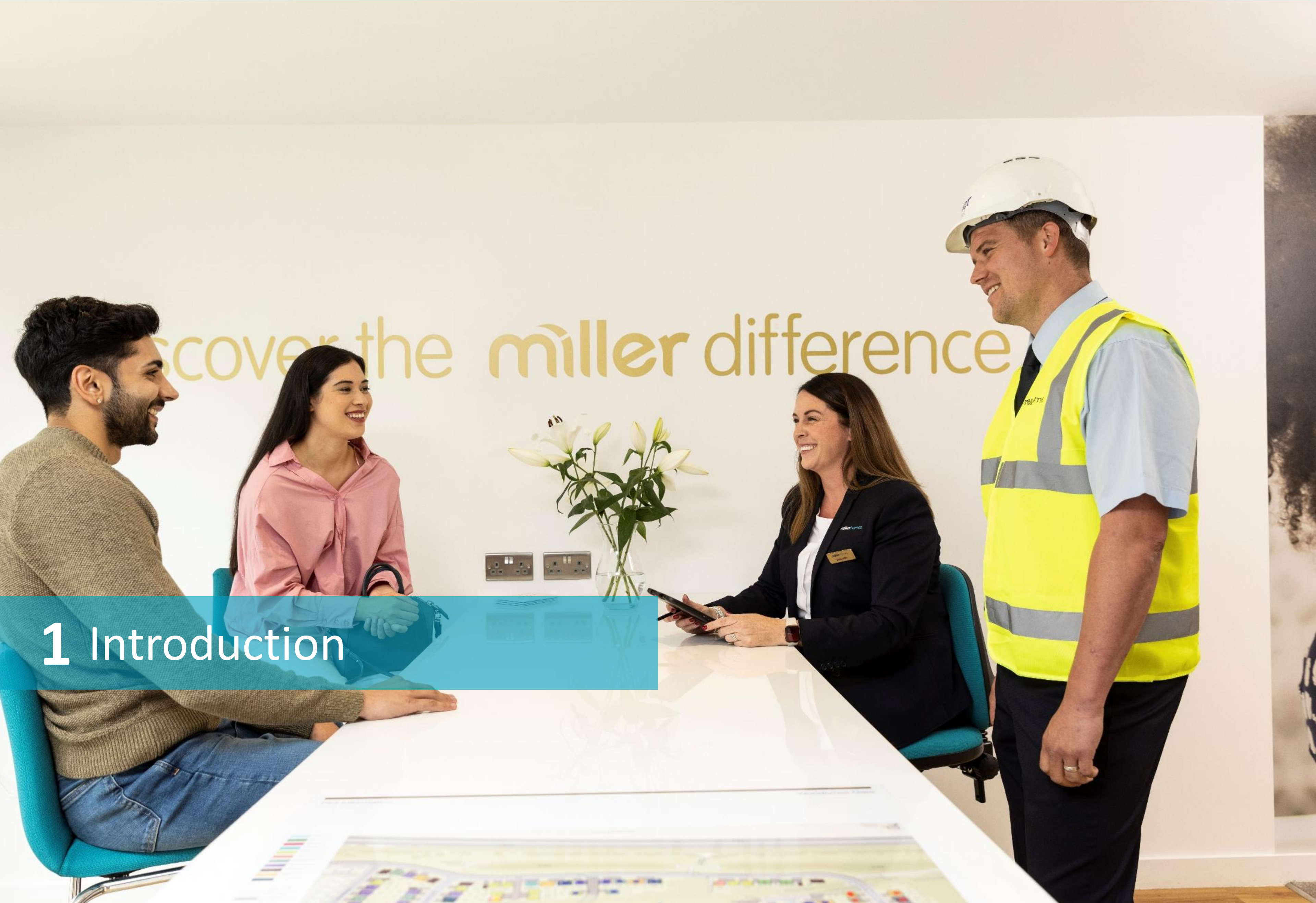
Quarterly Financial Report

For the 3 and 12 months ended 31 December 2022

Contents

Sit down, relax and browse our selection ...
Welcome to Kings Mews...



1 Introduction

Introduction

In accordance with the reporting requirements of its offering of £425m fixed notes and €465m floating rate notes, Miller Homes Group (Finco) plc is pleased to present its Quarterly Financial Report for the 3 and 12 months ended 31 December 2022.

All figures presented in this report relate to the group of companies headed by Miller Homes Group (Finco) plc ("the Group"). The Group acquired Miller Homes Group Limited and its subsidiaries ("MHGL") on 31 March 2022. The figures in this report contain pro forma income statement and cashflow figures. These pro forma figures for the 12 month period ended 31 December 2022 reflect the following:

- The post-acquisition results of the Group for the 9 month period ended 31 December 2022, which have been extracted from the audited records of the Group;
- The exclusion of exceptional items relating to fire safety remediation costs and transactions costs for the acquisition of MHGL;
- The exclusion of Purchase Price Allocation Fair Value adjustments relating to the acquisition of MHGL; and
- The pre-acquisition results for the 3 month period ended 31 March 2022 which have been extracted from the audited records of MHGL.

A reconciliation of the pro forma to the statutory figures is provided below for the income statement and on page 29 for the cash flow statement. The pro forma figures have been used throughout this report.

