# The Miller Group (UK) Limited

Annual report and consolidated financial statements

Registered number SC453116

For the year ended 31 December 2015

## Contents

## Strategic Report

*Business review*

The Miller Group is pleased to report a strong set of financial results for the year. This reflects the continued successful implementation of Miller Homes' strategy of volume growth and disciplined land investment, whilst benefiting from a strong housing market.

The housing market plays a pivotal role in the UK economy demonstrated by its prominence in the political arena, where both the demand and need for quality new homes has been recognised. The key factors to a sustainable market - low interest rates, improved availability of mortgages, consumer confidence and strong underlying demand - were all in place to underpin performance in 2015.

The proposed planning reforms which have been announced by the Government to accelerate planning decisions are encouraging. On the demand side, the extension of Help to Buy through to 2021 in England and 2019 in Scotland ensures continued support for the mainstream new build market and particularly first time buyers.

Following the sale of Miller Construction in 2014, the Board has focused on reducing central overheads and facilitating the independent operations, management and financing of the Miller Homes, Miller Developments and Miller Mining businesses. On further review in 2015, the Board concluded that shareholder value over time would best be promoted through disposing of the Group's Mining interests and formally separating Miller Developments from Miller Homes. The sale of Miller Mining's interest in the Miller Argent joint venture was concluded in January 2016 following which, in February 2016, Miller Developments was separated from the rest of the Group by way of a capital reduction demerger, transferring ownership in the business directly to shareholders. The Board's view is that the Miller Homes and Miller Developments businesses each have strong management teams, are well placed to grow independently and that the demerger further reinforces their position as two distinct, separately managed entities with different strategic, operational and economic characteristics.

This allows the Group to focus solely on the Miller Homes business. Building upon the step change in performance delivered in recent years, the strategic plan for Miller Homes was updated during 2015, the key pillars of which are:

- Upper quartile EBITA growth over 2015 to 2017
- 50% increase in output to 3,250 units per annum by 2019
- Increased operational efficiency from our existing well established regional infrastructure
- Operating margin of 18% by 2017
- Return on capital employed of 25% by 2017

*Financial performance*

Strong growth in both volumes and profitability in Miller Homes underpinned a 58% increase in Group profit before interest to £73.2 million (2014: £46.3 million) and a 72% increase in Group profit before tax to £56.4 million (2014: £32.7 million). Excluding the results from discontinued Miller Construction operations in the prior year, profit before interest and exceptional items was £43.3m ahead at £82.3 million (2014: £39.0 million).

Exceptional items comprise restructuring costs in Group and Miller Developments of £3.0m and a write-down in the value of the Miller Mining joint venture of £6.1m. This reduces the carrying value of the investment to reflect the net proceeds received from the sale of the business in January 2016.

Group shareholders' funds have increased strongly to £300.3 million (2014: £259.0 million) driven by £43.7 million of retained earnings in the year.

Net debt was £25.2 million lower at £132.2 million (2014: £157.4 million), despite an increase in land investment. Net cash inflow from operating activities of £43.8 million was £21.4 million higher than last year (2014: £22.4 million), reflecting the strong trading result. During the year the Group refinanced its core borrowing facilities with a new £210 million 5 year term loan and revolving credit facility with Bank of

Scotland and HSBC and shareholder loans of £20 million. This provides the Group with the necessary resources to support continued growth in volumes over the next 5 years.

Subsequent to the year-end, the Group completed the sale of Miller Mining's interest in the Miller Argent joint venture and the demerger of Miller Developments. Both transactions were undertaken at book values. Below is a pro-forma Group Balance Sheet as at 31 December 2015 taking account of these transactions as if they had happened at that date:

| **Pro-forma Group balance sheet extracted from the audited accounts** | **£m** |
|---|---|
| | |
| **Fixed assets** | 14.3 |
| **Current assets** | |
| Stock and work in progress | 441.8 |
| Debtors: | |
| Due within one year | 18.1 |
| Due after more than one year | 100.1 |
| Cash at bank and in hand | 18.2 |
| | |
| | 578.2 |
| | |
| **Creditors:** amounts falling due within one year | (132.2) |
| | |
| **Net current assets** | 446.0 |
| | |
| **Total assets less current liabilities** | 460.3 |
| | |
| **Creditors**: amounts falling due after one year | (161.3) |
| **Pensions** | (29.7) |
| **Provisions for liabilities and charges** | (18.6) |
| | |
| **Net assets** | 250.7 |
| | |

The pro-forma takes no account of trading performance since 31 December 2015.

*Miller Homes*

Miller Homes delivered outstanding results, outperforming all key financial metrics in 2015.

Operating margin and capital turn are increasing rapidly as the business exits lower margin legacy sites and increases development of higher margin new sites. Return on capital employed increased to 20.0% (2014: 11.7%), with continued growth anticipated from the launch of new sites acquired at a minimum 25% ROCE and further utilisation of the deferred tax asset.

Turnover was 29% ahead of 2014 at £500 million (2014: £388 million). This reflected a combination of a 14% increase in core completions to 2,153 units (2014: 1,896 units) and a 14% increase in average selling price (ASP) to £227,000 (2014: £200,000).

Higher sales rates resulted in completions of private units rising to 1,848 (2014: 1,666). The increase in affordable unit completions to 305 (2014: 230) is due to more recently acquired sites having a higher allocation of affordable housing when compared to our older legacy sites.

ASP grew to £227,000 (2014: £200,000) despite an increase in the proportion of affordable housing which represented 14% (2014: 12%) of core completions. The private ASP increased by 15% to £248,000 (2014: £215,000) and the ASP of affordable units increased by 17% to £102,000 (2014: £87,000). All our divisions experienced growth in both volumes and ASP.

Gross profit increased by 48% to £114.1 million (2014: £76.9 million pre-exceptional items). Gross margin increased by 300 basis points to 22.8% (2014: 19.8%) as the business continues to benefit from reducing completions of legacy land and a greater throughput of volumes from sites sourced from the strategic land bank. Legacy land completions fell to 19% (2014: 49%) of core completions with completions from strategic land increasing to 30% (2014: 20%). Legacy sites have a lower ASP and margin, the combined effect of which results in an average profit per plot significantly lower than the average generated on all other sites. As the business continues to trade through these legacy sites and replace them with new sites, further improvements in gross margin and gross profit are anticipated.

The combination of increased gross profit combined with improved overhead recoveries has resulted in a 75% increase in operating profit to £78.4 million (2014: £44.9 million pre-exceptional items). A step change in operating margin has been achieved with a 420 basis point increase to 15.7% (2014: 11.5%). The business is on target to deliver 18% by 2017.

Land buying conditions remain attractive and investment increased by 24% in 2015 to £126 million (2014: £102 million). Importantly, land investment continues to be undertaken in a disciplined way without compromising margins or capital returns. This, together with planning consents being achieved for a number of controlled sites, resulted in the consented land bank increasing to 11,600 plots (2014: 10,012 plots). The embedded margin in the consented land bank has increased to a record 24.3% (2014: 22.7%). Relative to current volumes, Miller Homes has one of the largest strategic land banks in the sector at 16,153 plots (2014: 16,383 plots).

A proactive approach of engagement with supply chain partners has helped to mitigate cost increases and labour shortages currently prevalent in the industry. Annual cost inflation in 2015 was manageable at around 4% and due to forward ordering, the effect on 2015 earnings was reduced further.

