MILLER HOMES GROUP HOLDINGS PLC

Quarterly Financial Report for the

three and nine months ended 30 September 2017

£250,000,000 5.5% Senior Secured Notes due 2024

£175,000,000 Senior Secured Floating Rate Notes due 2023

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Introduction

- In accordance with the reporting requirements of its offering of £425m Senior Secured Notes, Miller Homes Group Holdings plc (“the Group”) is pleased to present its Quarterly Financial Report for the three months ended 30 September 2017.
- All figures presented in this report relate to the group of companies headed by the Group. The Group acquired Miller Homes Holdings Limited and its subsidiaries on 5 October 2017. For the purpose of the proforma figures in this report, the acquisition is deemed effective on 30 September 2017 and the impact of the acquisition is reflected within the proforma balance sheet contained herein. In addition, it should be noted that the pre-acquisition results of Miller Homes Holdings Limited, ostensibly for the 9 month period ended 30 September 2017 will also be shown on a proforma basis in the Group’s audited financial statements.
- All figures presented in this report are unaudited other than where extracted from the 31 December 2016 financial statements of Miller Homes Holdings Limited.

Financial and operational highlights

Trading

- EBITDA for 9 months ended 30 September 2017 of £90.0m, a 32% increase on 2016.
- LTM[1] EBITDA of £125.5m, a 25% increase on the prior 12 month period.
- Continued improvement in all underlying trading metrics, namely average selling price (ASP), completions and gross margin.
- 6% increase in our private sales rate of 0.76 net reservations per site per week (2016: 0.72).
- Outlet numbers have increased during the year, averaging 65 (2016: 63), with 7 new sales outlets opened during the three months ended 30 September 2017.

Land investment and leverage

- 7% increase in the consented landbank to 14,003 units (31 December 2016: 13,062 units), representing 5.3 years’ supply.
- 20% increase in the strategic landbank to 15,339 units (31 December 2016: 12,802 units).
- Net LTV[2] of 72%, based on net inventory of £523.8m and proforma net debt of £379.1m[3].
- Proforma net leverage of 3.0x, based on LTM EBITDA of £125.5m and proforma net debt of £379.1m.

Outlook

- At 30 September 2017, forward sales for the following 12 months were £322.5m, 28% ahead of the prior year.

[1] LTM: Last 12 months ended 30 September 2017.
[2] LTV: Loan to value is proforma net debt divided by net inventory (inventory less land creditors).
[3] Excludes the capitalisation of bond financing costs (£20.1m).

The key financial highlights for the three and nine month periods ended 30 September 2017, together with prior year comparatives, are set out below:

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	% change	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m	% change
Revenue	144.0	128.1	12.4%	478.1	384.2	24.4%
Cost of sales	(107.2)	(96.8)	10.7%	(358.3)	(288.8)	24.1%
Gross profit	36.8	31.3	17.6%	119.8	95.4	25.6%
Administrative expenses	(10.6)	(8.1)	30.9%	(30.5)	(27.5)	10.9%
Group operating profit	26.2	23.2	12.9%	89.3	67.9	31.5%
Share of profit in joint ventures	(0.1)	-	-	0.3	(0.2)	250.0%
Operating profit	26.1	23.2	12.5%	89.6	67.7	32.3%
Net finance costs	(2.5)	(3.7)	(32.4%)	(7.4)	(10.0)	(26.0%)
Profit before taxation	23.6	19.5	21.0%	82.2	57.7	42.5%
Taxation	(4.8)	(4.0)	20.0%	(16.4)	(11.6)	41.4%
Profit for the period	**18.8**	**15.5**	**21.3%**	**65.8**	**46.1**	**42.7%**

Reconciliation of EBITDA

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Profit for the period	18.8	15.5	65.8	46.1
Taxation	4.8	4.0	16.4	11.6
Net finance costs	2.5	3.7	7.4	10.0
Depreciation	-	0.1	-	0.1
Amortisation of land option costs	0.1	0.1	0.4	0.3
EBITDA	**26.2**	**23.4**	**90.0**	**68.1**