	Miller Homes Group (Finco) plc 9 months ended 31 Dec 2022 £m	Exclude Exceptional Items £m	Exclude PPA and Fair Value Adjustments £m	Include MHGL 3 months ended 31 Mar 2022 £m	Pro forma 12 months ended 31 Dec 2022 £m
Revenue	915.7	-		253.3	1,169.0
Cost of sales	(750.7)	20.6	33.8	(190.2)	(886.5)
Gross profit	165.0	20.6	33.8	63.1	282.5
Other operating income	0.9	-	-	0.2	1.1
Administrative expenses	(73.1)	21.1	-	(15.5)	(67.5)
Group operating profit	92.8	41.7	33.8	47.8	216.1
Share of result in joint ventures	0.3	-	-	0.2	0.5
Operating profit	**93.1**	**41.7**	**33.8**	**48.0**	**216.6**
Net finance costs	(63.2)	-	-	(9.1)	(72.3)
Profit before taxation	29.9	41.7	33.8	38.9	144.3
Income taxes	(12.7)	(6.0)	(7.8)	(7.3)	(33.8)
Profit for the period	**17.2**	**35.7**	**26.0**	**31.6**	**110.5**

Introduction

miller homes

Set out below are some of the key metrics to provide an overview of the Group's three operating divisions

Division	Completions*	ASP (£000)*	Consented landbank**	Active sites*
Scotland	863 -3%	326 +10%	1,787 -26%	22 +38%
North	1,474 +3%	260 +4%	6,184 +10%	28 +0%
Midlands & South	1,633 +7%	290 +1%	5,943 -17%	22 -15%
Miller Homes	3,970 +3%	286 +4%	13,914 -8%	72 +3%

* Last 12 months ended 31 December 2022. Percentage movement compared to year ended 31 December 2021.
**As at 31 December 2022. Percentage movement compared to 31 December 2021.

miller homes

2 FY22 Operational and Financial Highlights

FY22 Operational and Financial Highlights

2022 Financial overview

- We are pleased to report that despite the headwinds in the second half of 2022, we delivered a 6% increase in proforma operating profit to £216.6m (2021: £203.6m) resulting in an operating margin of 18.5% (2021: 19.5%).

- The key proforma metrics are set out below:

	2022	2021
Total completions	3,970	3,849
Revenue	£1,169.0m	£1,045.8m
Gross profit*	£282.5m	£261.6m
Gross margin*	24.2%	25.0%
Operating profit*	£216.6m	£203.6m
Operating margin*	18.5%	19.5%
ROCE **	35.2%	34.4%

- The increase in proforma operating profit was achieved through a combination of:
  - a 3% increase in total completions to 3,970 homes (2021: 3,849), which is a record for the Group
  - a 4% increase in the average selling price (ASP) to £286k (2021: £275k)
  - a slight reduction in gross margin to 24.2% (2021: 25.0%)
  - administrative expenses reducing to 5.8% of revenue (2021: 5.9%)

- Operating profit post exceptional items is £174.9m (2021: £192.7m). The exceptional items in the current year relate to a £20.6m fire safety charge (2021: £5.5m) and a £21.1m charge (2021: £5.4m) for costs associated with the Apollo acquisition.

- The exceptional fire safety charge of £20.6m represents additional costs of remedial work identified resulting from the extension of liability under the Building Safety Act which was enacted during the year. The effect of this is to extend the scope of buildings to those built within the last 30 years (from 1992 onwards) which also includes properties built historically by entities that we had acquired. The requirements of the Building Safety Act have been enshrined in the Self Remediation Contract with the Department for Levelling Up, Housing and Communities which we signed on 13 March 2023. At the end of 2022, we have an overall provision of £30m.

- EBITDA (excluding exceptional items) is £219.7m (December 2021: £206.0m).

* Gross profit and Operating profit are shown on proforma basis and exclude exceptional items of £20.6m (2021: £5.5m) and £41.7m (2021: £10.9m) respectively
** ROCE calculated for the 12 month periods ending 31 December 2022 and 2021 based on proforma operating profit (refer page 16)

FY22 Operational and Financial Highlights *(continued)*

miller homes

Trading

- Revenue
  - Revenue for the 12 months ended 31 December 2022 was £1,169.0m (2021: £1,045.8m), an increase of 12% on 2021. This was largely due to core revenue derived from house sales being 8% up on the prior year at £1,123.3m (2021: £1,036.4m) reflecting a 4% increase in both core completions and ASP. The remainder of the increase was due to land sales (£18.6m higher) and other revenue (£17.7m higher) largely due to Walker Timber, with 2022 being its first full year contributing to results following its acquisition in December 2021.
  - 90% of completions in the 12 months ended 31 December 2022 were sold with client optional upgrades (2021: 84%). The average value of client options was £10,200 (2021: £8,700).

- Gross profit
  - Gross profit (excluding exceptional items) in the 12 months ended 31 December 2022 was £282.5m (2021: £261.6m) resulting in a gross margin of 24.2% (2021: 25.0%). The reduction in margin was mainly driven by the impact of HPI/CPI which, whilst margin dilutive, ultimately resulted in a higher gross profit per core unit completion (excluding exceptional items) of £72,000 (2021: £69,300).

- Administrative expenses
  - Administrative expenses increased to £67.5m in the 12 months ended 31 December 2022 (2021: £61.6m). The £5.9m increase reflects higher headcount following both the December 2021 acquisition of Walker Timber as well as increased recruitment in our core business.

Land

- 3 sites (745 plots) were acquired in Q4 2022, resulting in the acquisition of 19 sites (3,008 plots) in the 12 months ended 31 December 2022. This compares to 28 sites (5,745 plots) being acquired in the prior year period. The year-on-year reduction reflects a more cautious approach to land buying in H2 2022 in response to weaker market conditions.