It is also pleasing to report continued excellent standards of customer service. This reflects the Miller Homes business culture, stemming in part from the decision to be the first national housebuilder to publish customer satisfaction scores back in 2005. Current customer satisfaction rates are 94%. In addition, the business retains a quality ethos and reputation for build quality and customer service with an HBF 5 star rating for the fifth consecutive year.

*Miller Developments*

Miller Developments delivered a profit before interest and exceptionals of £7.6 million (2014: £6.5 million). £1.3 million of exceptional restructuring costs were incurred in the year. The business has had an active year securing planning consents and progressing occupier demand on its key longer-term development sites at Omega near Warrington, Arena Central in Birmingham and in Aberdeen.

Two further units were completed at Omega South during 2015 taking total developments since the end of 2012 to over 2.6 million sq ft. These were a 685,000 sq ft distribution unit for internet retailer, The Hut Group, and a 240,000 sq ft state-of-the-art manufacturing facility for Plastic Omnium, a major European manufacturer in the automotive sector. Planning consent was granted for a further 600,000 sq ft of manufacturing / logistics units which will help underpin the site as the pre-eminent logistics hub in the North West. A planning application was submitted in August for the next stage of development on Omega South which included a proposal for up to 1,100 new homes plus retail, leisure and community uses.

The Arena Central joint venture in Birmingham began development of the 210,000 sq ft 2 Arena Central Grade A office building, which will be the head office of HSBC's UK ring-fenced bank serving personal and business customers. Funded by HSBC, the project will develop a turnkey building to be handed over in mid-2017 for occupation from early 2018. This first occupational deal at Arena Central should be transformational for the site.

Despite the slow-down in the Aberdeen market driven by the low oil price, Miller Developments completed a number of deals during the year that had been secured in 2014. This included, at D2 Business Park at Dyce, a 130,000 sq ft warehouse pre-let to BP and forward-funded by Henderson Global Investors along with a 60,000 sq ft turnkey development comprising office and warehouse space for Emerson Process Management. A site sale for a new Hampton by Hilton hotel was also completed during the year.

The Miller Cromdale joint venture completed a 46,000 sq ft Grade A office building in Aberdeen's North Dee Business Quarter which had been pre-let to PD&MS, an oil services and engineering company, and forward funded by La Salle Investment Management.

The business continues to focus resource and investment on land with potential to add value through obtaining a change of use planning consent including the purchase during 2015 (in joint venture) of a 50 acre brownfield site in Paisley. The sale of a student accommodation site in Chester was completed during the year, having secured planning permission for a 350 unit scheme. Miller Developments currently has a pipeline of land with the potential for over 3,000 residential units.

*Miller Mining*

Miller Mining comprises the Group's 50% interest (alongside Argent Group plc) in the Miller Argent joint venture operating the UK's largest opencast coal mine and land reclamation project at Ffos-y-fran in South Wales. In extremely difficult market conditions, the business delivered a share of joint venture profit in the year, before exceptional items, of £2.1 million (2014: £3.0 million) on total coal sales of 867,000 tonnes (2014: 952,000 tonnes). Construction of a new £10 million coal washing plant was completed during the year and deliveries commenced under a new 5 year coal supply agreement with Tata Steel UK Limited.

Coal prices into both thermal and steel markets weakened significantly over the course of 2015. Given the outlook for the sector remains depressed and reflecting the 'non-core' nature of the Mining operations to both shareholders, a decision was taken to exit the business. A sale of the entire shareholding in Miller Argent was secured on 7 January 2016, returning £8 million cash and releasing the Group from all shareholder guarantees provided on behalf of the Miller Argent operation. Further consideration is payable contingent on certain future events occurring including a significant recovery in coal prices. An exceptional charge of £6.1 million has been taken in these financial statements to write down the carrying value of the joint venture investment at the year-end to reflect the proceeds realised from the sale in January 2016. Given the outlook for coal prices, this transaction has removed a significant risk from the Group.

*Outlook*

Following the corporate activity over the past eighteen months, the Company is now a focussed home builder. Miller Homes is well placed to deliver improved margins and return on capital through enhancing the quality of the landbank, growing volumes with limited additional overheads and increasing conversion of strategic land. The business has a well-defined strategy to grow output by a further 50% to 3,250 units by 2019 and has established a strong track record of delivery.

The opening order book at 1 January 2016 was 17% ahead of 2015. Since then, sales performance has continued to be strong with the private sales rate for the first 10 weeks of 2016 being 7% ahead of last year.

With market conditions expected to remain favourable, the Board is confident about the prospects for the continued profitable growth of the business.

By order of the Board

Philip Bowman
Chairman

**Principal risks and uncertainties**

The principal risks and uncertainties that impact on the Group are detailed below. Following the disposals of the Developments and Mining businesses in early 2016, these risks and uncertainties relate solely to the Group's residual housebuilding activities.Mitigation measures are designed to manage rather than eliminate risk.

| Category | Risk | Mitigation |
|---|---|---|
| Economic conditions, mortgage supply and rates | Demand for new homes is inextricably linked to consumer confidence which amongst other things is impacted by employment prospects, disposable incomes and the availability and cost of mortgages, particularly at higher loan to values. | Land acquisition process considers local employment, incomes and affordability.<br><br>Sales rates and prices are monitored on a weekly basis informing decision making.<br><br>Close relationships are maintained with mortgage lenders and government agencies to ensure that we utilise all available products and are involved in those initiatives aimed at the new build sector.<br><br>Sites are valued on a monthly basis with carrying values assessed as part of the quarterly forecasting process.<br><br>Ability to cut back land investment should economic conditions deteriorate. |
| Supply Chain | The ability to procure sufficient materials and labour to ensure homes can be completed to our high standard, in line with our build programmes and at costs which protect our site margins. | All key materials are negotiated centrally by our Procurement Director. National deals are in place, and this ensures cost certainty over the short term and continuity of supply.<br><br>The management of sub-contractors is undertaken at a regional level. Many of our subcontractor relationships are well established and long standing which mitigates the impact of labour and skill shortages as industry output increases. In addition, we undertake tendering to maintain price competition. |
| Land availability | The ability to secure sufficient land in the appropriate locations and at hurdle rates to ensure the Group's strategic plan is delivered. | The Group has a strong strategic land bank and a dedicated team responsible for progressing planning applications for strategic sites.<br><br>The Homes Chief Executive visits all sites prior to acquisition to ensure a consistent approach to land acquisition is taken across the business and each site fits within our overall land strategy.<br><br>There are established land acquisition hurdle rates of 22% gross margin and 25% ROCE which also underpin the strategic plan. |
| Funding | The Group requires access to adequate financial resources in order to meet its existing commitments and to deliver its strategic plan. | The Group entered into new five year committed bank facilities in June 2015 which provide it with the ability to deliver the growth reflected within the strategic plan.<br><br>Cash is managed by a combination of short term and medium term forecasts. Business plans are updated on an annual basis and supported by sensitivity analysis. |