Analysis of revenues, completions and ASP

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Private revenue	130.4	116.5	409.9	341.8
Affordable revenue	12.8	7.8	39.1	27.1
Land sales	-	2.3	26.5	11.0
Other	0.8	1.5	2.6	4.3
Total revenue	**144.0**	**128.1**	**478.1**	**384.2**

	Three months ended 30 Sept 2017 No.	Three months ended 30 Sept 2016 No.	Nine months ended 30 Sept 2017 No.	Nine months ended 30 Sept 2016 No.
Private completions	470	463	1,529	1,388
Affordable completions	119	62	362	241
Core completions	**589**	**525**	**1,891**	**1,629**
	£000	**£000**	**£000**	**£000**
Private ASP	278	252	268	246
Affordable ASP	107	126	108	112
Total ASP	**243**	**237**	**237**	**226**

Financial summary

Results of operations

Revenue

- Revenue was 12.4% ahead of 2016 at £144.0m for the three months to 30 September 2017 (2016: £128.1m). This reflected a combination of a 12.2% increase in core completions and a 2.5% increase in ASP.
- Core completions in the three months to 30 September 2017 increased by 12.2% to 589 units (2016: 525 units). The increase was driven by a 91.9% increase in the number of affordable completions to 119 units (2016: 62 units) partly reflecting the build sequence between affordable and private units on certain developments.
- ASP for the three months to 30 September 2017 increased by 2.5% to £243,000 (2016: £237,000). This reflects a 10.3% increase in the private ASP to £278,000 (2016: £252,000) and a 15.1% decrease in the affordable ASP. The private ASP increase reflects a reduction in the proportion of completions from our legacy landbank which typically have a lower ASP whilst the reduction in the affordable ASP reflects a greater proportion of completions in the prior year period in our Southern region.

Gross profit

- Gross profit increased by 17.6% to £36.8m (2016: £31.3m). Gross margin increased by 120 basis points to 25.6% (2016: 24.4%) as a higher proportion of completions have come from units converted from our strategic landbank and a lower proportion have come from our legacy landbank.

Administrative expenses

- Administrative expenses for the three month period ended 30 September 2017 totalled £10.6m (2016: £8.1m). This largely reflects the timing of the recognition of staff incentive costs and does not represent a step change in administrative expenses. Accordingly, underlying staff costs have increased by 7% on the prior year period.

EBITDA

- EBITDA increased by 12.0% to £26.2m (2016: £23.4m) reflecting the 17.6% increase in gross profit which was partially offset by higher administrative expenses.

Finance costs and income

- Net finance costs decreased to £2.5m (2016: £3.7m) principally due to lower borrowings in the nine months ended 30 September 2017 following the repayment of shareholder loan notes in February 2017.

Taxation

- The Group's taxation assets and liabilities are calculated annually. In the intervening reporting three month periods, the tax charge is based on the expected full year effective tax rate.

Net debt, liquidity and cashflow

	As at 30 Sept 2017 Proforma £m	**As at 30 Sept 2017 Actual £m**	**As at 31 Dec 2016 Actual £m**	**As at 30 Sept 2016 Actual £m**
Senior Secured Notes	(425.0)	(110.0)	(130.0)	(130.0)
Deferred financing costs	20.1	1.8	2.3	2.5
Other loans	(10.3)	(10.3)	(35.0)	(34.2)
Cash and cash equivalents	56.2	23.6	41.1	43.7
Total net debt	**(359.0)**	**(94.9)**	**(121.6)**	**(118.0)**

The proforma figures are based on the £425m Senior Secured Notes being drawn at 30 September 2017, notwithstanding the actual drawdown date was 5 October 2017.

The proforma cash and cash equivalents balance of £56.2m is higher than the estimated £27m balance disclosed in the Use of Proceeds table within the Offering Memorandum. This primarily reflects lower than anticipated land spend in the three month period ended 30 September 2017.