- The reduction in land buying activity has resulted in a fall in land payables to £96.5m (2021: £144.3m), of which £79.3m (2021: £85.3m) is payable within one year. In addition, the value of exchanged conditional contracts has fallen to £29.6m (£2021: £52.9m) of which £20.9m (2021: £32.3m) is likely to be payable within one year.

- The owned landbank is 10,724 plots, a 11% decrease on the December 2021 landbank of 12,057 plots. Combined with 3,190 plots in the controlled landbank, this results in a consented landbank of 13,914 plots (Dec 2021: 15,169 plots), representing 3.5 years' supply (Dec 2021: 4.0 years), based on the last 12 months' completions.

- The strategic landbank has remained at similar levels to December 2021, with 39,203 plots (Dec 2021: 39,222 plots).

FY22 Operational and Financial Highlights

Cash and leverage

- Combined with a cautious approach to land buying in the second half of the year and the aforementioned record number of completions, our year end cash balance was £190m (2021: £161m). This was higher than anticipated at the halfway point of the year due to the decisions taken on land purchases in the second half of the year.
- The Group has a £180m RCF that remained undrawn (other than in respect of an outstanding avalised promissory note of £10m related to deferred payments on a land acquisition that occurred in December 2021 and a working capital facility for an aggregate amount of approximately £0.4m).
- Free cash flow for the 3 months to 31 December 2022 was £119.1m inflow (Q4 2021: £14.0m inflow) driven by strong sales performance and a significant reduction in land spend.
- Free cash flow for year ended 31 December 2022 was £151.7m (2021: £175.2m) and represents 69% (2021: 85%) of EBITDA.
- Net LTV* is 82%, based on net inventory of £772.4m and net debt of £636.1m** and compares to 86% at 30 September 2022.
- Net leverage is 2.9x, based on LTM EBITDA (excluding exceptional items) of £219.7m and net debt** of £636.1m. This compares to the net leverage position at 30 September 2022 of 3.5x.
- Embedded land bank value*** is £1,731m (Sep 2022: £1,889m) which is 2.7x net debt** (Sep 2022: 2.7x). The fall in the embedded land bank value primarily reflects the reduction in the owned land bank in the quarter as a result of the aforementioned actions taken on land investment.

Forward sales

- Forward sales for the next 12 months is £481m (2021: £665m). Forward sales continue to be high when compared to pre-pandemic levels, with the current position being 47% ahead of 2019 (£328m). The latest position is set out in the Trading Update section.

* LTV: Loan to value is net debt divided by net inventory (inventory less land payables).
** Excludes the capitalisation of bond financing costs (£36.3m) – refer page 13.
*** Embedded landbank value is the gross development value of our owned landbank less estimated remaining development costs and net land payables plus the net option value of the strategic landbank for plots in the landbank at 31 December 2022 based on the December 2022 baseline for selling prices.

Financial Highlights

Revenue for the 3 months to 31 December 2022 increased by 36.9% to £365.7m (Q4 2021: £267.1m), reflecting a 24.2% increase in core completions, a 11.6% increase in ASP and an increase in other revenue relating to Walker Timber (£2.0m) offset by a reduction in land sales (£3.5m).

Gross profit for the 3 months to 31 December 2022 was £87.8m (Q4 2021: £72.2m). Gross margin in the 3 month period was 24.0% which compares to 24.2% for the full year.

Administrative expenses for the 3 months to 31 December 2022 totalled £16.9m (Q4 2021: £16.6m) The £0.3m increase reflects a full quarter of Walker Timber expenses offset by lower costs elsewhere in the Group.

Net finance costs in the 3 month period ended 31 December 2022 were £22.1m (Q4 2021: £14.9m). The increase primarily reflects the refinancing which took place on 31 March 2022.

	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	% change	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2021 £m	% change
Revenue	365.7	267.1	36.9	1,169.0	1,045.8	11.8
Cost of sales	(277.9)	(194.9)	42.6	(886.5)	(784.2)	13.0
Gross profit	87.8	72.2	21.6	282.5	261.6	8.0
Other operating income	0.3	0.2	50.0	1.1	1.0	10.0
Administrative expenses	(16.9)	(16.6)	1.8	(67.5)	(61.6)	9.6
Group operating profit	71.2	55.8	27.6	216.1	201.0	7.5
Share of result in joint ventures	0.2	0.3	(33.3)	0.5	2.6	(80.8)
Operating profit	**71.4**	**56.1**	**27.3**	**216.6**	**203.6**	**6.4**
Net finance costs	(22.1)	(14.9)	48.3	(72.3)	(47.5)	52.2
Profit before taxation	49.3	41.2	19.7	144.3	156.1	(7.6)
Income taxes	(11.7)	(8.3)	41.0	(33.8)	(32.7)	3.4
Profit for the period	**37.6**	**32.9**	**14.3**	**110.5**	**123.4**	**(10.5)**
Gross margin %	24.0%	27.0%	-300bps	24.2%	25.0%	-80bps
Operating margin %	19.5%	21.0%	-150bps	18.5%	19.5%	-100bps
Profit for the period	37.6	32.9	14.3	110.5	123.4	(10.5)
Income taxes	11.7	8.3	41.0	33.8	32.7	3.4
Net finance costs	22.1	14.9	48.3	72.3	47.5	52.2
Depreciation	1.0	0.4	150.0	3.1	2.4	29.2
EBITDA	**72.4**	**56.5**	**28.1**	**219.7**	**206.0**	**6.7**

- The Financial Highlights commentary on pages 10 and 11 compares the results for the 3 month period ended 31 December 2022 with the 3 month period ended 31 December 2021.
- The pro forma results for 3 months and 12 months ended 31 December 2022 exclude exceptional items of £41.7m (2021: £10.9m).

