PRESS RELEASE
MILLER HOMES HOLDINGS LIMITED ("MILLER HOMES")
INTERIM RESULTS FOR THE HALF YEAR TO 30 JUNE 2015

	H1 2015 £m	H1 2014 £m	Change £m	%
Revenue	229.7	173.6	56.1	32%
Profit before interest and exceptional items	32.8	19.2	13.6	71%
Profit before tax and exceptional items	23.0	12.8	10.2	80%
Net assets	236.4	227.4	9.0	4%

Operating highlights

- Profit before tax increased by 80% to £23.0m (H1 2014: £12.8m[1])
- Revenue up 32% to £229.7m (H1 2014: £173.6m). This is driven by a 23% increase in legal completions to 1,040 units (H1 2014: 845 units) and an 11% increase in average selling price to £218,800 (H1 2014: £197,700)
- Operating margin increased to 14.3% (H1 2014: 11.1%[1])
- Return on net operating assets[2] has increased by 63% to 18.4% (H1 2014: 11.3%)
- Consented landbank of 9,665 plots (H1 2014: 8,987 plots)
- Land spend of £60.8m in the period (H1 2014: £30.6m)
- Strategic landbank of 16,629 plots (H1 2014: 16,553 plots), one of the largest in the sector relative to current volumes
- Net debt of £151.0m as at 30 June 2015 (H1 2014: £166.7m)
- New £210m bank facilities with existing lenders through to 2020 and on improved terms
- Currently 93% sold for the full year compared to 90% at this stage last year

(1) Before an exceptional profit of £3.5m recognised in the H1 2014 results.
(2) Return on net operating assets represents 12 month rolling profit before interest and exceptional items divided by the average of opening and closing capital employed (excluding deferred tax).

Chris Endsor, Chief Executive, said:

'I am delighted by the progress we made during the first half of 2015. Miller Homes' results demonstrate the successful execution of our strategic plan based on a considered approach to increasing volumes in good quality locations concentrating on family housing. As completions from higher margin land increase, we continue to see significant improvements in operating margin and return on capital. Looking ahead to the full year, our current order book is 25% ahead of last year, positioning Miller Homes for further significant growth in 2015.

The second half of 2015 sees the launch of a further 12 sales outlets taking overall outlet numbers to over 70 by the end of the year. Our new banking facilities support a significant increase in planned land expenditure and enable us to maximise our high quality strategic landbank. Combined with high demand for our product range, this provides the platform for growth in 2016 and beyond.'

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Chief Executive's Review

Overview

Underpinned by a favourable housing market, Miller Homes has performed strongly in the period. We entered the year with a healthy order book which has been maintained with sales rates 16% ahead of the prior period. It is normal in a General Election year to see some impact on sales rates as customers defer house buying decisions pending the outcome, but the 2015 election did not have any noticeable effect and sales rates have been consistently trending ahead of last year. The improvement in sales rates is benefiting Miller Homes in a number of ways:

- We expect to achieve a smoother profile of completions in 2015, such that half year completions will be closer to 50% of full year completions which are anticipated to be around 2,150 units.

- Our capital turn has improved to 1.14 times (H1 2014: 0.80) which is a function of both improved sales rates on new site launches and a critical review of work in progress. Excluding the deferred tax asset, our capital turn increases to 1.41 times (H1 2014: 1.16).

Land buying conditions continue to remain attractive and we are able to secure sufficient land at our stated hurdle rates to meet our growth ambitions. There were some delays to planning decisions caused in part by the local government elections in May, however, this was a short term issue. We are encouraged by the proposed planning reforms which have been announced by the new Government to accelerate planning decisions. On the demand side, the extension of Help to Buy through to 2020 in England ensures support for the mainstream new build market and particularly first time buyers.

Our supply chain remains a key focus for Miller Homes to ensure that we have the appropriate skills, quality and cost base to achieve our targeted completions. The strength of local subcontractor relationships have ensured continuity in production and enabled cost inflation to be mitigated to less than 4% per annum.

Our culture and ethos is captured in our 'Miller Difference' initiative which is embedded within all parts of the business. It seeks to ensure that we have fully engaged and committed employees and subcontractors, all with the objective of building a high quality product in a safe and sustainable manner. It is pleasing to report that we continue to see excellent standards of performance as measured by our key metrics. Our customer satisfaction levels continue at 95% and we have also retained our HBF 5 star rating for the fourth consecutive year.

