miller homes

MILLER HOMES GROUP HOLDINGS PLC

Quarterly Financial Report for the

3 and 6 months ended 30 June 2020

5.5% Senior Secured Notes due 2024

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 (since increased to £455m), Miller Homes Group Holdings plc ("the Group") is pleased to present its Quarterly Financial Report for the 3 and 6 months ended 30 June 2020.
- The figures for the 3 and 6 month periods to 30 June 2020 and 2019 are unaudited.

Financial and operational highlights for the 6 months to 30 June 2020

Trading

- EBITDA for 6 months ended 30 June 2020 is £33.8m, substantially lower than the £77.9m reported in Q2 2019, which is a direct consequence of Covid-19.
- The reduction in EBITDA was largely due to lower completions, which at 925 units are 45% down on the prior year figure of 1,684 units. At Week 11, the order book for the half year was 1,515 units, and based on this, we were anticipating half year volumes increasing to around 1,700 units. Ultimately, the outturn was significantly lower due to the suspension of construction activity, preventing homes which had been reserved or exchanged from being finished. The vast majority of sales originally anticipated to complete in Quarter 2 have now moved to Quarter 3, benefiting the order book accordingly.
- Private sales rate for the 6 months ended 30 June 2020 of 0.55 net reservations per site per week (H1 2019: 0.72), a reduction of 24%.
- Average outlet numbers have increased to 83 for the 6 months ended 30 June 2020 (H1 2019: 81).
- Our order book at the end of June was 27% ahead of the prior year at £468m (2019: £368m).

Land investment

- 3% increase in the consented landbank to 14,002 plots (Dec 2019: 13,633 plots), representing 5.4 years' supply, based on last 12 months' completions. This reflects a decrease in the owned landbank to 10,294 plots (Dec 2019: 10,718 plots) which was outweighed by an increase in the controlled landbank to 3,708 plots (Dec 2019: 2,915 plots).
- Strategic landbank of 19,649 plots (Dec 2019: 20,035 plots), representing 7.5 years' supply.

Cash and leverage

- Cash at June 2020 was £92m (June 2019: £66m) and compares to £112m at March 2020. All RCF loans, originally drawn at the end of Quarter 1, were since repaid during Quarter 2, and combined with a £21.5m increase in the RCF facility during Quarter 2, meant that the Group had an undrawn RCF facility of £151.5m.
- Net LTV[1] of 43.8%, based on net inventory of £713.7m and net debt of £312.8m[2]. Net LTV has increased from 39.9% in the previous quarter but is lower than the position at 30 June 2019 which was 50.0%.
- Net leverage of 2.5x, based on LTM EBITDA of £126.8m and net debt of £312.8m. This compares to net leverage of 1.7x in the previous quarterly report and 2.1x at 30 June 2019.

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[1] LTV: Loan to value is net debt divided by net inventory (inventory less land payables).
[2] Excludes the capitalisation of bond financing costs (£12.6m).

Covid-19

With the safety of our employees, customers and subcontractors at the forefront of our minds and following revised government guidelines of 23 March 2020, our construction sites, sales centres and offices closed at that time. We used the April lockdown period to plan carefully for a re-start to enable the Group's working practices to be re-designed. Detailed restart plans were individually tailored for the different working environments of our construction sites, sales centres, offices and customer service operations.

We re-started construction activities on 11 May in England on a phased basis and our Scottish sites following on 15 June. Our construction sites in Scotland and England are operating in accordance with the charters agreed between the industry and the UK and Scottish governments respectively which provide guidance on social distancing and protective measures. A site induction app was developed in-house and launched in time to inform our returning subcontractors of our new Covid-19 compliant working practices. Day to day compliance is strictly monitored by a designated marshal on each construction site. We had estimated that social distancing based on a minimum distance of two metres could have increased build programmes by four weeks. However, with the change to the applicable guidance "one metre plus", this extension has been avoided.

