	England	Ordinary	100	13195766	Prefabrication Products
FabSpeed UK Limited ^a	England	Ordinary	100	12955889	Prefabrication Products

^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 2024.

* The country of incorporation is the same as the principal place of business, all England incorporated companies have a registered office at Freshfield Lane, Danehill, Haywards Heath, West Sussex, RH17 7HH.

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

	2024 £'000	2023 £'000
Prepayments	796	455
Other debtors	-	-
	796	455

5. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £'000	2023 £'000
Amounts owed by Group undertakings	67	69
Other payables	50	51
Accruals and deferred income	398	973
Deferred consideration	-	813
	515	1,906

6. DEFERRED TAXATION

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

	2024 £'000	2023 £'000
At 1 January	6,172	6,344
Profit & Loss Account - Prior Year	336	499
Revaluation of investment properties	916	(246)
Deferred taxation on share options	104	-
(Decrease)/increase in deferred taxation	111	(425)
At 31 December	7,639	6,172

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 4.50 pence per share in relation to 2023, an interim dividend of 1.50 pence per share on 11 January 2024 and a final dividend of 3.00 pence per share on 10 July 2024, amounting in total to £4,166,000 (2023: £3,993,000). In relation to 2024, the Company paid an interim dividend per share of 1.60 pence per share on 9 January 2025 and recommends a final dividend of 3.00 pence per share. The proposed final dividend will be paid on 9 July 2025 to members on the register on 6 June 2025 with shares being marked ex-div on 5 June 2025.

8. PARTICULARS OF EMPLOYEES

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

	2024 No.	2023 No.
Management and administration	15	15
	£'000	£'000
Wages and salaries	1,332	1,657
Social security costs	328	241
Other pension costs	81	43
	1,741	1,941

Details of Directors' emoluments are shown in the Remuneration Committee Report on page 87.

9. CONTINGENCIES

The bank holds a cross guarantee between the Company and its subsidiaries dated December 2024. At the end of the year total Group bank borrowings were £nil (2023: £nil).

10. SHARE CAPITAL

Group disclosures on page 125 of the Group accounts are appropriate to the Company.

	2024 Number	2024 £'000	2023 Number	2023 £'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.

Profit and loss account

The profit and loss account comprises of accumulated profit and loss, less dividends paid and deducting the amount paid for the purchase of own shares. The purchase of own shares deducted includes an aggregate of 3,302,552 ordinary shares purchased for a total value of £3,514,000.

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 2024	18,386	2,136	3,571	24,093
Total comprehensive income				
Revaluation deficit	(1,436)	-	-	(1,436)
Revaluation surplus	4,768	-	-	4,768
Deferred taxation on revaluation	(916)	-	-	(916)
Share based payments charge for the year	-	303	-	303
Released on settlement of exercised share options	-	(960)	-	(960)
Shareplan purchases	-	(41)	-	(41)
Deferred taxation on share options	-	(104)	-	(104)
As at 31 December 2024	20,802	1,334	3,571	25,707

* In the prior year financial statements the merger reserve was unchanged from £3,571,000.

13. SHARE BASED PAYMENTS

	£'000
Share option reserve as at 1 January 2024	2,136
Charge for the year	304
Consolidation Adjustments	(960)
Shareplan purchases	(42)
Deferred taxation on share options	(104)
As at 31 December 2024	1,334

14. OPERATING LEASE COMMITMENTS

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

	2024 £'000	2023 £'000
In one year or less	35	88
Between one and two years	14	24
Between two and five years	8	1
	57	113

The Company has no other off balance sheet arrangements.

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