In summary, excellent progress continues to be made by Miller Homes and, assuming stable market conditions, we are well placed to deliver its targeted medium term operating margin of 18% and return on capital employed of 25%.

Results

Revenue for the half year to 30 June 2015 was 32% ahead of 2014 at £229.7m (H1 2014: £173.6m). This reflected a combination of a 23% increase in core completions to 1,040 units (H1 2014: 845 units) and an 11% increase in average selling price to £218,800 (H1 2014: £197,700).

The increase in legal completions reflects improved market conditions over the last 12 months with private completions increasing to 854 units (H1 2014: 761 units) as well as additional affordable housing units from recent site acquisitions. Affordable housing completions in the period were 186 units (H1 2014: 84). Our private sales rate for the first six months of 2015 was 0.67 per site per week. This was 16% ahead of the prior year. We launched 10 new sites in the half year and a further 12 are anticipated to be launched in the second half, taking sales outlets from 67 to over 70 by the end of the year.

We continue to utilise the Help to Buy schemes in both England and Scotland, and combined they represented 34% (H1 2014: 44%) of private completions. Usage has reduced due to our average product size increasing.

The average selling price (ASP) of £218,800 represents a private ASP of £243,300 (H1 2014: £210,200) and an affordable housing ASP of £106,200 (H1 2014: £86,200). The 16% increase in private ASP reflects a greater weighting of completions from new sites typically in higher value locations together with a 6%

increase in average unit size and modest price inflation. The 23% increase in the ASP of affordable housing completions reflects higher volumes from new sites in our Midlands and Southern divisions.

Gross profit before exceptional items increased by 44% to £49.4m (H1 2014: £34.2m). Gross margin in the six months ended 30 June 2015 was 21.5% (H1 2014: 19.7%), a 180 basis points increase. This reflects the favourable impact of more recently acquired land and the continual decline of lower margin legacy land. Legal completions from legacy land represented 24% (H1 2014: 57%) of overall completions and this is anticipated to fall further during the second half of the year.

Overheads increased by 11% to £16.9m (H1 2014: £15.2m) which include the absorption of central services previously performed by our parent company and in the future overhead increases are likely to be more modest as Miller Homes grows to its optimal size of 3,500 units. As a percentage of revenue, overheads for the period were 7.4% (H1 2014: 8.8%). We believe that Miller Homes can achieve overhead absorption levels of 6% by 2017 as volumes continue to grow.

Operating profit excluding exceptional items has increased by 71% to £32.8m (H1 2014: £19.2m). Operating margin stands at 14.3% (H1 2014: 11.1%) and Miller Homes is on target to achieve its medium term target of 18%.

Net financing costs increased by 53% to £9.8m (H1 2014: £6.4m). This largely reflected the write off of un-amortised arrangement fees on the previous bank facility.

Land

We continued to invest strongly in land in the six month period with spend of £60.8m (H1 2014: £30.6m), 99% ahead of last year. Our consented landbank is 9,665 plots (H1 2014: 8,987 plots) which is forecast to grow further during the second half of 2015. The embedded margin in our consented landbank has increased to a record 23.7% (H1 2014: 22.3%). Relative to current volumes, we have one of the largest strategic landbanks in the sector at 16,629 plots (H1 2014: 16,553 plots). There are a number of planning applications pending which should convert into our consented landbank in the second half year and provide Miller Homes with additional well located outlets in our chosen markets. Although there was a significant level of land investment in the period, we reduced debt to £151m.

Current trading and outlook

Sales performance since the half year has continued to be strong despite the traditionally quieter summer holiday period. Our order book for the second half of 2015 stands at £221m, 25% ahead of last year. We are 93% sold for 2015 and well positioned for significant improvements in our full year results.

The second half of 2015 sees the launch of a further 12 sales outlets taking overall outlet numbers to over 70 by the end of the year. This, together with a significant increase in planned land expenditure, supported by high demand for our product range, provides the platform for growth in 2016 and beyond.