The majority of office based staff have been able to continue to work effectively from home and perform their normal tasks as well as focus on business improvement opportunities which has enabled the Group to launch new initiatives post lockdown benefiting customers, suppliers and our workforce. These include online "live chat" with customers, virtual customer meetings, site induction app, an updated order call-off process and value engineering savings on recently acquired sites.

Our sales centres re-opened on 21 May in England and 29 June in Scotland. Social distancing measures have been incorporated in our sales centres and showhomes, with customers also required to book an appointment in advance of visiting our sales centres.

Post quarter end update

- Since re-opening our sales centres, we have experienced high levels of demand which have led to pricing continuing to remain firm and sales rates for the period from Week 21-34 of 0.82 net reservations per site per week, an increase of 19% on the prior year comparable period. As at Week 34, our year to date sales rate is 0.63, an improvement on the 0.55 at Week 26 and compares to 0.71 for the prior year comparable period.
- Following a pause on discretionary land spend, we have re-commenced landbuying and currently have 28 sites where terms have been agreed or contracts have been exchanged.
- On 27 July, a £160m private placement was concluded, the purpose of which was to repay £110m of Senior Secured Floating Rate Notes and to take advantage of emerging land opportunities. This transaction has resulted in an extension in the maturity of our senior secured debt with the new Senior Secured Notes falling due in October 2024, one year later than the redeemed Senior Secured Floating Rate Notes. Our revised senior secured debt post this transaction is £404m Senior Secured Notes (due October 2024) and £51m Senior Secured Floating Rate Notes (due October 2023).

The key financial highlights for the 3 and 6 month periods ended 30 June 2020, together with prior period comparatives, are set out below:

Table 1	**3 months ended 30 Jun 2020 £m**	**3 months ended 30 Jun 2019 £m**	**% change**	**6 months ended 30 Jun 2020 £m**	**6 months ended 30 Jun 2019 £m**	**% change**
Revenue	56.2	215.5	(73.9)	217.1	389.2	(44.2)
Cost of sales	(43.6)	(160.7)	72.9	(165.8)	(291.2)	43.1
Gross profit	12.6	54.8	(77.0)	51.3	98.0	(47.7)
Other operating income	0.3	0.3	-	0.7	0.8	(12.5)
Administrative expenses	(10.3)	(11.8)	12.7	(20.5)	(22.7)	9.7
Group operating profit	2.6	43.3	(94.0)	31.5	76.1	(58.6)
Share of result in joint ventures	0.2	1.0	(80.0)	0.9	1.7	(47.1)
Operating profit	2.8	44.3	(93.7)	32.4	77.8	(58.4)
Net finance costs	(13.7)	(11.3)	(21.2)	(25.2)	(22.5)	(12.0)
(Loss) / profit before taxation	(10.9)	33.0	(133.0)	7.2	55.3	(87.0)
Income taxes	2.0	(6.0)	133.3	(1.4)	(10.4)	86.5
(Loss) / profit for the period	**(8.9)**	**27.0**	**(133.0)**	**5.8**	**44.9**	**(87.1)**
Gross margin %	*22.4%*	*25.4%*	*-300bps*	*23.6%*	*25.2%*	*-160bps*
Operating margin %	*5.0%*	*20.6%*	*-2,010bps*	*14.9%*	*20.0%*	*-510bps*

Reconciliation of EBITDA

Table 2	**3 months ended 30 Jun 2020 £m**	**3 months ended 30 Jun 2019 £m**	**6 months ended 30 Jun 2020 £m**	**6 months ended 30 Jun 2019 £m**
(Loss) / profit for the period	(8.9)	27.0	5.8	44.9
Income tax (credit) / charge	(2.0)	6.0	1.4	10.4
Net finance costs	13.7	11.3	25.2	22.5
Depreciation	0.7	-	1.4	0.1
EBITDA	**3.5**	**44.3**	**33.8**	**77.9**