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Net cash flow from operating activities	(10.8)	5.6	24.8	19.4
Net cash flow from investing activities	6.1	-	1.9	2.8
Net cash flow from financing activities	0.2	(6.0)	(44.2)	12.9
Movements in cash and cash equivalents	(4.5)	(0.4)	(17.5)	35.1
Cash and cash equivalents at beginning of period	28.1	44.1	41.1	8.6
Cash and cash equivalents at end of period	23.6	43.7	23.6	43.7

- Cash from operating activities for the three months ended 30 September 2017 decreased by £16.4m from an inflow of £5.6m to an outflow of £10.8m. This reflects an increase in inventories as a result of land acquisitions and associated VAT payments, offset by an increase in land creditors.
- Net cash inflow from investing activities for the three months ended 30 September 2017 was £6.1m compared to nil for the three months ended 30 September 2016 as a result of receiving external funding for one of our joint ventures.
- Net cash inflow from financing activities for the three months ended 30 September 2017 was £0.2m which compared to an outflow of £6.0m for the three months ended 30 September 2016 following repayment of part of our loan facility.

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
EBITDA	26.2	23.4	90.0	68.1
Net land investment (in excess of cost of sales)	(6.8)	(8.6)	(19.3)	(38.6)
Development spend (in excess of cost of sales)	(22.2)	(19.9)	(34.5)	(22.6)
Change in working capital	(8.9)	7.2	(6.0)	13.6
Cash flows from JVs	6.2	0.1	1.9	3.3
Available for sale assets	2.0	1.9	6.4	5.9
Other	1.9	3.7	(4.0)	(0.2)
Free cash flow	(1.6)	7.8	34.5	29.5
Net land spend (included in cost of sales)	24.1	20.0	69.6	60.3
Net land investment (in excess of cost of sales)	6.8	8.6	19.3	38.6
Free cash flow pre net land spend	29.3	36.4	123.4	128.4

Free cash flow in the three months ended 30 September 2017 reflects an adverse movement in working capital of £8.9m which compares to a favourable movement of £7.2m in the three months ended 30 September 2016. This principally reflects the payment of VAT on land spend which has since been recovered. The favourable movement in the three months ended 30 September 2016 is also related principally to the recovery of VAT on land acquisitions.

The three months ended 30 September typically sees development cash spend exceeding the recovery on sold units through cost of sales. This is a function of the three months ended 30 September having lower unit completions and higher levels of build activity to deliver the following quarter's unit completions which typically has the highest level of completions in the year.

Capital employed, inventory and landbank

Return on underlying capital employed

	As at and for the 12 months ended 30 Sept 2017 £m	**As at and for the 12 months ended 31 Dec 2016 £m**	**As at and for the 12 months ended 30 Sept 2016 £m**
Net assets	393.8	320.3	302.6
Net debt	94.9	121.6	118.0
Capital employed	488.7	441.9	420.6
Less			
Available for sale financial assets	(22.8)	(28.0)	(29.7)
Deferred tax	(38.8)	(51.0)	(55.7)
Underlying capital employed	**427.1**	**362.9**	**335.2**
Operating profit	124.9	103.0	99.8
Less			
Credit to operating profit in respect of available for sale financial assets	(1.2)	(1.5)	(2.6)
Underlying operating profit	**123.7**	**101.5**	**97.2**
Underlying ROCE (%)	**32.5**	**30.3**	**31.6**

- Capital employed increased to £488.7m as of 30 September 2017 (30 September 2016: £420.6m). The increase in underlying capital employed to £427.1m (30 September 2016: 335.2m) was more significant due to the continued reduction in the Group's available for sale and deferred tax assets which are excluded from underlying capital employed given that they are non-operating assets.
- Net inventory is £523.8m (30 September 2016: £442.4m) which reflects the increase in underlying capital employed. An analysis of net inventory and the landbank is set out below:

	As at 30 Sept 2017 £m	As at 31 Dec 2016 £m	As at 30 Sept 2016 £m
Land	376.5	338.5	307.9
Work in progress	233.7	191.6	199.1
Land option costs	6.4	4.2	3.2
Part exchange properties	7.2	10.1	6.9
Inventory	**623.8**	**544.4**	**517.1**
Land creditors	(100.0)	(79.4)	(74.7)
Net inventory	**523.8**	**465.0**	**442.4**

Landbank	**Plots**	**Plots**	**Plots**
Owned / unconditional	8,618	7,911	7,271
Controlled	5,385	5,151	5,322
Consented	14,003	13,062	12,593
Strategic	15,339	12,802	12,906
Total	**29,342**	**25,864**	**25,499**

- The Group acquired 10 sites during the three months ended 30 September 2017 adding 1,062 units to the owned landbank which compares to 6 sites and 831 units in the three months ended 30 September 2016. The owned landbank at 30 September 2017 has increased to 8,618 units (Gross development value: £2.1bn). This compared to 8,159 units at 30 June 2017 and 7,911 units at 31 December 2016.
- The consented landbank has increased by 7.2% to 14,003 units (2016: 13,062 units). Based on the last 12 months' completions of 2,642 units, this represents 5.3 years' supply (2016: 5.5 years).
- The strategic landbank has increased by 19.8% to 15,339 units (2016: 12,802 units). 9 new options have been entered into in the year to date.
- The increase in land creditors reflects both an increase in land investment and two larger sites acquired in 2017.

MILLER HOMES GROUP HOLDINGS PLC

Group proforma condensed consolidated financial statements (unaudited)

Three and nine month periods ended 30 September 2017

CONSOLIDATED INCOME STATEMENT
for the three and nine month periods ended 30 September 2017

	Note	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Revenue		144.0	128.1	478.1	384.2
Cost of sales		(107.2)	(96.8)	(358.3)	(288.8)
Gross profit		36.8	31.3	119.8	95.4
Administrative expenses		(10.6)	(8.1)	(30.5)	(27.5)
Group operating profit		26.2	23.2	89.3	67.9
Share of profit in joint ventures		(0.1)	-	0.3	(0.2)
Operating profit		26.1	23.2	89.6	67.7
Finance costs	*4*	(3.2)	(4.9)	(10.1)	(12.2)
Finance income	*5*	0.7	1.2	2.7	2.2
Net finance costs		(2.5)	(3.7)	(7.4)	(10.0)
Profit before taxation		23.6	19.5	82.2	57.7
Income taxes		(4.8)	(4.0)	(16.4)	(11.6)
Profit for the period		**18.8**	**15.5**	**65.8**	**46.1**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three and nine month periods ended 30 September 2017

	Three months ended 30 Sept 2017 £m	**Three months ended 30 Sept 2016 £m**	**Nine months ended 30 Sept 2017 £m**	**Nine months ended 30 Sept 2016 £m**
Profit for the period	18.8	15.5	65.8	46.1
Items that will not be reclassified to profit and loss:				
Change in fair value of financial instruments	-	-	0.3	-
Actuarial loss on retirement benefit obligations	-	-	5.7	(12.2)
Deferred tax on actuarial loss	-	-	(1.1)	2.3
Total comprehensive income for the period attributable to owners of the parent	**18.8**	**15.5**	**70.7**	**36.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine month period ended 30 September 2017