Chris Endsor
Chief Executive

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CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2015

Notes		**6 months to 30 June 2015 £m**	6 months to 30 June 2014 £m	12 months to 31 December 2014 £m
	Revenue	**229.7**	173.6	387.5
	Cost of sales	**(180.3)**	(139.4)	(310.6)
1	Exceptional cost of sales	**-**	3.5	3.9
	Gross profit	**49.4**	37.7	80.8
	Administrative expenses	**(16.9)**	(15.2)	(32.7)
	Group operating profit	**32.5**	22.5	48.1
	Share of profit in joint ventures	**0.3**	0.2	0.3
	Operating profit			
	- **recurring**	**32.8**	19.2	44.5
1	- **exceptional**	**-**	3.5	3.9
		32.8	22.7	48.4
	Financial costs	**(11.2)**	(8.0)	(15.1)
	Financial income	**1.4**	1.6	3.1
2	**Net financing costs**	**(9.8)**	(6.4)	(12.0)
	Profit before taxation			
	- **recurring**	**23.0**	12.8	32.5
1	- **exceptional**	**-**	3.5	3.9
		23.0	16.3	36.4
3	Income tax (charge) / credit	**(5.0)**	17.0	12.0
	Profit for the period	**18.0**	33.3	48.4

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STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2015

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m	12 months to 31 December 2014 £m
Profit for the period	**18.0**	33.3	48.4
Items that will not be reclassified to profit and loss:			
Change in fair value of available for sale financial assets	**-**	(0.6)	(0.6)
Actuarial loss on retirement benefit obligations (net of deferred tax)	**-**	-	(5.1)
Total comprehensive income for the period attributable to owners of the parent	**18.0**	32.7	42.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2015

	Share capital £m	Retained earnings £m	Total £m
Balance at 31 December 2013	**25.0**	**69.7**	**94.7**
Profit for the year	-	48.4	48.4
Change in fair value of available for sale financial assets	-	(0.6)	(0.6)
Increase in share capital	100.0	-	100.0
Transfer of retirement benefit obligations	-	(19.0)	(19.0)
Actuarial loss on retirement benefit obligations (net of deferred tax)	-	(5.1)	(5.1)
Balance at 31 December 2014	**125.0**	**93.4**	**218.4**
Profit for the six month period	-	18.0	18.0
Balance at 30 June 2015	**125.0**	**111.4**	**236.4**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

Notes		**30 June 2015 £m**	30 June 2014 £m	31 December 2014 £m
	Assets			
	Non-current assets			
	Property, plant and equipment	**0.3**	0.7	0.2
	Investments	**4.0**	5.0	4.6
	Available for sale financial assets	**39.6**	42.6	41.5
	Deferred tax	**73.1**	77.0	78.1
		117.0	125.3	124.4
	Current assets			
4	Inventories	**400.9**	371.9	406.4
	Trade and other receivables	**21.7**	12.1	17.0
	Cash and cash equivalents	**49.2**	47.9	29.5
		471.8	431.9	452.9
	Total assets	**588.8**	557.2	577.3
	Liabilities			
	Non-current liabilities			
5	Interest bearing loans and borrowings	**(197.2)**	(16.7)	(158.6)
	Trade and other payables	**(12.1)**	(13.6)	(22.3)
	Retirement benefit obligations	**(30.2)**	-	(30.7)
	Deferred income	**-**	(0.1)	(0.1)
		(239.5)	(30.4)	(211.7)
	Current liabilities			
5	Interest bearing loans and borrowings	**(3.0)**	(197.9)	(28.8)
	Trade and other payables	**(109.9)**	(101.5)	(118.4)
		(112.9)	(299.4)	(147.2)
	Total liabilities	**(352.4)**	(329.8)	(358.9)
	Net assets	**236.4**	227.4	218.4
	Equity			
	Shared capital	**125.0**	125.0	125.0
	Retained earnings	**111.4**	102.4	93.4
	Total equity attributable to owners of the parent	**236.4**	227.4	218.4