Analysis of revenues

Table 3	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Private revenue	51.8	201.5	184.7	350.5
Affordable revenue	3.5	13.9	31.1	38.1
Land sales	0.9	-	1.3	0.4
Other	-	0.1	-	0.2
Total revenue	**56.2**	**215.5**	**217.1**	**389.2**

Analysis of completions and ASP

Table 4	3 months ended 30 Jun 2020 No.	3 months ended 30 Jun 2019 No.	6 months ended 30 Jun 2020 No.	6 months ended 30 Jun 2019 No.
Private completions	168	683	640	1,247
Affordable completions	29	131	249	353
Core completions	**197**	**814**	**889**	**1,600**
Joint venture completions	9	44	36	84
Total completions	**206**	**858**	**925**	**1,684**

	£000	**£000**	**£000**	**£000**
Private ASP	308	295	289	281
Affordable ASP	119	107	125	108
Core ASP	**280**	**265**	**243**	**243**

Financial summary

Results of operations for the 3 months ended 30 June 2020

Revenue

- As a consequence of the Covid-19 lockdown, revenue for the 3 months to 30 June 2020 decreased by 73.9% to £56.2m (Q2 2019: £215.5m), representing a 75.8% decrease in core completions offset by a 5.7% increase in ASP.
- Core completions in the 3 months to 30 June 2020 decreased by 75.8% to 197 units (Q2 2019: 814 units). Private completions decreased by 75.4% to 168 units (Q2 2019: 683 units) and affordable completions decreased by 77.9% to 29 units (Q2 2019: 131 units).
- ASP for the 3 months to 30 June 2020 increased by 5.7% to £280,000 (Q2 2019: £265,000). This reflects a 4.4% increase in the private ASP to £308,000 (Q2 2019: £295,000) and an 11.2% increase in the affordable ASP to £119,000 (Q2 2019: £107,000). The ASP for the 3 months ending 30 June 2020 of £280,000 is higher than that for the 6 months ending 30 June 2020 of £243,000 due to the higher proportion of affordable completions in the 6 month period.

Gross profit

- Gross profit for the 3 months to 30 June 2020 decreased by 77.0% to £12.6m (Q2 2019: £54.8m). Gross margin in the 3 month period was 22.4% (Q2 2019: 25.4%). The reduction in gross margin reflects a combination of cost inflation, lower recovery of fixed costs and sales mix.

Administrative expenses

- Administrative expenses for the 3 months to 30 June 2020 totalled £10.3m (Q2 2019: £11.8m). The decrease of £1.5m has primarily been driven by the inclusion of a staff bonus cost in the prior year period.

EBITDA

- EBITDA for the 3 months to 30 June 2020 decreased by 92.1% to £3.5m (Q2 2019: £44.3m) reflecting the decrease in gross profit and share of result in joint ventures being only partly offset by lower administrative expenses.

Finance costs and income

- Net finance costs in the 3 month period ended 30 June 2020 were £13.7m (Q2 2019: £11.3m). The increase of £2.4m primarily reflects higher imputed interest on land payables on deferred terms and interest on the revolving credit facility. The interest charge includes £3.2m relating to the shareholder loan notes.

Taxation

- The tax credit of £2.0m (Q2 2019: £6.0m charge) excludes a further charge of £0.1m for joint ventures which is reflected within the share of result in joint ventures. The tax credit represents an effective tax rate of 17.6%. The deferred tax asset has fallen to £4.1m (Dec 2019: £4.8m).

Net debt, liquidity and cashflow

Table 5	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
Senior secured notes	(405.0)	(405.0)	(405.0)
Deferred financing costs	12.6	13.7	15.2
Cash and cash equivalents	92.2	139.8	65.7
Total external net debt	**(300.2)**	**(251.5)**	**(324.1)**

- As a precautionary measure, the Group's RCF was fully drawn in March 2020. In May 2020, the RCF was increased by £21.5m to £151.5m and in June 2020, RCF loans of £130m were repaid. Accordingly, at the end of the period, the Group had an undrawn RCF of £151.5m.