	Share capital £m	**Retained earnings £m**	**Total £m**
Balance at 31 December 2016	125.0	195.3	320.3
Profit for the period	-	65.8	65.8
Change in fair value of financial instruments	-	0.3	0.3
Share based payments	-	2.8	2.8
Actuarial loss on retirement benefit obligations (net of deferred tax)	-	4.6	4.6
Balance at 30 September 2017	**125.0**	**268.8**	**393.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Sept 2017 Proforma £m	As at 30 Sept 2017 Actual £m	As at 31 Dec 2016 Actual £m	As at 30 Sept 2016 Actual £m
Assets					
Non-current assets					
Property, plant and equipment		0.6	0.6	0.3	0.4
Investments		19.3	19.3	21.2	11.0
Goodwill		143.5	-	-	-
Available for sale financial assets		22.8	22.8	28.0	29.7
Deferred tax		36.6	38.8	51.0	55.7
		222.8	**81.5**	**100.5**	**96.8**
Current assets					
Inventories	*6*	623.8	623.8	544.4	517.1
Trade and other receivables		33.5	41.5	31.0	27.1
Cash and cash equivalents		56.2	23.6	41.1	43.7
		713.5	**688.9**	**616.5**	**587.9**
Total assets		**936.3**	**770.4**	**717.0**	**684.7**
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings	*7*	(560.2)	(108.5)	(157.7)	(156.7)
Trade and other payables		(39.7)	(39.7)	(33.4)	(19.6)
Retirement benefit obligations		(26.0)	(38.0)	(46.4)	(40.3)
Provisions and deferred income		(3.3)	(3.3)	(6.5)	(5.1)
		(629.2)	**(189.5)**	**(244.0)**	**(221.7)**
Current liabilities					
Interest bearing loans and borrowings	*7*	-	(10.0)	(5.0)	(5.0)
Trade and other payables		(177.1)	(177.1)	(147.7)	(155.4)
		(177.1)	**(187.1)**	**(152.7)**	**(160.4)**
Total liabilities		**(806.3)**	**(376.6)**	**(396.7)**	**(382.1)**
Net assets		**130.0**	**393.8**	**320.3**	**302.6**
Equity					
Share capital		151.0	125.0	125.0	125.0
Retained earnings		(21.0)	268.8	195.3	177.6
Total equity attributable to owners of the parent		**130.0**	**393.8**	**320.3**	**302.6**

CONSOLIDATED CASHFLOW STATEMENT
for the three and nine month periods ended 30 September 2017

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Cash flows from operating activities				
Profit for the period	18.8	15.5	65.8	46.1
Depreciation	-	0.1	-	0.1
Amortisation of land option costs	0.1	0.1	0.4	0.3
Finance income	(0.7)	(1.2)	(2.7)	(2.2)
Finance cost	3.2	4.9	10.1	12.2
Share of post-tax profit from joint ventures	0.1	-	(0.3)	0.2
Taxation	4.8	4.0	16.4	11.6
Operating profit before changes in working capital	26.3	23.4	89.7	68.3
Working capital movements:				
Movement in trade and other receivables	(11.1)	5.5	(5.5)	6.1
Movement in inventories	(56.0)	(35.9)	(84.8)	(80.0)
Movement in trade and other payables	33.1	14.7	32.9	32.0
Cash generated from operations	(7.7)	7.7	32.3	26.4
Interest paid	(1.1)	(2.1)	(3.7)	(7.0)
Corporation tax paid	(2.0)	-	(3.8)	-
Net cash (outflow)/inflow from operating activities	**(10.8)**	**5.6**	**24.8**	**19.4**
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(0.1)	(0.3)	(0.3)
Movement in loans with joint ventures	6.1	0.1	2.2	3.1
Net cash inflow from investing activities	**6.1**	**-**	**1.9**	**2.8**
Cash flow from financing activities				
Increase/(decrease) in bank borrowings	0.2	(6.9)	(19.5)	10.5
Increase/(decrease) in other long term borrowings	-	0.9	(24.7)	2.4
Net cash inflow/(outflow) from financing activities	**0.2**	**(6.0)**	**(44.2)**	**12.9**
Movements in cash and cash equivalents	(4.5)	(0.4)	(17.5)	35.1
Cash and cash equivalents at beginning of period	28.1	44.1	41.1	8.6
Cash and cash equivalents at end of period	**23.6**	**43.7**	**23.6**	**43.7**

Notes to the condensed consolidated financial statements

1. Reconciliation of net cash flow to net debt

	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Movement in cash and cash equivalents	(4.5)	(0.4)	(17.5)	35.1
(Increase)/decrease in bank loans	(0.2)	6.9	19.5	(10.5)
(Increase)/decrease in long term borrowings	-	(0.9)	24.7	(2.4)
Movement in net debt in period	(4.7)	5.6	26.7	22.2
Net debt at beginning of period	(90.2)	(123.6)	(121.6)	(140.2)
Net debt at end of period	**(94.9)**	**(118.0)**	**(94.9)**	**(118.0)**

2. Reporting entity

Miller Homes Group Holdings Plc is a Company domiciled in England and Wales. The condensed consolidated interim financial statements for the three and nine month periods ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the "Group"), reflect the underlying trading results of Miller Homes Holdings Limited, notwithstanding the fact that the Company acquired Miller Homes Holdings Limited on 5 October 2017.