Financial Highlights

Analysis of revenues, completions and ASP

Private revenue for the 3 months ended 31 December 2022 increased by 44.7% to £317.9m (Q4 2021: £219.7m), which was driven by a 33.0% increase in completions and 8.4% increase in ASP.

Affordable revenue increased by 4.5% to £44.1m (Q4 2021: £42.2m) driven by higher completions in the quarter.

Other revenue of £3.7m (Q4 2021: £1.7m) is revenue from the sale of timber products by Walker Timber following its acquisition in December 2021.

Core completions increased by 24.2% to 1,212 units (Q4 2021: 976 units). Private completions increased by 33.0% to 910 units (Q4 2021: 684 units). Affordable completions increased by 3.4% to 302 units (Q4 2021: 292 units). The increase in private completions reflected the sequencing of site launches as previously reported.

ASP for the 3 month period increased by 11.6% to £299,000 (Q4 2021: £268,000). Private ASP increased by 8.4% to £349,000 (Q4 2021: £322,000) due to house price inflation and regional mix offset by a slight decrease in unit size. Affordable ASP increased by 0.7% to £146,000 (Q4 2021: £145,000). The overall increase in ASP of 11.6% is greater than the respective increases in private and affordable ASPs due to a decrease in the proportion of affordable completions in the period to 25% (Q4 2021: 30%).

	3 months ended Dec 2022	3 months ended Dec 2021	12 months ended Dec 2022	12 months ended Dec 2021
	£m	£m	£m	£m
Private revenue	317.9	219.7	974.8	904.0
Affordable revenue	44.1	42.2	148.5	132.4
Land sales	-	3.5	26.3	7.7
Other	3.7	1.7	19.4	1.7
Total revenue	**365.7**	**267.1**	**1,169.0**	**1,045.8**
	Units	Units	Units	Units
Private completions	910	684	2,887	2,823
Affordable completions	302	292	1,034	952
Core completions	**1,212**	**976**	**3,921**	**3,775**
Joint venture completions	18	11	49	74
Total completions	**1,230**	**987**	**3,970**	**3,849**
	£000	£000	£000	£000
Private ASP	349	322	338	320
Affordable ASP	146	145	144	139
Total ASP	**299**	**268**	**286**	**275**

* The Financial Highlights commentary on pages 10 and 11 compares the results for the 3 month period ended 31 December 2022 with the 3 month period ended 31 December 2021.

3 Net Debt, Liquidity and Cashflow

Net Debt, Liquidity and Cashflow

The floating rate notes have been translated at the year end exchange rate of c. 1.13 €/£. A swap contract was entered into in May 2022 at an exchange rate of c. 1.19 €/£. At the year end, this resulted in an asset of £19.7m and largely offsets the movement in exchange rates over the period.

Net cash inflow from operating activities for the 3 months ended 31 December 2022 was £90.5m (Q4 2021: £13.6m inflow), an increase of £76.9m. This is driven by working capital inflows of £46.7m (Q4 2021: £12.2m outflows) primarily due to reduced land spend and higher operating profit.

Net cash outflow from investing activities for the 3 months ended 31 December 2022 was £0.8m (Q4 2021: £19.1m outflow) with last year including the acquisition of Walker Timber (£18.1m).

There were cashflows from financing activities of £0.6m in the 3 months to 31 December 2022 representing lease payments. The prior year reflects the repayment of senior secured notes (£51.0m) and shareholder loans (£50.9m) in Q4 2021.

	As at 31 Dec 2022 £m	As at 30 Sep 2022 £m
Senior Secured Notes	(837.3)	(815.0)
Exchange rate swap asset	19.7	-
Lease liabilities	(8.3)	(5.8)
Cash and cash equivalents	189.8	100.7
Total external net debt excluding capitalised fees	**(636.1)**	**(720.1)**
Deferred financing costs	36.3	37.7
Total external net debt	**(599.8)**	**(682.4)**

	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2021 £m
Net cashflow from operating activities	90.5	13.6	78.7	148.5
Net cashflow from investing activities	(0.8)	(19.1)	(924.3)	(27.1)
Net cashflow from financing activities	(0.6)	(102.4)	895.5	(203.8)
Movement in cash and cash equivalents	89.1	(107.9)	49.9	(82.4)
Transaction costs	-	-	(21.1)	-
Cash and cash equivalents at beginning of period	100.7	268.9	161.0	242.8
Cash and cash equivalents acquired with Wallace Land Investments and Management Limited	-	-	-	0.6
Cash and cash equivalents at end of period	**189.8**	**161.0**	**189.8**	**161.0**

* Cashflows for the 3 month and 12 month periods ended 31 December 2021 have been restated to treat lease payments as a financing activity.

Net Debt, Liquidity and Cashflow

Free cash flow for the 3 months ended 31 December 2022 was an inflow of £119.2m compared to an inflow of £14.0m in the prior year, which represents a variance of £105.2m. The variance has been driven primarily by reduced net land investment and development spend in the final quarter supported by strong cash generation from increased core completions.

For the 12 month period, the variance in free cashflow is £23.5m. This principally reflects abnormally strong post-pandemic cash generation in 2021. The action taken with respect to controlling land spend in the second half of 2022 resulted in free cashflow reaching 69% of EBITDA for the full year (normally c.50% in pre-pandemic years).