Table 6	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Net cash flow from operating activities	(20.1)	5.2	(49.6)	(24.8)
Net cash flow from investing activities	0.1	2.1	2.5	2.2
Net cash flow from financing activities	(130.1)	-	(0.5)	(10.3)
Movements in cash and cash equivalents	(150.1)	7.3	(47.6)	(32.9)
Cash and cash equivalents at beginning of period	242.3	58.4	139.8	98.6
Cash and cash equivalents at end of period	**92.2**	**65.7**	**92.2**	**65.7**

- Net cash flow from operating activities for the 3 months ended 30 June 2020 was an outflow of £20.1m compared to an inflow of £5.2m for the 3 months ended 30 June 2019. This principally reflects the settlement of supplier and subcontractor liabilities incurred prior to entering lockdown.
- Net cash flow from investing activities for the 3 months ended 30 June 2020 was an inflow of £0.1m compared to an inflow of £2.1m for the 3 months ended 31 December 2019.
- Net cash flow from financing activities for the 3 months ended 30 June 2020 was an outflow of £130.1m, compared to £nil in the 3 months ended 30 June 2019. The outflow reflects the repayment of the RCF that was drawn down in March 2020 as a precautionary measure.

Table 7	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
EBITDA	**3.5**	**44.3**	**33.8**	**77.9**
Net land investment less than / (in excess of) / cost of sales	3.3	(19.5)	(20.4)	(59.5)
Development spend (in excess of) / less than cost of sales	(28.4)	0.2	(52.1)	(14.8)
Change in working capital	12.7	(5.0)	6.4	(10.6)
Cash flows from JVs (not included in EBITDA)	0.1	1.3	1.8	0.7
Shared equity loan receivables	0.6	1.7	1.4	3.5
Other	(0.4)	(4.8)	2.1	(4.8)
Free cash flow[1]	**(8.6)**	**18.2**	**(27.0)**	**(7.6)**
Net land spend (included in cost of sales)	9.8	37.0	38.3	66.5
Net land investment less than / (in excess of) cost of sales	(3.3)	19.5	20.4	59.5
Total net land spend	**6.5**	**56.5**	**58.7**	**126.0**
Free cash flow pre net land spend	**(2.1)**	**74.7**	**31.7**	**118.4**

- Free cash flow in the 3 months ended 30 June 2020 was an outflow of £8.6m compared to an inflow of £18.2m in the 3 months ended 30 June 2019. This is primarily due to the settlement of supplier and subcontractor liabilities incurred prior to entering lockdown.
- The working capital inflow of £12.7m for the 3 months ending 30 June 2020 compares to an outflow of £5.0m for the 3 months ending 30 June 2019 primarily reflecting the absence of a bonus payment in April 2020, a lower VAT debtor due to reduced land acquisitions in Q2 2020, and a lower housing association debtor balance at June 2020 as a result of the lockdown.

[1] Free cashflow represents the cash movement per the consolidated cashflow statement but excluding cashflows from financing activities, investing activities (other than movement in loans to joint ventures), corporation tax paid, interest paid and transaction costs.

Capital employed, inventory and landbank

Return on underlying capital employed

Table 8	**As at and for the 12 months ended 30 Jun 2020 £m**	**As at and for the 12 months ended 31 Dec 2019 £m**	**As at and for the 12 months ended 30 Jun 2019 £m**
Net assets	337.9	332.1	284.5
Net external debt	300.2	251.5	324.1
Intercompany debt	137.8	131.4	125.2
Capital employed	775.9	715.0	733.8
Less			
Intangible assets	(146.2)	(146.2)	(146.2)
Shared equity loan receivables	(7.5)	(8.9)	(10.2)
Deferred tax	(4.1)	(4.8)	(10.4)
Underlying capital employed	**618.1**	**555.1**	**567.0**
Operating profit	122.5	167.9	157.9
Less			
Credit to operating profit in respect of shared equity loan receivables	(4.0)	(4.6)	(0.6)
Underlying operating profit	**118.5**	**163.3**	**157.3**
Underlying ROCE (%)	**20.0**	**31.5**	**30.9**

- Capital employed increased to £775.9m as of 30 June 2020 (Dec 2019: £715.0m), of which £146.2m relates to intangible assets established following the acquisition. The increase in underlying capital employed to £618.1m (Dec 2019: £555.1m) reflects an increase in net inventory which has risen by £31.4m to £713.7m (Dec 2019: £682.3m). An analysis of net inventory and the landbank is set out on the next page.