| Category | Risk | Mitigation |
|---|---|---|
| | | |
| People | It is important that we retain and attract high calibre employees in order to deliver on all aspects of our strategy. | The Group has a comprehensive HR strategy that addresses all aspects of reward, retention and talent development, as well as performance management. Succession plans are in place for middle and senior management.<br><br>Staff briefings are conducted on a semi-annual basis with staff engagement surveys undertaken bi-annually. |
| Safety, health and Environmental (SHE) | Breaches of SHE legislation can result in workplace injuries, environmental damage or physical damage to property. This could result in financial penalties, reputational damage and delays to site related activities. | There is an in-house SHE team all of whom are professionally qualified and managed independently from our operational businesses under the guidance of our SHE director who in turn reports directly to the Homes Chief Executive.<br><br>The Group has an approved SHE strategy with progress monitored regularly during the year.<br><br>Site operations are subject to monthly audits and SHE awareness tool-box talks are regularly communicated to both staff and subcontractors. |
| Planning | The timely progression of planning consent is important to the Group in that the majority of site purchases and ultimately site starts are dependent on detailed or full planning consents being obtained.<br><br>In addition, the attainment of planning consents will also un-lock the significant value in the Group's strategic landbank. | The Group has a dedicated strategic land team which monitors planning policy at a regional and national level.<br><br>The Group seeks to acquire land with the benefit of an implementable planning consent. |
| Pensions | The Group's defined benefit scheme was closed to new entrants in 1997 and to future accrual in 2010. The deficit could fluctuate due to increased longevity assumptions, reduced bond yields or changes in asset values. | The Group has agreed a deficit repair plan with trustees in conjunction with a joint investment strategy.<br><br>Management and trustees monitor changes to market conditions and respond accordingly. |
| IT | A prolonged system outage of operational systems, including our website, which affects operational targets of the business and our reputation. | The Group undertakes an annual security review which includes penetration testing, action and review cycles.<br><br>Full backup and system recovery is in place as part of the wider Disaster Recovery plan, and this is tested annually.<br><br>System changes during business critical times are limited to emergency only to minimise any potential downtime in these periods. |

## Corporate Governance Report

The Miller Group is committed to achieving corporate governance standards that meet the highest levels of integrity and compliance for a privately owned enterprise. We believe this is the best way of ensuring the sustainable long-term growth and success of the Group.

The Group's businesses operate within a corporate governance framework with clear delegated authority from the Group Board.

*The Group Board*

The Group Board comprises a Chairman, the Group Chief Executive, one other executive director, four non-executive directors and three Board observers representing principal shareholders. The directors' details are set out on page 12.

The Group Chief Executive, Keith Miller, resigned as a director of the Group Board on 31 March 2015. The Chairman was appointed as Executive Chairman and Group CEO for board quorum purposes. The Group Board also received reports from the CEO of Miller Homes, the Joint Managing Directors of Miller Developments and the Group Finance Director for Miller Mining.

Amongst the matters reserved for decision by the Group Board are: strategy; annual budgets; approval of statutory accounts and announcements; certain contracts, investments and capital expenditure projects over defined limits; and material matters requiring the consent of principal shareholders.

*Board meetings*

At its regular meetings throughout the year the Group Board receives reports covering current trading, treasury and health and safety. The Group Board regularly receives a detailed presentation on the performance of Homes, Developments and Mining and reviews health, safety and environment practices and strategy. In addition it considers corporate responsibility initiatives and strategy across the Group. At particular points of the year the Group Board reviews budgets, financial statements and principal risks and uncertainties facing the business. The Group Board generally meets in London.

*Development and support*

All new directors have access to a full, formal and tailored induction on joining the Group Board, including meetings with senior management and advisers and visits to the Group's operational locations. The Group Board calendar is designed to ensure that directors are briefed on a wide range of topics throughout the year with the opportunity to discuss aspects of the business with employees.

Directors have access to independent professional advice at the company's expense where they judge this to be necessary to discharge their responsibilities as directors and they all have access to the advice and services of the Company Secretary, who is responsible to the Group Board for ensuring that Board procedures are complied with.

A key function of The Miller Group's corporate governance framework is the identification, management and mitigation of operational and financial risks. At every governance level we ensure the necessary committee processes are functioning correctly, in line with developments in company laws, corporate governance and best practice.

*Board committees*

The Group Board has delegated certain authority to the Group Corporate Approval Committee to make decisions on behalf of the Group Board. The Group Board is also supported in its decision making by recommendations from the Audit Committee, the Remuneration Committee and the Group Executive Board.

Each Committee reports to, and has its terms of reference approved by, the Group Board and the minutes of the Committee meetings, with the exception of the Group Executive Board meetings, are circulated to and reviewed by the Group Board.

*Group Corporate Approval Committee*

The Group Corporate Approval Committee has delegated authority from the Group Board to approve certain contracts, land purchases, investments and capital expenditure projects over defined limits but below the levels specifically reserved for the Group Board. All Group guarantees, new joint venture partners and unduly onerous contract terms require consideration by the Group Corporate Approval Committee.

This Committee comprises of the Group Chief Executive, the Group Finance Director and the relevant Divisional Chief Executive depending on the business of the meeting. Following the resignation of the Group Chief Executive on 31 March 2015, the quorum of this committee required an A shareholder director in his place.

*Group Executive Board*

The Group Executive Board comprises key members of senior management and reviews all matters being considered by the Group Board and is responsible to the Group Board for the management of the subsidiary businesses. The role includes oversight responsibility for the formulation and development of the Group's strategy, the allocation of financial and human capital resources to deliver it, the integrity of financial information and internal controls and risk management.

Each business has a board that meets regularly and has delegated authority for the day-to-day management of business operations, ensuring the alignment of business plans with strategic targets and that operational performance is in line or ahead of approved budget plans and managing risk appropriately.

*Remuneration Committee*

The Remuneration Committee is chaired by Philip Bowman. Gordon Moore and Michael Whitman are members of the Committee which makes recommendations to the Group Board on all aspects of the remuneration, benefits and employment conditions of the executive directors, Group Executive Board members and senior executives of the Group. The Company's Articles of Association outline procedures for the appointment of directors and it is therefore considered unnecessary to have a separate Nominations Committee. Therefore the Remuneration Committee considers senior management succession. The Committee met five times during the year.

*Audit Committee*

The Audit Committee is chaired by Gordon Moore who is joined by Philip Bowman and Michael Carruthers to consider and make recommendations to the Group Board regarding the integrity of the financial statements of the Group; the effectiveness of internal controls and risk management and the internal and external audit processes. The Committee met five times during the year.

The Group Board considers that all three members of the Audit Committee have recent and relevant financial experience. The Group has a whistle-blowing procedure in place which is publicised in the staff and guidance handbooks and as part of the new employee induction programme. Investigations of matters raised under the procedure or otherwise brought to the attention of the Audit Committee are conducted by the Group General Counsel and Group HR Director with appropriate follow-up action.

The external and internal audit work programmes; reports from external and internal auditors on the system of internal control; and any material control weaknesses are considered by the Audit Committee each financial year. It also receives responses from management regarding the actions taken on issues identified in audit reports.

The Audit Committee reviews and monitors the external auditor's independence and objectivity. During the year the external auditor provided tax compliance and other services to the Group. In the view of the Committee this did not compromise the auditor's independence. Where appropriate, teams from offices separate from the audit team were used. The external auditors operate their own procedures to safeguard against their independence being compromised.

*Internal control*

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The process is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring framework covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness thus identified is promptly remedied.

*Performance reporting and information*

Management is responsible for the identification and evaluation of significant risks applicable to the businesses together with the design and operation of suitable internal controls. These risks are assessed on a continuous basis and may be associated with a variety of internal or external sources including market changes, control breakdowns, disruptions of information systems, competition and regulatory requirements.