As the Group has continued to generate significant levels of cash, there are a number of available options. These include additional land purchases or shareholder distributions and the Group (or any of its subsidiaries) or affiliates of the sponsor may from time-to-time purchase Senior Secured Notes.

	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2021 £m
Proforma EBITDA	**72.5**	**56.5**	**219.7**	**206.0**
Exceptional items	(20.6)	(10.9)	(20.6)	(10.9)
Net land investment (in excess of)/less than cost of sales	25.1	(41.7)	5.4	(48.2)
Development spend (in excess of)/less than cost of sales	19.0	(1.7)	(43.2)	11.1
Change in working capital	23.4	10.4	(3.3)	0.5
Cash flows from JVs (not included in EBITDA)	(0.2)	(0.7)	(8.4)	6.2
Shared equity loan receivables	-	0.3	1.1	2.4
Other	-	1.8	1.0	8.1
Free cash flow*	**119.2**	**14.0**	**151.7**	**175.2**
Net land spend (included in cost of sales)	53.8	37.7	160.5	171.1
Net land investment in excess of cost of sales	(25.1)	41.7	(5.4)	48.2
Total net land spend	**28.7**	**79.4**	**155.1**	**219.3**
Free cash flow pre net land spend	**147.9**	**93.4**	**306.8**	**394.5**

*Free cashflow represents the cash movement per the pro forma 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.

miller homes

4 Capital Employed, Inventory and Landbank

Capital Employed, Inventory and Landbank

Capital employed is £628.2m as at 31 December 2022 (Dec 2021: £602.5m) primarily due to lower land creditors more than offsetting the reduction in inventory.

Return on capital employed is 35.2% compared to 34.4% for the 12 months ended 31 December 2021.

	As at and for the 12 months ended 31 Dec 2022 £m	As at and for the 12 months ended 31 Dec 2021 £m
Net assets	537.1	496.1
External net debt	599.8	248.4
Intangible assets *	(508.7)	(142.0)
Capital employed **	628.2	602.5
Operating profit ***	216.6	203.6
ROCE (%)	**35.2%**	**34.4%**

* Intangible assets include a deferred tax liability on the brand value of £43.0m (2021: £13.5m)

** Capital employed as at 31 December 2022 reflects the position of Miller Homes Group (Finco) plc. Capital employed as at 31 December 2021 reflects the position of Miller Homes Group Holdings Limited.

*** Operating profit is presented on a pro forma basis (refer page 4).

Capital Employed, Inventory and Landbank

miller homes

The Group acquired 19 sites (3,008 plots) in the year ended 31 December 2022, which compares to 28 sites (5,475 plots) in the prior year.

Net inventory increased by £25.3m largely due to higher work in progress which reflects higher infrastructure costs on several sites and an increase in units under construction as we look to make some refinements to our customer journey process.

The owned landbank at 31 December 2022 has decreased to 10,724 plots (Gross development value: £3.2bn). All owned land which has a detailed planning permission is being developed.

The consented landbank has decreased to 13,914 plots (Dec 2021: 15,169 plots). Based on the last 12 months' core completions of 3,921 this represents 3.5 years' supply (Dec 2021: 4.0 years).

Net inventory	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Land	502.7	569.5
Work in progress	363.0	321.6
Part exchange properties	3.2	0.3
Inventory	**868.9**	**891.4**
Land payables	(96.5)	(144.3)
Net inventory	**772.4**	**747.1**

Embedded landbank value*	£m	£m
Estimated GDV	3,194.7	3,415.2
Estimated remaining development costs	(1,580.3)	(1,657.0)
Net land payables	(92.7)	(145.8)
Net proceeds from owned landbank	**1,521.7**	**1,612.4**
Net option value of strategic landbank	208.8	253.8
Total	**1,730.5**	**1,866.2**

Landbank	Plots	Plots
Owned / unconditional	10,724	12,057
Controlled	3,190	3,112
Consented	**13,914**	**15,169**
Strategic	39,203	39,222
Total	**53,117**	**54,391**

* Embedded landbank value is the gross development value of our owned landbank less estimated remaining development costs and net land payables plus the net option value of the strategic landbank for plots in the landbank at 31 December 2022 based on the December 2022 baseline for selling prices.

miller homes

5 Trading Update

Trading Update

- Our year-to-date private sales rate is 0.60 and has rebounded from 0.26 in Quarter 4 2022. That said, it is around 23% lower than the pre-pandemic levels of 2019 and 2020 and 37% below the post-pandemic average of 2021 and 2022.

- We entered the year with a 2023 forward sales position of £481m on 1,782 core and JV homes. This has now grown to £690m and 2,445 homes (and includes revenue on homes which we have completed in the first 3 months of the year). 71% of the £690m sales value relates to homes which have either exchanged or completed.

- The current sales market is more deal-led. On a net basis (i.e. after incentives of 3-4%), selling prices have been broadly flat in the current year and are around 4% down on their September 2022 peak.

- In relation to supply chain, lead times and availability for materials are returning to pre-pandemic levels. A cost mitigation strategy has been rolled out for 2023 with a tailored approach taken across all commodities and contractors. Including value engineering opportunities, our target is to minimise overall cost inflation back to pre-pandemic levels of around 3%.

- We have re-entered the land market albeit are maintaining a selective approach. We are seeing good opportunities with margin expectations at or above hurdle rates with land valuations also taking account of current sales prices, sales rates and costs.

- At this stage of the year, it is difficult to provide guidance on full year 2023 volumes. However, in the event that a sales rate of 0.55-0.60 (i.e. in line with our current experience) can be achieved throughout the year, then full year volumes are likely to be in the range of 3,250 to 3,600 units.