Table 9	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
Land	515.1	517.3	475.6
Work in progress	317.4	296.4	296.6
Part exchange properties	16.0	20.6	21.2
Inventory	**848.5**	**834.3**	**793.4**
Land payables	(134.8)	(152.0)	(114.1)
Net inventory	**713.7**	**682.3**	**679.3**
Landbank	**Plots**	**Plots**	**Plots**
Owned / unconditional	10,294	10,718	9,668
Controlled	3,708	2,915	3,308
Consented	14,002	13,633	12,976
Strategic	19,649	20,035	18,591
Total	**33,651**	**33,668**	**31,567**

- The Group adopted a cautious approach to land buying as we assessed the impact of Covid-19 on the wider market. Accordingly, we acquired or unconditionally contracted on 3 sites during the 6 months ended 30 June 2020 adding 445 plots to the owned landbank (H1 2019: 12 sites and 2,090 plots). No sites were acquired or unconditionally contracted on during the 3 months ending 30 June 2020.
- The owned landbank at 30 June 2020 has decreased to 10,294 plots (Gross development value: £2.8bn). All owned land which has a detailed planning permission is being developed.
- The consented landbank has increased by 3% to 14,002 plots (Dec 2019: 13,633 plots). Based on the last 12 months' completions of 2,617 units, this represents 5.4 years' supply (Dec 2019: 4.1 years).
- The strategic landbank has decreased by 2% to 19,649 plots (Dec 2019: 20,035 plots) and represents 7.5 years' supply.
- The decrease in land payables reflects reduced land activity in Quarter 2 as discretionary land spend was paused during lockdown.

MILLER HOMES GROUP HOLDINGS PLC

Group condensed consolidated financial statements

3 and 6 month periods ended 30 June 2020

CONSOLIDATED INCOME STATEMENT
for the 3 and 6 month periods ended 30 June 2020

	Note	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Revenue		56.2	215.5	217.1	389.2
Cost of sales		(43.6)	(160.7)	(165.8)	(291.2)
Gross profit		12.6	54.8	51.3	98.0
Other operating income		0.3	0.3	0.7	0.8
Administrative expenses		(10.3)	(11.8)	(20.5)	(22.7)
Group operating profit		2.6	43.3	31.5	76.1
Share of result in joint ventures		0.2	1.0	0.9	1.7
Operating profit		2.8	44.3	32.4	77.8
Finance costs	*4*	(13.9)	(11.6)	(25.7)	(23.1)
Finance income	*5*	0.2	0.3	0.5	0.6
Net finance costs		(13.7)	(11.3)	(25.2)	(22.5)
(Loss) / profit before taxation		(10.9)	33.0	7.2	55.3
Income taxes		2.0	(6.0)	(1.4)	(10.4)
(Loss) / profit for the period		**(8.9)**	**27.0**	**5.8**	**44.9**