Management provides updates of significant risks affecting the businesses to the Board together with details of key internal controls and risk management initiatives. This process is facilitated by internal audit who also provide assurance as to the operation and validity of the system of internal control and review corrective action plans. Management reports regularly on its review of risks and how they are managed to the Audit Committee who reviews, on behalf of the Board, the key risks inherent in the business and the system of control necessary to manage such risks, and presents the findings to the Board.

The Executive Team also reports on major changes in the business and the external environment which affect significant risks. The Group Finance Director provides the Board with monthly financial information which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Executive Team and the Audit Committee.

*Review of effectiveness of internal control*

The Board has undertaken an assessment of internal control for the purpose of this Annual Report. This assessment considered all significant aspects of internal control during the year ended 31 December 2015. Accordingly, the Board is satisfied that the Group has an effective system of internal control.

**Remuneration Report**

*Remuneration Committee*

The remuneration of the executive directors is determined by the Remuneration Committee within a framework set by the Board on its behalf. Its role is to make recommendations to the Board on all aspects of the remuneration, benefits and employment conditions of the executive directors and other senior management. It has access to independent advice where it considers it appropriate.

The remuneration of the non-executive directors is determined by the Board, with the non-executive directors concerned not participating in the decision.

*Remuneration policy*

The remuneration policy is intended to attract, retain and motivate executive directors and to align the interests of directors and shareholders. The key elements of the executive directors' remuneration package are basic salary, annual bonus, company car, private health insurance and membership of the Group pension schemes and Long-Term Incentive Plans (LTIPs). In deciding on appropriate levels of remuneration the Committee has regard to rates of pay for similar positions in comparable companies as well as internal factors including performance.

Bonus is geared towards the achievement of short-term annual budget targets and, if the targets are achieved, it is paid annually.

Philip Bowman and Gordon Moore receive an annual non-executive director fee. The non-executive directors do not participate in the annual bonus scheme or pension schemes.

*Basic salary*

The Committee reviews the basic salaries of executive directors annually and whenever an individual changes position or responsibility. Basic salaries were last reviewed in June 2015 and there were no consequent changes.

*Bonus and incentive arrangements*

The Group operates a non-pensionable annual performance-related bonus scheme for executive directors. In setting the bonus parameters, the Committee takes into account the internal budgets and strategic growth and performance objectives for the Group. A discretionary scheme was in place in 2015 which provides for a maximum of 100% of salary. For the year ended 31 December 2015 bonuses of £205,000 (2014: £492,000) are payable under the current year scheme.

The Group has two long term incentive schemes in place which reward directors, including the Chairman, for performance over a period of greater than one year. These schemes have performance conditions which are related to the strategic direction, and are aligned to the growth in value, of the Group. At the year end the estimated value of the expected entitlement under these plans amounted to £1.2m (2014: £4.4m). There is uncertainty over when this amount will ultimately be paid, which in the opinion of the directors will be in the region of two to four years from the balance sheet date.

During 2015, The Group implemented a long term incentive scheme which rewards directors of Miller Homes for performance over a period of greater than one year. Performance conditions are aligned to the growth in value of the Miller Homes group. There is uncertainty over when this scheme will pay out, which, in the opinion of the directors will be in the region of two to four years from the balance sheet date.

*Other benefits*

The executive directors receive certain benefits in kind, principally a car or an allowance in lieu, life assurance and private medical insurance. These benefits are not pensionable

## Directors' Report

The directors have pleasure in presenting their report and the audited accounts for the year ended 31 December 2015.

### Principal activities

The business conducted by the Group consists of housing, commercial property and mining.

### Business review

The operations of the Group and its principal risks and uncertainties and relevant key performance indicators are reviewed in detail in the Strategic Report.

### Results and dividends

The Group profit after taxation for the financial year amounted to £43.7 million (2014 restated: £45.0 million). The directors do not recommend the payment of a dividend (2014: £nil).

### Going concern

The Group's business activities, together with factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the Group, its cashflows and details of its borrowings are also described in the Strategic Report. The Group has a £210 million committed senior debt facility secured by fixed and floating charges across the assets of Miller Homes along with £20m of shareholder loan notes. Both facilities mature in June 2020. The directors have prepared cashflow forecasts, which take into account reasonable sensitivities, in order to assess the future funding requirements of the Group, its committed bank facilities and its compliance with banking covenants.

After making appropriate enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Annual Report and financial statements

### Directors

The directors during the year and at the date of this report are as follows:

Philip Bowman
Tripp Smith
Michael Whitman
Michael Carruthers
Gordon Moore
Keith Miller – resigned 31 March 2015
Donald Borland

### Employees

The group is committed to ensuring equality of opportunity for all employees regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This applies to recruitment and all our relevant employee related policies. The group recognises that appropriate employee engagement is critical to its long term success and utilises an appropriate employee engagement programme.

### Contributions

The total of charitable donations made by the Group was £82,000 (2014: £127,000).

## Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

## Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Sheelagh Duffield

**S J Duffield**
Secretary

9 March 2016

**Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Independent Auditor's Report to the Members of The Miller Group (UK) Limited**

We have audited the financial statements of The Miller Group (UK) Limited for the year ended 31 December 2015 set out on pages 16 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Annual Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Hugh Harvie (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
KPMG LLP
Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG

9 March 2016

**Consolidated profit and loss account**
for the year ended 31 December 2015

| | Note | 2015 £m | Continuing operations | Discontinued operations | Restated 2014 Total £m |
|---|---|---|---|---|---|
| **Turnover** | 2 | **525.6** | 421.6 | 189.5 | 611.1 |
| Cost of sales | | | | | |
| Normal | | **(404.2)** | (335.4) | (188.9) | (524.3) |
| Exceptional | 7 | **-** | 4.0 | - | 4.0 |
| **Gross profit** | | **121.4** | 90.2 | 0.6 | 90.8 |
| Administrative expenses: | | | | | |
| Normal | | **(45.9)** | (54.0) | (6.8) | (60.8) |
| Exceptional | 7 | **(3.0)** | (5.5) | - | (5.5) |
| **Group operating profit** | | **72.5** | 30.7 | (6.2) | 24.5 |
| Share of profit in joint ventures and associates | | **6.8** | 6.8 | - | 6.8 |
| Total operating profit | | | | | |
| Normal | | **82.3** | 39.0 | (6.2) | 32.8 |
| Exceptional | 7 | **(3.0)** | (1.5) | - | (1.5) |
| | | **79.3** | 37.5 | (6.2) | 31.3 |
| Amounts written off investments | 7 | **(6.1)** | - | - | - |
| Gain on sale of discontinued operations | | **-** | - | 15.0 | 15.0 |
| **Profit before interest** | | | | | |
| Normal | | **82.3** | 39.0 | (6.2) | 32.8 |
| Exceptional | 7 | **(9.1)** | (1.5) | 15.0 | 13.5 |
| | | **73.2** | 37.5 | 8.8 | 46.3 |
| Interest payable and similar charges | 3 | **(16.8)** | | | (13.6) |
| **Profit on ordinary activities before taxation** | 6 | **56.4** | | | 32.7 |
| Tax on profit on ordinary activities | 9 | **(12.7)** | | | 12.3 |
| **Profit for the financial year** | | **43.7** | | | 45.0 |

The notes on pages 22 to 41 form an integral part of the accounts.