This interim report, for the three and nine months ended 30 September 2017, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory consolidated financial statements for the Group headed by Miller Homes Holdings Limited for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), on which KPMG LLP gave an unqualified opinion, are available on the website www.millerhomes.co.uk. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 31 December 2016 set out within this report have been extracted from the 2016 Annual Report published on 9 March 2017.

3. Accounting policies

The preparation of these condensed consolidated interim financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies specific to interim financial statements

The same accounting policies and methods of computation are followed in these condensed and consolidated financial statements as were applied in the 2016 Annual Report for Miller Homes Holdings Limited.

Taxation: The income tax expense to be recognised in each interim period is based on the best estimate of the weighted average annual income tax rate expected for the full year applied to the income before taxation of the interim period. The expected tax rate takes into account changes in the tax rates that are enacted, or substantively enacted, that are expected to take effect later in the year.

Retirement benefit obligations: For quarterly reporting purposes the half year actuarial valuations have been extrapolated to reflect cash contributions to the scheme and the unwind of the discount inherent in scheme liabilities.

Basis of consolidation and goodwill: The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets and liabilities acquired. It should be noted that a fair value exercise is currently ongoing and will be finalised by the time the Group financial statements for the year ended 31 December 2017 are issued. Accordingly, the assets and liabilities shown as at 30 September 2017 represent the underlying carrying value of the acquired Miller Homes Holdings Limited group. It is likely that on finalisation of the fair value exercise that there is a resultant change in the provisional goodwill figure shown in the proforma 30 September 2017 balance sheet.

4. Finance costs	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Interest payable on bank loans and overdrafts	1.5	2.5	4.7	5.8
Interest payable on amounts owed to former immediate parent undertaking	-	0.8	0.6	2.4
Interest imputed on land payable on deferred terms	1.3	1.3	3.8	3.2
Finance costs related to employee benefit obligations	0.4	0.3	1.0	0.8
	3.2	**4.9**	**10.1**	**12.2**

5. Finance income	Three months ended 30 Sept 2017 £m	Three months ended 30 Sept 2016 £m	Nine months ended 30 Sept 2017 £m	Nine months ended 30 Sept 2016 £m
Imputed interest on available for sale financial assets	0.4	0.5	1.2	1.5
Interest on loans to joint ventures	0.2	0.4	0.6	0.4
Imputed interest on land receipts receivable on deferred terms	-	-	0.4	-
Other	0.1	0.3	0.5	0.3
	0.7	**1.2**	**2.7**	**2.2**

6. Inventories	As at 30 Sept 2017 Proforma £m	As at 30 Sept 2017 Actual £m	As at 31 Dec 2016 Actual £m	As at 30 Sept 2016 Actual £m
Land	376.5	376.5	338.5	307.9
Work in progress	233.7	233.7	191.6	199.1
Land option costs	6.4	6.4	4.2	3.2
Part exchange properties	7.2	7.2	10.1	6.9
	623.8	**623.8**	**544.4**	**517.1**

7. Interest bearing loans and borrowings - current	As at 30 Sept 2017 Proforma £m	As at 30 Sept 2017 Actual £m	As at 31 Dec 2016 Actual £m	As at 30 Sept 2016 Actual £m
Bank loans (secured)	-	10.0	5.0	5.0