The results for the 3 and 6 month periods ended 30 June 2020 and 30 June 2019 are unaudited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
Assets				
Non-current assets				
Intangible assets (incl goodwill)	*6*	146.2	146.2	146.2
Property, plant and equipment		1.3	1.4	1.4
Right of use asset		7.0	8.2	-
Investments		13.9	15.6	20.9
Shared equity loan receivables		7.5	8.9	10.2
Deferred tax		4.1	4.8	10.4
		180.0	**185.1**	**189.1**
Current assets				
Inventories	*7*	848.5	834.3	793.4
Trade and other receivables		17.8	20.6	22.2
Cash and cash equivalents		92.2	139.8	65.7
		958.5	**994.7**	**881.3**
Total assets		**1,138.5**	**1,179.8**	**1,070.4**
Liabilities				
Non-current liabilities				
Loans and borrowings	*8*	(530.2)	(522.7)	(515.0)
Trade and other payables		(45.4)	(44.6)	(45.8)
Lease liabilities		(5.2)	(6.4)	-
Retirement benefit obligations		(14.2)	(16.5)	(10.8)
Provisions and deferred income		(2.6)	(2.6)	(2.5)
		(597.6)	**(592.8)**	**(574.1)**
Current liabilities				
Trade and other payables		(200.9)	(252.8)	(211.8)
Lease liabilities		(2.1)	(2.1)	-
		(203.0)	**(254.9)**	**(211.8)**
Total liabilities		**(800.6)**	**(844.7)**	**(785.9)**
Net assets		**337.9**	**332.1**	**284.5**
Equity				
Share capital		151.0	151.0	151.0
Retained earnings		186.9	181.1	133.5
Total equity attributable to owners of the parent		**337.9**	**332.1**	**284.5**

The December 2019 figures represent the audited financial statements of Miller Homes Group Holdings plc. The June 2020 and June 2019 figures are unaudited.

CONSOLIDATED CASHFLOW STATEMENT
for the 3 and 6 month periods ended 30 June 2020

	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Cash flows from operating activities				
(Loss) / profit for the period	(8.9)	27.0	5.8	44.9
Depreciation	0.7	-	1.4	0.1
Finance income	(0.2)	(0.3)	(0.5)	(0.6)
Finance cost	13.9	11.6	25.7	23.1
Share of post tax result from joint ventures	(0.2)	(1.0)	(0.9)	(1.7)
Income taxes	(2.0)	6.0	1.4	10.4
Operating profit before changes in working capital	3.3	43.3	32.9	76.2
Working capital movements:				
Movement in trade and other receivables	10.7	0.6	4.2	1.3
Movement in inventories	21.1	(33.2)	(17.4)	(49.4)
Movement in trade and other payables	(43.9)	5.3	(49.3)	(38.1)
Cash generated from operations	(8.8)	16.0	(29.6)	(10.0)
Interest paid	(10.2)	(9.2)	(12.6)	(11.6)
Corporation tax paid	(1.1)	(1.6)	(7.4)	(3.2)
Net cash (outflow) / inflow from operating activities	**(20.1)**	**5.2**	**(49.6)**	**(24.8)**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(0.1)	(0.1)	(0.1)	(0.2)
Movement in loans with joint ventures	0.2	2.2	2.6	2.4
Net cash inflow from investing activities	**0.1**	**2.1**	**2.5**	**2.2**
Cash flows from financing activities				
Decrease in senior secured notes	(0.5)	-	(0.5)	-
Decrease in other long term borrowings	(129.6)	-	-	(10.3)
Net cash outflow from financing activities	**(130.1)**	**-**	**(0.5)**	**(10.3)**
(Decrease) / increase in cash and cash equivalents	(150.1)	7.3	(47.6)	(32.9)
Cash and cash equivalents at beginning of period	242.3	58.4	139.8	98.6
Cash and cash equivalents at end of period	**92.2**	**65.7**	**92.2**	**65.7**

Notes to the condensed consolidated financial statements

1. Reconciliation of net cash flow to net debt

	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Movement in cash and cash equivalents	(150.1)	7.3	(47.6)	(32.9)
Decrease in senior secured notes	0.5	-	0.5	-
Decrease in other long term borrowings	129.6	-	-	10.3
Non cash movement[1]	(4.0)	(3.7)	(8.0)	(7.4)
Movement in net debt in period	(24.0)	3.6	(55.1)	(30.0)
Net debt at beginning of period	(414.0)	(452.9)	(382.9)	(419.3)
Net debt at end of period	**(438.0)**	**(449.3)**	**(438.0)**	**(449.3)**

Net debt comprises:

	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
External net debt	(300.2)	(251.5)	(324.1)
Intercompany loans	(137.8)	(131.4)	(125.2)
Net debt at end of period	**(438.0)**	**(382.9)**	**(449.3)**

2. Reporting entity

Miller Homes Group Holdings plc is a Company domiciled in England and Wales. The condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and reflect the underlying trading results of Miller Homes Holdings Limited.