- We retained our 5 star HBF Customer Satisfaction rating making this the 11th time in the last 12 years.

- In March 2023, we have refreshed our ESG strategy, known as '"A Better Place". This can be found on our corporate website (www.millerhomes.co.uk/corporate/a-better-place/informed-investors.aspx). Our new strategy aims to reduce our Scope 1 and 2 emissions by 80% by 2031. We have set 24 targets which will be measured and reported annually. These are set out in Section 7 below.

6 Group Pro Forma Condensed Consolidated Financial Statements

Pro Forma Consolidated Income Statement

for the 3 and 12 month periods ended 31 December 2022

	Note	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2021 £m
Revenue		**365.7**	**267.1**	**1,169.0**	**1,045.8**
Cost of sales		(277.9)	(194.9)	(886.5)	(784.2)
Gross profit		**87.8**	**72.2**	**282.5**	**261.6**
Other operating income		0.3	0.2	1.1	1.0
Administrative expenses		(16.9)	(16.6)	(67.5)	(61.6)
Group operating profit		**71.2**	**55.8**	**216.1**	**201.0**
Share of result in joint ventures		0.2	0.3	0.5	2.6
Operating profit		**71.4**	**56.1**	**216.6**	**203.6**
Finance costs	*4*	(23.4)	(15.3)	(74.0)	(48.2)
Finance income	*5*	1.3	0.4	1.7	0.7
Net finance costs		(22.1)	(14.9)	(72.3)	(47.5)
Profit before taxation		**49.3**	**41.2**	**144.3**	**156.1**
Income taxes		(11.7)	(8.3)	(33.8)	(32.7)
Profit for the period		**37.6**	**32.9**	**110.5**	**123.4**

The results for the 3 and 12 month periods ended 31 December 2022 have been prepared on a pro forma basis as described on page 4.

The results for the 3 and 12 months ended 31 December 2021 represent the pre-exceptional results reported in the audited financial statements of Miller Homes Group Limited.

Consolidated Statement of Financial Position

miller homes

	Note	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Assets			
Non-current assets			
Intangible assets (incl goodwill)	*6*	551.7	155.5
Property, plant and equipment		7.9	6.5
Right of use assets		7.9	6.7
Investment in joint ventures		12.4	4.1
Shared equity loan receivables		3.5	4.6
Exchange rate swap		19.7	-
Retirement benefit obligations		8.2	7.2
		611.3	**184.6**
Current assets			
Inventories	*7*	868.9	891.4
Trade and other receivables		39.5	38.0
Cash and cash equivalents		189.8	161.0
		1,098.2	**1,090.4**
Total assets		**1,709.5**	**1,275.0**

Consolidated Statement of Financial Position *(continued)*

miller homes

	Note	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Liabilities			
Non-current liabilities			
Loans and borrowings	*8*	(801.0)	(402.4)
Trade and other payables		(17.2)	(59.0)
Deferred tax		(34.3)	(9.9)
Lease liabilities		(5.8)	(5.1)
Provisions and deferred income		(33.1)	(12.8)
		(891.4)	**(489.2)**
Current liabilities			
Trade and other payables		(278.5)	(287.8)
Lease liabilities		(2.5)	(1.9)
		(281.0)	**(289.7)**
Total liabilities		**(1,172.4)**	**(778.9)**
Net assets		**537.1**	**496.1**
Equity			
Share capital		527.9	151.0
Retained earnings		9.2	345.1
Total equity attributable to owners of the parent		**537.1**	**496.1**

The December 2022 figures represent the audited accounts of Miller Group (Finco) plc. The December 2021 figures represent the audited accounts of Miller Homes Group Holdings Limited (formerly Miller Homes Group Holdings PLC).

Pro Forma Consolidated Cashflow Statement
for the 3 and 12 month periods ended 31 December 2022

	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2021 £m
Cash flows from operating activities				
Profit for the period	37.6	32.9	110.5	123.4
Depreciation	1.1	0.4	3.1	2.4
Finance income	(1.3)	(0.4)	(1.7)	(0.7)
Finance cost	23.4	15.3	74.0	48.2
Share of post tax result from joint ventures	(0.2)	(0.3)	(0.5)	(2.6)
Taxation	11.7	8.3	33.8	32.7
	72.3	56.2	219.2	203.4
Working capital movements:				
Movement in trade and other receivables	12.1	6.8	(6.7)	(9.7)
Movement in inventories	65.4	(80.5)	14.2	(66.9)
Movement in trade and other payables	(30.8)	50.6	(67.2)	74.9
Cash generated from operations	119.0	33.1	159.5	201.7
Interest paid	(23.2)	(12.3)	(53.2)	(26.3)
Corporation tax paid	(5.3)	(7.2)	(27.6)	(26.9)
Net cashflow from operating activities	**90.5**	**13.6**	**78.7**	**148.5**
Cash flows from investing activities				
Acquisition of Miller Homes Group Limited	-	-	(914.4)	-
Acquisition of Wallace Land Investments and Management Limited	-	-	-	(17.2)
Acquisition of Walker Timber Limited	-	(18.1)	-	(18.1)
Acquisition of property, plant and equipment	(0.9)	(0.6)	(2.1)	(0.6)
Movement in loans with joint ventures	0.1	(0.4)	(7.8)	8.8
Net cashflow from investing activities	**(0.8)**	**(19.1)**	**(924.3)**	**(27.1)**
Cash flows from financing activities				
Proceeds from issue of share capital	-	-	527.9	-
Issue of senior secured notes (net of deferred financing costs)	-	-	774.1	-
Lease payments	(0.6)	(0.5)	(2.5)	(1.9)
Repayment of senior secured notes	-	(51.0)	(404.0)	(51.0)
Decrease in other long term borrowings	-	(50.9)	-	(150.9)
Net cashflow from financing activities	**(0.6)**	**(102.4)**	**895.5**	**(203.8)**
Movement in cash and cash equivalents	89.1	(107.9)	49.9	(82.4)
Transaction costs	-	-	(21.1)	-
Cash and cash equivalents at beginning of period	100.7	268.9	161.0	242.8
Cash and cash equivalents acquired with Wallace Land Investments and Management Limited	-	-	-	0.6
Cash and cash equivalents at end of period	**189.8**	**161.0**	**189.8**	**161.0**