**Consolidated Statement of Other Comprehensive Income**
for the year ended 31 December 2015

| | 2015 £m | Restated 2014 £m |
|---|---|---|
| **Profit for the financial year:** | **43.7** | 45.0 |
| | | |
| **Other comprehensive income** | | |
| Re-measurement of the net defined benefit liability | **(0.9)** | (8.8) |
| Change in fair value of cash flow hedges | **(0.3)** | - |
| Foreign exchange differences on translation of overseas operations | **(0.5)** | (0.2) |
| Group's share of other comprehensive income of joint ventures | **(0.9)** | - |
| Tax on other comprehensive income | **0.2** | 1.4 |
| **Other comprehensive income for the year, net of tax** | **(2.4)** | (7.6) |
| **Total comprehensive income for the year attributable to shareholders of the parent company** | **41.3** | 37.4 |

The notes on pages 22 to 41 form an integral part of the accounts

**Balance sheets**
at 31 December 2015

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | | Restated | | |
| | | **2015** | 2014 | **2015** | 2014 |
| | | **£m** | £m | **£m** | £m |
| **Fixed assets** | | | | | |
| Tangible assets | 10 | **11.9** | 11.8 | **-** | - |
| Investments in joint ventures | 11 | **45.4** | 41.3 | | |
| Other investments | 11 | **(0.2)** | 1.7 | **255.3** | 210.3 |
| | | **57.1** | 54.8 | **255.3** | 210.3 |
| **Current assets** | | | | | |
| Stocks and work in progress | 12 | **455.1** | 418.7 | **-** | - |
| Debtors: | | | | | |
| Due within one year | 13 | **22.5** | 25.8 | **44.9** | 99.2 |
| Due after more than one year | 13 | **100.2** | 119.6 | **-** | - |
| Cash at bank and in hand | | **25.0** | 39.1 | **0.1** | 0.1 |
| | | **602.8** | 603.2 | **45.0** | 99.3 |
| **Creditors**: amounts falling due within one year | 14 | **(144.5)** | (168.5) | **-** | (9.3) |
| **Net current assets** | | **458.3** | 434.7 | **45.0** | 90.0 |
| **Total assets less current liabilities** | | **515.4** | 489.5 | **300.3** | 300.3 |
| **Creditors**: amounts falling due after more than one year | 15 | **(165.2)** | (185.8) | **-** | - |
| **Provisions for liabilities and charges** | 16 | **(20.2)** | (14.0) | **(15.0)** | (12.6) |
| **Net pension deficit** | 5 | **(29.7)** | (30.7) | **-** | - |
| **Net assets** | | **300.3** | 259.0 | **285.3** | 287.7 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | **197.0** | 197.0 | **197.0** | 197.0 |
| Merger reserve | | **(331.4)** | (331.4) | **-** | - |
| Profit and loss account | | **434.7** | 393.4 | **88.3** | 90.7 |
| **Shareholders' funds** | | **300.3** | 259.0 | **285.3** | 287.7 |

The notes on pages 22 to 41 form an integral part of the accounts.

These financial statements were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:

**Philip Bowman**
Chairman

**Donald Borland**
Group Finance Director

**Consolidated Statement of Changes in Equity**

| | Called up Share capital | Merger reserve | Profit & loss account | Total shareholders' equity |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Balance at 1 January 2014 | 197.0 | (331.4) | 371.1 | 236.7 |
| Restatement under FRS 102 | - | - | (15.1) | (15.1) |
| Balance at 1 January 2014 restated | 197.0 | (331.4) | 356.0 | 221.6 |
| **Total comprehensive income for the period** | | | | |
| Profit for the year | - | - | 45.0 | 45.0 |
| Other comprehensive income | - | - | (7.6) | (7.6) |
| Total comprehensive income for the period | - | - | 37.4 | 37.4 |
| **Balance at 31 December 2014** | **197.0** | **(331.4)** | **393.4** | **259.0** |
| Balance at 1 January 2015 | 197.0 | (331.4) | 393.4 | 259.0 |
| **Total comprehensive income for the period** | | | | |
| Profit for the year | - | - | 43.7 | 43.7 |
| Other comprehensive income | - | - | (2.4) | (2.4) |
| Total comprehensive income for the period | - | - | 41.3 | 41.3 |
| **Balance at 31 December 2015** | **197.0** | **(331.4)** | **434.7** | **300.3** |

**Company Statement of Changes in Equity**

| | Called up Share capital | Profit and loss account | Total shareholders' equity |
|---|---|---|---|
| | £m | £m | £m |
| Balance at 1 January 2014 | 197.0 | - | 197.0 |
| **Total comprehensive income for the period** | | | |
| Profit for the year | - | 90.7 | 90.7 |
| Total comprehensive income for the period | - | 90.7 | 90.7 |
| **Balance at 31 December 2014** | **197.0** | **90.7** | **287.7** |
| Balance at 1 January 2015 | 197.0 | 90.7 | 287.7 |
| **Total comprehensive income for the period** | | | |
| Loss for the year | - | (2.4) | (2.4) |
| Total comprehensive income for the period | - | (2.4) | (2.4) |
| **Balance at 31 December 2015** | **197.0** | **88.3** | **285.3** |

**Consolidated Cash Flow Statement**
for year ended 31 December 2015

| | 2015 £m | Restated 2014 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **43.7** | 45.0 |
| *Adjustments for:* | | |
| Depreciation, amortisation and impairment | **6.2** | 0.3 |
| Interest receivable and similar income | **(0.5)** | (1.1) |
| Interest payable and similar charges | **17.3** | 14.7 |
| Share of joint venture profit | **(6.8)** | (6.8) |
| Gain on sale of discontinued operations | **-** | (15.0) |
| Taxation | **12.7** | (12.3) |
| Decrease in trade and other debtors | **10.6** | 6.9 |
| Increase in stocks | **(36.4)** | (18.9) |
| (Decrease)/increase in trade and other creditors | **(9.2)** | 9.6 |
| Increase in provisions | **6.2** | - |
| Tax received | **0.2** | 0.3 |
| **Net cash from operating activities** | **44.0** | 22.7 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of tangible fixed assets | **-** | 1.0 |
| Interest received | **0.5** | 1.1 |
| Dividends received | **5.5** | 2.1 |
| Disposal of a division | **-** | (3.6) |
| Loans to joint ventures and other investments | **(7.9)** | - |
| Acquisition of tangible fixed assets | **(0.2)** | (4.1) |
| **Net cash from investing activities** | **(2.1)** | (3.5) |
| **Cash flows from financing activities** | | |
| Proceeds from new loan | **20.0** | - |
| Interest paid | **(15.0)** | (11.8) |
| Repayment of borrowings | **(61.0)** | (31.2) |
| **Net cash from financing activities** | **(56.0)** | (43.0) |
| Net decrease in cash and cash equivalents | **(14.1)** | (23.8) |
| Cash and cash equivalents at 1 January | **39.1** | 62.9 |
| **Cash and cash equivalents at 31 December** | **25.0** | 39.1 |

The notes on pages 22 to 41 form an integral part of the accounts.

## Notes

Forming part of the Financial Statements

### 1 Accounting policies

#### Basis of preparation

The Miller Group (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Group is provided in Note 22. In the transition to FRS 102 from old UK GAAP, the Company has made no measurement or recognition adjustments.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Measurement convention

The financial statements are prepared on the historical cost basis except the shared equity debtor which is held within long term debtors at fair value and a derivative financial instrument which is stated at its fair value through other comprehensive income.