The financial statements 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 and were given an unqualified audit opinion.

3. Accounting policies

The preparation of these condensed consolidated financial statements is based on the accounting policies set out in the audited 2019 financial statements of Miller Homes Group Holdings plc.

[1] The non-cash movement for the 3 months ended 30 June 2020 represents £0.8m (Q2 2019: £0.8m) of arrangement fee amortisation and £3.2m (Q2 2019: £2.9m) of rolled up interest on the unsecured shareholder loan notes.

[2] The non-cash movement for the 6 months ended 30 June 2020 represents £1.6m (H1 2019: £1.6m) of arrangement fee amortisation and £6.4m (H1 2019: £5.8m) of rolled up interest on the unsecured shareholder loan notes.

4. Finance costs	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Interest payable on senior secured notes, bank loans and overdrafts	7.4	6.9	14.4	13.7
Interest payable on amounts owed to immediate parent company	3.2	2.9	6.4	5.8
Imputed interest on land payables on deferred terms	3.1	1.7	4.6	3.4
Finance costs related to employee benefit obligations	0.1	0.1	0.1	0.2
Imputed interest on lease liabilities	0.1	-	0.2	-
	13.9	**11.6**	**25.7**	**23.1**

5. Finance income	3 months ended 30 Jun 2020 £m	3 months ended 30 Jun 2019 £m	6 months ended 30 Jun 2020 £m	6 months ended 30 Jun 2019 £m
Interest on loans to joint ventures	0.1	0.1	0.2	0.3
Other	0.1	0.2	0.3	0.3
	0.2	**0.3**	**0.5**	**0.6**

6. Intangible assets	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
Goodwill	92.2	92.2	92.2
Brand value	54.0	54.0	54.0
	146.2	**146.2**	**146.2**

7. Inventories	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
Land	515.1	517.3	475.6
Work in progress	317.4	296.4	296.6
Part exchange properties	16.0	20.6	21.2
	848.5	**834.3**	**793.4**

8. Loans and borrowings – non-current	As at 30 Jun 2020 £m	As at 31 Dec 2019 £m	As at 30 Jun 2019 £m
Senior secured notes	(405.0)	(405.0)	(405.0)
Deferred financing costs	12.6	13.7	15.2
Intercompany loan (unsecured)	(137.8)	(131.4)	(125.2)
	(530.2)	**(522.7)**	**(515.0)**

Senior secured notes: Following the Group's acquisition of Miller Homes Holdings Limited on 5 October 2017 the Group issued £425m of Senior Secured Notes, and repaid existing bank loans. The Group bought back and cancelled £20m of its Senior Secured Notes in June 2018 (£14m FRN, £6m fixed).

On 27 July 2020, a £160m private placement was concluded, the purpose of which was to repay £110m of Senior Secured Floating Rate Notes and to take advantage of emerging land opportunities. This transaction also resulted in an extension in the maturity of our senior secured debt with the new Senior Secured Notes due in October 2024, one year later than the Senior Secured Floating Rate Notes. Our revised senior secured debt post this transaction is £404m Senior Secured Notes (due October 2024) and £51m Senior Secured Floating Rate Notes (due October 2023).

Intercompany loan: The intercompany loan is payable to Miller Midco 2 Limited, a company ultimately controlled by Bridgepoint funds. The loan is unsecured and repayable in October 2027. On 27 November 2018, £43.5m of this loan was repaid.