Notes to the Condensed Consolidated Financial Statements

1. Reconciliation of net cash flow to net debt

	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2021 £m
Movement in cash and cash equivalents	89.1	(107.9)	49.9	(82.4)
Cash in Wallace Land at acquisition	-	-	-	0.6
Issue of Senior Secured Notes (net of arrangement fees)	-	-	(774.1)	-
Repayment of Senior Secured Notes	-	51.0	404.0	51.0
Decrease in intercompany loan classed as debt	-	50.9	-	150.9
Transaction costs	-	-	(21.1)	-
Movement in Lease liabilities**	1.3	(0.3)	2.5	(0.3)
Non-cash movement*	(7.8)	(7.9)	(12.6)	(16.1)
Movement in external net debt in period	82.6	(14.2)	(351.4)	103.7
External net debt at beginning of period	(682.4)	(234.2)	(248.4)	(352.1)
External net debt at end of period	**(599.8)**	**(248.4)**	**(599.8)**	**(248.4)**

External net debt comprises:	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Loans and borrowings	(837.3)	(404.0)
Exchange rate swap asset	19.7	-
Cash	189.8	161.0
Lease liabilities**	(8.3)	(7.0)
Debt arrangement fees	36.3	1.6
External net debt at end of period	**(599.8)**	**(248.4)**

*The non-cash movement for the 3 months ended 31 December 2022 represents £1.6m (Q4 2021: £0.8m) of arrangement fee amortisation and a £19.7m (2021: nil) unrealised gain on exchange rate swap. Q4 2021 also included £1.2m of rolled up interest on the unsecured shareholder loan notes which have since been repaid.

*The non-cash movement for the 12 months ended 31 December 2022 represents £4.8m (2021: £2.4m) of arrangement fee amortisation and a £19.7m (2021: nil) unrealised gain on the exchange rate swap. 2021 also included £5.8m of rolled up interest on the unsecured shareholder loan notes which have since been repaid.

** Lease liabilities have been reclassified to net debt in the current year and prior period numbers have been recalculated accordingly.

miller homes

2. Reporting entity

Miller Homes Group (Finco) plc (the "Company") is a Company domiciled in England and Wales. The company changed its name from Castle UK Finco plc on 21 December 2022. The pro forma condensed consolidated financial statements for the 3 and 12 month periods ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and reflect the underlying trading results of Miller Homes Group Limited.

The Company's statutory financial statements for the period ended 31 December 2022 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 pro forma condensed consolidated financial statements is based on the accounting policies set out in the audited financial statements of Miller Homes Group Limited.

4. Finance costs

	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2022 £m
Interest payable on senior secured notes, bank loans and overdrafts	21.0	13.5	66.8	35.8
Interest payable on amounts owed to immediate parent company	-	0.6	-	6.4
Imputed interest on land payables on deferred terms	2.4	1.3	6.9	5.7
Imputed interest on lease liabilities	-	-	0.3	0.3
Finance costs related to employee benefit obligations	-	(0.1)	-	-
	23.4	**15.3**	**74.0**	**48.2**

5. Finance income	3 months ended 31 Dec 2022 £m	3 months ended 31 Dec 2021 £m	12 months ended 31 Dec 2022 £m	12 months ended 31 Dec 2022 £m
Imputed interest on land sale receipts payable on deferred terms	0.7	0.3	0.7	0.3
Finance income related to employee benefit obligations	0.3	-	0.3	-
Interest on loans to joint ventures	0.2	-	0.4	0.1
Other	0.1	0.1	0.3	0.3
	1.3	**0.4**	**1.7**	**0.7**

6. Intangible assets	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Goodwill	379.7	101.5
Brand value	172.0	54.0
	551.7	**155.5**

7. Inventories	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Land	502.7	569.5
Work in progress	363.0	321.6
Part exchange properties	3.2	0.3
	868.9	**891.4**

8. Loans and borrowings – non-current	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Senior Secured Notes	(837.3)	(404.0)
Deferred financing costs	36.3	1.6
	(801.0)	**(402.4)**

Senior Secured Notes: On 31 March 2022, the Group repaid the remaining £404m of Senior Secured Notes. Then, on 9 May 2022 the Group issued £425m fixed rate notes and €465m floating rate notes. The floating rate notes have been translated at the year end exchange rate, giving rise to a sterling equivalent balance for the combined Senior Secured Notes of £837.3m. As previously noted, the Group has swap contracts to hedge the currency element of the floating rate notes, which gave rise to a £19.7m exchange rate swap asset at year end.