#### Going Concern

As explained in the Directors' Report and after making appropriate enquiries, the directors have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. A subsidiary is an entity that is controlled by the parent.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exist when the investors holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement or undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment

**Foreign Currency**

The assets and liabilities of foreign operations are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

**Basic financial instruments**

*Trade and other debtors/creditors*
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Debtors on extended terms granted as part of a sales transaction are secured by way of a legal charge on the relevant property, categorised as a long term debtor and are stated at fair value. Changes in fair value are directly recognised in the income statement.

*Interest-bearing borrowings classified as basic financial instruments*
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**Other financial instruments**

*Cash flow hedges*
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

**Turnover**

Turnover comprises invoiced sales of homes, land and property developments, rentals receivable, coal despatched and management fees and, in the case of long-term contracts, the value of work done during the year. Within the Homes division incentives are offered to customers which affect the recognition of turnover. Where cash incentives are given, the full cash amount is deducted from turnover. Where properties are sold under a shared equity scheme, up to 25% of the value of the property is offered to the customer by way of a loan. This loan is repayable either on the subsequent sale of the property or on a specified anniversary of the initial sale of the property or on such earlier date as the purchaser may choose to prepay the loan. In recognising the initial sale of the properties sold under shared equity schemes, the Group includes the relevant value in turnover and in debtors.

**Profit recognition**

Profits in respect of sales of properties, including land, are included in the accounts where legal completion has taken place by the end of the financial year. Profits in respect of long-term contracts are included where the contract outcome can be foreseen with reasonable certainty and are determined by reference to the valuation of work done less related costs of production. Provision is made for all foreseeable contract losses.

**Depreciation**

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets using the straight-line method over the estimated useful lives of the assets concerned. The main annual rates in use are as follows:

| | |
|---|---|
| Freehold properties | 2 per cent |
| Vehicles | 25 per cent |
| Computer hardware | 33-100 per cent |
| Office equipment, furniture and fittings | 10-20 per cent |

Freehold land is not depreciated

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value in relation to housing stocks is assessed by taking account of estimated selling price less all estimated costs of completion.

Land purchased on deferred payment terms is recorded at fair value. Any difference between fair value and the amount which will ultimately be paid is charged as an expense in the profit and loss account over the period to payment.

The purchase and subsequent sale of part exchange properties is an activity undertaken in order to achieve the sale of a new property. As such, the activity is regarded as a mechanism for selling. Accordingly, impairments and gains and losses on the sale of part exchange properties are classified as a cost of sale, with the sale proceeds of part exchange properties not being included in income.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable profit or loss for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**Provisions**

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

**Defined benefit pension plans**

The Group operates a pension scheme providing benefits based on final pensionable pay. Miller Homes

Limited is the participating employer and the entity legally responsible for the plan.

The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by the directors with the assistance of the Group's pension advisers using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

## 2. Segmental Analysis

| **Turnover** | **2015 £m** | 2014 £m |
|---|---|---|
| Housing | **499.7** | 387.5 |
| Property | **25.9** | 33.8 |
| Mining | **-** | 0.3 |
| Discontinued operations - Construction | **-** | 189.5 |
| | **525.6** | 611.1 |

| **Profit / (loss) before interest** | **Before exceptional items £m** | **Exceptional items £m** | **2015 Total £m** | Before exceptional items £m | Exceptional items £m | Restated 2014 Total £m |
|---|---|---|---|---|---|---|
| Housing | **78.4** | **-** | **78.4** | 44.9 | 3.6 | 48.5 |
| Property | **7.6** | **(1.3)** | **6.3** | 6.5 | - | 6.5 |
| Mining | **1.9** | **(6.1)** | **(4.2)** | 2.9 | - | 2.9 |
| Group | **(5.6)** | **(1.7)** | **(7.3)** | (15.3) | (5.1) | (20.4) |
| | **82.3** | **(9.1)** | **73.2** | 39.0 | (1.5) | 37.5 |
| Discontinued operations | | | | | | 8.8 |
| **Net interest payable** | | | **(16.8)** | | | (13.6) |
| **Profit before tax** | | | **56.4** | | | 32.7 |

Turnover above is external. Inter-segmental turnover totaled £0.5 million (2014: £0.8 million) in Property.

## 2. Segmental Analysis (continued)

| Net assets / (liabilities) | 2015 £m | Restated 2014 £m |
|---|---|---|
| Housing | **399.7** | 379.3 |
| Property | **44.6** | 33.9 |
| Mining | **4.5** | 16.5 |
| Group | **(16.3)** | (13.3) |
| | **432.5** | 416.4 |
| Net debt | **(132.2)** | (157.4) |
| | **300.3** | 259.0 |

## 3. Net interest expense

| | 2015 £m | Restated 2014 £m |
|---|---|---|
| Interest payable on bank loans and overdrafts | **(10.9)** | (11.9) |
| Amortisation of arrangement fees | **(3.0)** | (1.6) |
| Shareholder loan interest | **(1.7)** | - |
| Other Interest | **(0.6)** | (0.2) |
| Bank and other interest receivable | **0.5** | 1.1 |
| | **(15.7)** | (12.6) |
| Other finance charges (note 5) | **(1.1)** | (1.0) |
| Net interest expense | **(16.8)** | (13.6) |

## 4. Staff numbers and costs

The average number of persons employed by the Group, including directors, during the year was as follows:

| | 2015 Number | 2014 Number |
|---|---|---|
| Housing | **684** | 638 |
| Property | **28** | 34 |
| Construction | **-** | 308 |
| Other | **10** | 65 |
| | **722** | 1,045 |

The aggregate payroll costs of these persons were as follows:

| | 2015 £m | 2014 £m |
|---|---|---|
| Wages and salaries | **39.6** | 57.9 |
| Social security costs | **4.5** | 6.1 |
| Other pension costs | **2.5** | 4.0 |
| | **46.6** | 68.0 |

### 5. Pensions

The company operates defined contribution and defined benefit pension schemes.

**Defined contributions schemes**

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| *Contributions during the year* | | |
| Company defined contribution schemes P&L charge | **2.5** | 2.6 |

**Defined benefit scheme**

The Group operates a defined benefit pension which is closed to future accrual.

The assets of the scheme have been calculated at fair (bid) value. The liabilities of the scheme have been calculated at the balance sheet date using the following assumptions:

**Principal actuarial assumptions**

| | **2015** | 2014 |
|---|---|---|
| *Weighted average assumptions to determine benefit obligations* | | |
| Discount rate | 3.9% | 3.7% |
| Rate of price inflation (RPI) | 3.1% | 3.0% |
| *Weighted average assumptions to determine net cost* | | |
| Discount rate | 3.7% | 4.6% |
| Rate of pension increases | 2.9% | 3.2% |
| Rate of price inflation (RPI) | 3.0% | 3.3% |

Members are assumed to exchange 25% of their pension for cash on retirement. The assumptions have been chosen by the company following advice from the company's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculated the scheme liabilities.