10 September 2015

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CONSOLIDATED CASH FLOW STATMENT

for the period ended 30 June 2015

Notes		**30 June 2015 £m**	30 June 2014 £m	31 December 2014 £m
	Cash flows from operating activities			
	Profit for the period	**18.0**	33.3	48.4
	Depreciation	**0.1**	0.1	0.1
	Amortisation of land option costs	**0.3**	0.3	0.7
	Financial income	**(1.4)**	(1.6)	(3.1)
	Financial expense	**11.2**	8.0	15.1
	Share of post tax profit from joint ventures	**(0.3)**	(0.2)	(0.3)
	Taxation	**5.0**	(17.0)	(12.0)
	Operating profit before changes in working capital	**32.9**	22.9	48.9
	Working capital movements:			
	Movements in trade and other receivables	**(4.2)**	6.5	4.2
	Movement in inventories	**5.2**	(12.3)	(49.8)
	Movement in trade and other payables	**(21.4)**	13.9	40.9
	Cash generated from operations	**12.5**	31.0	44.2
	Interest paid	**(6.3)**	(6.8)	(12.2)
	Net cash inflow from operating activities	**6.2**	24.2	32.0
	Cash flows from investing activities			
	Acquisition of property, plant and equipment	**(0.2)**	(0.6)	(0.1)
	Movement in loans with joint ventures	**0.9**	(0.2)	0.3
	Net cash inflow/(outflow) from investing activities	**0.7**	(0.8)	0.2
	Cash flow from financing activities			
6	Movement in bank borrowings	**(7.1)**	(8.3)	155.5
6	Movement in loans from parent company	**19.9**	-	(191.0)
	Net cash inflow/(outflow) from financing activities	**12.8**	(8.3)	(35.5)
6	Movements in cash and cash equivalents	**19.7**	15.1	(3.3)
	Cash and cash equivalents at beginning of period	**29.5**	32.8	32.8
	Cash and cash equivalents at end of period	**49.2**	47.9	29.5

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1. Exceptional cost of sales

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m	12 months to 31 December 2014 £m
Writeback of land and work in progress	**-**	3.5	3.9

2. Net financing costs

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m	12 months to 31 December 2014 £m
Financial costs:			
Bank and other loans	**(6.3)**	(0.6)	(1.5)
Amounts owed to fellow subsidiaries	**-**	(6.2)	(10.4)
Amortisation of bank arrangement fees	**(2.8)**	-	-
Effective interest on land payable on deferred terms	**(1.6)**	(1.2)	(2.7)
Employee benefits	**(0.5)**	-	(0.5)
	(11.2)	(8.0)	(15.1)
Financial income:			
Effective interest on available for sale financial assets	**1.4**	1.6	3.1
	(9.8)	(6.4)	(12.0)

3. Taxation

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m	12 months to 31 December 2014 £m
Deferred tax	**(5.0)**	17.0	12.0

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4. Inventories

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Land	**228.8**	202.6	229.8
Work in progress	**160.4**	161.7	166.1
Part exchange properties	**8.2**	5.1	7.4
Land option costs	**3.5**	2.5	3.1
	400.9	371.9	406.4

5. Interest bearing loans and other borrowings

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Current			
Bank loans (secured)	**3.0**	6.9	28.8
Loans from parent group	**-**	191.0	-
	3.0	197.9	28.8
Non current			
Bank loans (secured)	**167.0**	6.4	148.3
Other long term borrowings	**30.2**	10.3	10.3
	197.2	16.7	158.6

Included within other long term borrowings are loan notes totalling £19.9m ultimately provided by certain shareholders of The Miller Group (UK) Limited.

6. Reconciliation of net cash flow to net debt

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m	12 months to 31 December 2014 £m
Movement in cash and cash equivalents	**19.7**	15.1	(3.3)
Movement in bank loans	**7.1**	8.3	(155.5)
Cash movement in loans from fellow subsidiary companies	**(19.9)**	-	191.0
Non cash movements in loans from fellow subsidiary companies	**-**	100.0	100.0
Movement in net debt in period	**6.9**	123.4	132.2
Net debt at beginning of period	**(157.9)**	(290.1)	(290.1)
Net debt at end of period	**(151.0)**	(166.7)	(157.9)

7. Basis of Preparation

The interim report has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2014, and in accordance with IFRSs as adopted by the EU. The interim results do not constitute statutory accounts within the meaning of S434 of the Companies Act 2006. The financial information contained in this report for the six months to 30 June 2015 has not been audited or reviewed by the auditors. The financial information for the year ended 31 December 2014 has been abridged from Miller Homes's full accounts for that period which received an unqualified auditors' report.