Pro Forma Consolidated Cashflow Statement

for the 12 month period ended 31 December 2022

Reconciliation of the pro forma cashflow to the audited financial records of Miller Homes Group (Finco) PLC	Miller Finco 9 months ended 31 Dec 2022 £m	Exclude Exceptional items £m	Exclude Fair Value adjustments £m	MHGL 3 months ended 31 Mar 2022 £m	Pro forma 12 months ended 31 Dec 2022 £m
Cash flows from operating activities					
Profit for the period	17.2	35.7	26.0	31.6	110.5
Depreciation	2.4	-	-	0.7	3.1
Finance income	(1.6)	-	-	(0.1)	(1.7)
Finance cost	64.8	-	-	9.2	74.0
Share of post tax result from joint ventures	(0.3)	-	-	(0.2)	(0.5)
Taxation	12.7	6.0	7.8	7.3	33.8
	95.2	41.7	33.8	48.5	219.2
Working capital movements:					
Movement in trade and other receivables	1.2	-	-	(7.9)	(6.7)
Movement in inventories	45.6	-	(33.8)	2.4	14.2
Movement in trade and other payables	(48.7)	(20.6)	-	2.1	(67.2)
Cash generated from operations	93.3	21.1	-	45.1	159.5
Interest paid	(42.5)	-	-	(10.7)	(53.2)
Corporation tax paid	(19.2)	-	-	(8.4)	(27.6)
Net cashflow from operating activities	**31.6**	**21.1**	**-**	**26.0**	**78.7**
Cash flows from investing activities					
Acquisition of Miller Homes Group Limited	(914.4)	-	-	-	(914.4)
Cash acquired with Miller Homes Group Limited	178.3	-	-	(178.3)	-
Acquisition of property, plant and equipment	(1.7)	-	-	(0.4)	(2.1)
Movement in loans with joint ventures	(0.1)	-	-	(7.7)	(7.8)
Net cashflow from investing activities	**(737.9)**	**-**	**-**	**(186.4)**	**(924.3)**
Cash flows from financing activities					
Proceeds from issue of share capital	527.9	-	-	-	527.9
Issue of Senior Secured Notes (net of deferred financing costs)	774.1	-	-	-	774.1
Lease payments	(1.9)	-	-	(0.6)	(2.5)
Repayment of senior secured notes	(404.0)	-	-	-	(404.0)
Net cashflow from financing activities	**896.1**	**-**	**-**	**(0.6)**	**895.5**
Movement in cash and cash equivalents	189.8	21.1	-	(161.0)	49.9
Transaction costs	-	(21.1)	-	-	(21.1)
Cash and cash equivalents at beginning of period	-	-	-	161.0	161.0
Cash and cash equivalents at end of period	**189.8**	**-**	**-**	**-**	**189.8**

7 ESG Strategy and Targets

ESG Strategy and Targets

We are committed to publishing our ESG targets and our progress on an annual basis. In the tables below you will find outlined our ESG commitments, the targets we have put in place, the timescales we are working to, and our progress to date.

1. BUILDING RESPONSIBLY

Target	By when	2022 Progress
An 80% Reduction in Scope 1 and Scope 2 emissions	By 2031 – ongoing	5% reduction *
To assess Scope 3 emissions and set a Net Zero target	Net Zero Target to be set during 2023	Scope 3 assessment completed
Diversion of waste from landfill of 98%	By 2025	Achieved 98%
Diversion of waste from landfill of 100%	By 2030	Achieved 98%
Recycling rate of 75%	By 2025	Achieved 81%
Recycling rate of 85%	By 2030	Achieved 81%
Reduction in waste per EBU	By 2023	Pilots underway to assist with target-setting

2. SUSTAINABLE LIVING

Target	By when	2022 Progress
100% of our electricity supplies from renewable sources	By 2024	Achieved 65% **
100% timber obtained from sustainable sources	Annual	100% of Group's timber suppliers hold PEFC or FSC certification

* Figures do not include Walker Timber emissions and are reported on a market basis.
**Figures do not include Walker Timber

ESG Strategy and Targets

3. QUALITY HOMES

Target	By when	2022 Progress
To achieve an annual Construction Quality Rate of 85% above standard	Annual	Achieved 88.3%

4. HEALTHY COMMUNITIES

Target	By when	2022 Progress
To increase engagement in local communities through enhanced charity funding and employ interest	By 2023	Donated £158,000
Target of annual donations of £200,000 per annum	By 2023	Donated £158,000
To increase year on year the number of homes which are affordable to the customers in their markets	Annual	2022: 26% / 1,034 homes
To set a strategy to deliver a net gain in biodiversity on all developments	By 2023	Ongoing

5. HAPPY CUSTOMERS

Target	By when	2022 Progress
Achieve higher than 90% in HBF Customer Satisfaction Survey	Annual	91.1%

6. INFORMED INVESTORS

Target	By when	2022 Progress
Commitment to publish annual ESG targets and progress against targets	Annual	Achieved

ESG Strategy and Targets

7. THRIVING TEAMS

Target	By when	2022 Progress
Safety first / Reduction in AIRs	Annual	2022: 459 2021: 535
ISO 45001 and ISO 14001 accreditation	Annual	Renewed in 2021 for a 3 year period
Improve Health and Wellbeing of all staff over a 5 year period	By 2025	Refreshed the strategy during 2022
Wholesale review of employee benefits	By 2023	Ongoing
Number of skills training days to increase to 4 days per employee	By end of 2024	2.86 days
Attain IIP Platinum status	By 2023	Achieved
Increase the percentage of female employees	By 2026	30.3% in 2022 30.4% in 2021

8. VALUED PARTNERS

Target	By when	2022 Progress
Responsible supplier and subcontractor policies	By 2023	Ongoing