**Assumptions**

| | **2015** |
|---|---|
| Retired member aged 65 (male life expectancy at age 65) | 21.8 years |
| Non-retired member aged 40 (male life expectancy at age 65) | 23.1 years |

The base mortality assumptions are based upon the S1NA mortality tables. Allowance for future increases in life expectancy is made with an annual rate of improvement in mortality of 1.0% assumed.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| | **Change in assumption** | **Increase in Scheme liabilities** |
|---|---|---|
| Discount rate | Decrease by 0.1% | £2.4m (1.7%) |
| Rate of inflation | Increase by 0.1% | £1.5m (1.0%) |
| Life expectancy | Minus one year age adjustment | £4.5m (3.1%) |

## 5. Pensions (continued)

The amounts recognised in the profit and loss account were as follows:

| | 2015 £m | Restated 2014 £m |
|---|---|---|
| Interest cost | **5.3** | 5.9 |
| Interest income | **(4.2)** | (4.9) |
| Total pension cost recognised in finance costs in the profit and loss account | **1.1** | 1.0 |
| Total pension cost recognised in the profit and loss account | **1.1** | 1.0 |

The amount recognised in the statement of comprehensive income was as follows:

| | 2015 £m | 2014 £m |
|---|---|---|
| Return on scheme assets excluding interest income | **3.3** | (6.9) |
| Actuarial (gain) / loss arising from changes in the assumptions underlying the present value of benefit obligations | **(2.4)** | 15.7 |
| Total pension cost recognised in the statement of comprehensive income | **0.9** | 8.8 |

The amount included in the balance sheet arising from obligations in respect of the scheme is as follows:

| | 2015 £m | 2014 £m |
|---|---|---|
| Present value of funded obligations | **143.3** | 147.7 |
| Fair value of scheme assets | **(113.6)** | (117.0) |
| Recognised liability for defined benefit obligations | **29.7** | 30.7 |

| | 2015 £m | 2014 £m Restated |
|---|---|---|
| Liability for defined benefit obligations at start of year | **30.7** | 22.9 |
| Contributions | **(3.0)** | (2.0) |
| Expense recognised in the profit and loss account | **1.1** | 1.0 |
| Amount recognised in the statement of comprehensive income | **0.9** | 8.8 |
| Liability for defined benefit obligations at end of year | **29.7** | 30.7 |

**5. Pensions (continued)**

A deferred tax asset of £5.7m (2014: £6.1m) has been recognised in the balance sheet in relation to the pension liability (note 13).

Movements in the present value of defined benefit obligations were as follows:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Present value of defined benefit obligations at start of year | **147.7** | 131.1 |
| Interest cost | **5.3** | 5.9 |
| Actuarial (gain)/loss | **(2.4)** | 15.7 |
| Benefits paid from scheme | **(7.3)** | (5.0) |
| Present value of defined benefit obligations at end of year | **143.3** | 147.7 |

Movements in the fair value of scheme assets were as follows:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Fair value of scheme assets at start of year | **117.0** | 108.2 |
| Contributions | **3.0** | 2.0 |
| Interest income | **4.2** | 4.9 |
| Return on scheme assets excluding interest income | **(3.3)** | 6.9 |
| Benefits paid from scheme | **(7.3)** | (5.0) |
| Fair value of scheme assets at end of year | **113.6** | 117.0 |

An analysis of scheme assets at the balance sheet date is as follows:

| | **Percent of Scheme assets** |
|---|---|
| Equity securities | 49.2% |
| Debt securities | 50.5% |
| Other | 0.3% |
| Total | 100.0% |

### 6. Profit on ordinary activities before taxation

| | 2015 £m | 2014 £m |
|---|---|---|
| This is stated after charging the following: | | |
| Depreciation | **0.1** | 0.3 |
| Operating lease rentals | **2.5** | 4.6 |

| | £000 | £000 |
|---|---|---|
| Auditor's remuneration: | | |
| Audit of these accounts | **25** | 42 |
| Amounts receivable by the company's auditor in respect of: | | |
| Audit of financial statements of subsidiaries of the company | **169** | 141 |
| Services relating to taxation | **73** | 103 |
| All other services | **46** | 658 |
| Audit of joint ventures and accounts of other investments | **51** | 37 |
| | **364** | 981 |

### 7. Exceptional items – Continuing operations only

| | 2015 £m | 2014 £m |
|---|---|---|
| Impairment of investment in Mining joint venture | **(6.1)** | - |
| Land and property write-backs | **-** | 4.0 |
| Restructuring costs | **(3.0)** | (5.5) |
| | **(9.1)** | (1.5) |

### 8. Remuneration of directors

| | 2015 £m | 2014 £m |
|---|---|---|
| Directors' emoluments | | |
| Salary and other benefits | **1.3** | 1.5 |
| Annual bonus | **0.2** | 0.5 |
| | **1.5** | 2.0 |

As noted in the Remuneration Report on page 11, the directors participate in various incentive plans. Bonuses payable in respect of annual schemes are disclosed in directors' emoluments whereas bonuses derived from plans which are longer term in nature are shown within amounts receivable under Long-Term Incentive Plans.

The aggregate emoluments of the highest paid director were £874,000 (2014: £1,074,000). Company pension contributions totalling £40,000 (2014: £43,000) were made on behalf of one director (2014: two directors) during the year.

## 9. Taxation

| | 2015 £m | Restated 2014 £m |
|---|---|---|
| Corporation tax | | |
| Current year | **(1.1)** | - |
| Prior years | **0.7** | 0.3 |
| | **(0.4)** | 0.3 |
| Deferred tax | **(12.3)** | 12.0 |
| | **(12.7)** | 12.3 |

The current tax charge for the year of £0.4 million (2014: £0.3m credit) is less than the standard rate of corporation tax of 20.25 % (2014: 21.5 % ). The differences are explained below:

| | 2015 £m | 2014 £m |
|---|---|---|
| *Current year tax reconciliation* | | |
| Profit on ordinary activities before tax | **56.4** | 32.7 |
| Current tax at 20.25 % (2014: 21.5 %) | **(11.4)** | (7.0) |
| Effects of: | | |
| Change in rate | **0.1** | 0.6 |
| Previously unrecognised deferred tax | **-** | 17.6 |
| Permanent differences | **(2.3)** | - |
| Joint ventures net of tax | **0.2** | 0.8 |
| Adjustments to prior year corporation tax provision | **0.7** | 0.3 |
| Total tax (charge)/credit | **(12.7)** | 12.3 |

The corporation tax rate of 21% for the tax year commencing 1 April 2014 reduced to 20% from 1 April 2015 and will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020.

## 10. Tangible assets

| | Freehold land and buildings £m | Plant, equipment and vehicles £m | **Group Total £m** |
|---|---|---|---|
| *Cost* | | | |
| At beginning of year | 14.7 | 2.3 | 17.0 |
| Disposals | - | (0.1) | (0.1) |
| Additions | - | 0.2 | 0.2 |
| At end of year | **14.7** | **2.4** | **17.1** |
| *Depreciation* | | | |
| At beginning of year | 3.2 | 2.0 | 5.2 |
| Charge for year | - | 0.1 | 0.1 |
| Disposals | - | (0.1) | (0.1) |
| At end of year | **3.2** | **2.0** | **5.2** |
| *Net book value* | | | |
| At 31 December 2015 | **11.5** | **0.4** | **11.9** |
| At 31 December 2014 | 11.5 | 0.3 | 11.8 |

## 11 Investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Investment in joint ventures | **45.4** | 41.3 | **-** | - |
| Other investments | | | | |
| Investments in subsidiaries | **-** | - | **255.3** | 210.3 |
| Investments in associates | **(0.2)** | (0.2) | **-** | - |
| Loans | **-** | 1.9 | **-** | - |
| | **(0.2)** | 1.7 | **255.3** | 210.3 |
| Total investments | **45.2** | 43.0 | **255.3** | 210.3 |