7. Interest bearing loans and borrowings – non-current	As at 30 Sept 2017 Proforma £m	As at 30 Sept 2017 Actual £m	As at 31 Dec 2016 Actual £m	As at 30 Sept 2016 Actual £m
Bank loans (secured)	-	100.0	125.0	125.0
Senior Secured Notes	425.0	-	-	-
Deferred financing costs	(20.1)	(1.8)	(2.3)	(2.5)
Long term borrowings	10.3	10.3	35.0	34.2
Intercompany loan	145.0	-	-	-
	560.2	**108.5**	**157.7**	**156.7**

Senior Secured Notes: Following the Group's acquisition of Miller Homes Holdings Limited on 5 October 2017 the Group issued £425m of Senior Secured Loan notes, and repaid existing bank loans.

Long term borrowings: Long term borrowings relate to the Group's interest in Telford NHT (2011) LLP, an entity established to provide residential property for rental purposes, and loan notes provided by former shareholders of The Miller Homes Group (UK) Limited. The loan notes were repaid in February 2017.

Intercompany loan: The intercompany loan is payable to Marilyn Midco 2 Limited, a company ultimately controlled by Bridgepoint funds. It is unsecured and repayable in October 2027.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Note	As at 30 Sept 2017 Actual £m	Provisional Adjustments £m	As at 30 Sept 2017 Proforma £m
Assets				
Non-current assets				
Property, plant and equipment		0.6	-	0.6
Investments		19.3	-	19.3
Goodwill	*1*	-	143.5	143.5
Available for sale financial assets		22.8	-	22.8
Deferred tax	*2*	38.8	(2.2)	36.6
		81.5	**141.3**	**222.8**
Current assets				
Inventories		623.8	-	623.8
Trade and other receivables		41.5	(8.0)	33.5
Cash and cash equivalents	*3*	23.6	32.6	56.2
		688.9	**24.6**	**713.5**
Total assets		**770.4**	**165.9**	**936.3**
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	*4*	(108.5)	(451.7)	(560.2)
Trade and other payables		(39.7)	-	(39.7)
Retirement benefit obligations	*5*	(38.0)	12.0	(26.0)
Provisions and deferred income		(3.3)	-	(3.3)
		(189.5)	**(439.7)**	**(629.2)**
Current liabilities				
Interest bearing loans and borrowings	*4*	(10.0)	10.0	-
Trade and other payables		(177.1)	-	(177.1)
		(187.1)	**10.0**	**(177.1)**
Total liabilities		**(376.6)**	**(429.7)**	**(806.3)**
Net assets		**393.8**	**(263.8)**	**130.0**
Equity				
Share capital	*6*	125.0	26.0	151.0
Retained earnings	*7*	268.8	(289.8)	(21.0)
Total equity attributable to owners of the parent		**393.8**	**(263.8)**	**130.0**

The provisional adjustments are discussed in more detail on page 20. As noted previously, these adjustments are provisional pending finalisation of the fair value acquisition exercise.

Notes:-

1. Goodwill

   Goodwill represents excess of acquisition cost over net assets acquired. This is a provisional figure which will be adjusted in the year end accounts upon finalisation of the fair value exercise.

2. Deferred tax

   The reduction in deferred tax reflects the impact of the £12m contribution to the pension scheme (see note 5).

3. Cash and cash equivalents

   Cash and cash equivalents reflects the net of new equity injection, issue of shareholder loan notes and proceeds from the bond issue offset by the repayment of existing bank debt and the costs of the transaction.

4. Interest bearing loans and borrowings

   Borrowings reflect the bond issue and intercompany loan proceeds, offset by the repayment of the existing bank debt and a provisional allocation of bond arrangement fees and associated costs.

5. Retirement benefit obligations

   The adjustment to retirement benefit obligations reflects a payment to the pension scheme agreed as part of the transaction.

6. Share capital

   The increase in share capital reflects the inclusion of the Miller Homes Group Holdings plc capital structure in place of Miller Homes Holdings Limited.

7. Retained earnings

   Retained earnings reflect the removal of pre-acquisition reserves together with the write off of certain costs of the transaction and the remaining arrangement fees under the previous bank facility.