### Investment in Joint ventures

| | Group |
|---|---|
| | **£m** |
| At beginning of year | 41.3 |
| Net increase in loans | 9.8 |
| Share of profits less losses | 5.8 |
| Share of other comprehensive income | (0.9) |
| Dividends received | (4.5) |
| Provision for impairment | (6.1) |
| At end of year | **45.4** |

The amounts included in net assets in respect of joint ventures comprise the following:

| | 2015 | 2014 |
|---|---|---|
| | **£m** | £m |
| Share of assets | **111.1** | 88.7 |
| Share of liabilities | **(96.9)** | (74.8) |
| Loans provided to joint ventures | **37.3** | 27.4 |
| Provisions | **(6.1)** | - |
| Share of net assets | **45.4** | 41.3 |

### Other investments

### Group

| | Associates | Loans |
|---|---|---|
| | £m | £m |
| At beginning of year | (0.2) | 1.9 |
| Repayments | - | (1.9) |
| Share of profits less losses | 1.0 | - |
| Distribution received | (1.0) | - |
| At end of year | **(0.2)** | **-** |

### 11 Investments (continued)

**Company**

| Investment in Subsidiaries | Cost £m | Provision £m | Net book value £m |
|---|---|---|---|
| At beginning of period | 397.0 | (186.7) | 210.3 |
| Group transfer | 45.0 | - | 45.0 |
| At end of year | **442.0** | **(186.7)** | **255.3** |

During the year the company acquired the shares in MDL Investments Limited along with its subsidiaries, which together comprise the Miller Developments business, from its subsidiary TMGL Holdings Limited.

### 12. Stocks and work in progress

| | Group | |
|---|---|---|
| | **2015 £m** | Restated 2014 £m |
| Land and development work in progress | | |
| Residential developments | **441.8** | 405.7 |
| Commercial developments | **13.3** | 13.0 |
| | **455.1** | 418.7 |

### 13. Debtors

**Due within one year**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m |
| Trade debtors | **2.9** | 2.8 | - | - |
| Amounts owed by associates and joint ventures | - | 0.4 | - | - |
| Other debtors | **16.7** | 17.0 | - | - |
| Prepayments and accrued income | **2.9** | 5.6 | - | - |
| Amounts due from subsidiary undertakings | - | - | **44.9** | 99.2 |
| | **22.5** | 25.8 | **44.9** | 99.2 |

## 13. Debtors (continued)

### Debtors: Due after more than one year

| | Group | |
|---|---|---|
| | | Restated |
| | **2015** | 2014 |
| | **£m** | £m |
| Trade debtors | **34.2** | 41.5 |
| Deferred tax (see below) | **66.0** | 78.1 |
| | **100.2** | 119.6 |

Trade debtors relates to loans provided under the Group's 'MiWay' and the HCA's HomeBuy Direct and FirstBuy shared equity schemes. These loans are secured by a second charge over the property to which they relate and are likely to be recoverable after more than one year.

### Deferred tax

| | Group | |
|---|---|---|
| | | Restated |
| | **2015** | 2014 |
| | **£m** | £m |
| At beginning of year | **78.1** | 64.7 |
| (Charge)/Credit in year | **(12.3)** | 12.0 |
| Other comprehensive income | **0.2** | 1.4 |
| At end of year | **66.0** | 78.1 |

The elements of the deferred tax balance calculated at 19% (2014: 20%) are as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **£m** | £m |
| Difference between accumulated depreciation and capital allowances | **0.4** | 0.6 |
| Tax losses | **59.4** | 71.0 |
| Retirement benefit obligations | **5.7** | 6.1 |
| Capital gain rolled-over | **(1.2)** | (1.2) |
| Unrelieved management expenses | **1.2** | 1.2 |
| Other timing differences | **0.5** | 0.4 |
| At end of year | **66.0** | 78.1 |

## 14. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Bank loans (secured) | **1.5** | 29.8 | - | - |
| Trade creditors | **48.2** | 49.2 | - | - |
| Land creditors | **47.8** | 37.0 | - | - |
| Other taxes and social security | **1.6** | 1.2 | - | - |
| Other creditors | **8.4** | 8.8 | - | - |
| Corporation tax | **1.1** | 0.5 | - | - |
| Accruals and deferred income | **35.9** | 42.0 | - | - |
| Amounts due to subsidiary undertakings | - | - | - | 9.3 |
| | **144.5** | 168.5 | - | 9.3 |

## 15. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | | Restated | | |
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Bank and other loans (secured) | **131.1** | 164.0 | - | - |
| Shareholder loans | **21.6** | - | - | - |
| Accruals and deferred income | - | 0.3 | - | - |
| Land creditors | **12.5** | 21.5 | - | - |
| | **165.2** | 185.8 | - | - |

| **Analysis of debt:** | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| **Group** | | |
| SPV debt: | | |
| In one year or less | **1.5** | 7.3 |
| Between one and two years | - | 1.5 |
| Between two and five years | **14.1** | 14.2 |
| Unamortised finance costs | - | - |
| | **15.6** | 23.0 |
| Core debt: | | |
| In one year or less | - | 22.5 |
| Between one and two years | **5.0** | 7.5 |
| Between two and five years | **136.6** | 143.5 |
| Unamortised finance costs | **(3.0)** | (2.7) |
| | **138.6** | 170.8 |
| Total debt | **154.2** | 193.8 |

The Group's secured bank loans comprise the core senior debt facilities available to Miller Homes and certain property specific loans to special purpose vehicles. The Group's core senior debt facilities are subject to floating interest rates based on LIBOR. The term loan of £110 million is fully drawn and is repayable by June 2020 in instalments which commence 30 December 2017. £20m of the £100m revolving credit facility was outstanding at the year end – this facility matures June 2020.

### 16. Provisions for liabilities and charges

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Long term incentive schemes provision | **15.8** | 12.6 | **15.0** | 12.6 |
| Property | **2.6** | 1.2 | **-** | - |
| Other provisions | **1.8** | 0.2 | | |
| | **20.2** | 14.0 | **15.0** | 12.6 |

The movement in provisions is as follows:

| | Group | Company |
|---|---|---|
| | £m | £m |
| At beginning of year | 14.0 | 12.6 |
| Charge to profit and loss | 6.2 | 2.4 |
| At end of year | **20.2** | **15.0** |

The group has four long term incentive schemes in place which reward senior employees and directors for performance over a period of greater than one year. There are a number of factors, including the value of the Group, which will influence the amounts ultimately awarded. There is uncertainty over the timing of any payment which in the opinion of the directors will be in the region of two to four years from the balance sheet date.

The property provision covers the shortfall on commercial leases, rates and related service charges to the end of an onerous lease and the estimated costs to make good dilapidations on occupied properties.

Other provisions represent legal and constructive obligations of the group. These are expected to be utilised over the next three years

### 17. Share capital

| | **2015** | 2014 |
|---|---|---|
| | **£m** | £m |
| Authorised, allotted, called up and fully paid | | |
| 449,143,960 'A' Ordinary shares of 7p each | **31.4** | 31.4 |
| 182,782,211 'B' Ordinary shares of 7p each | **12.8** | 12.8 |
| 54,953,829 'C' Ordinary shares of 7p each | **3.8** | 3.8 |
| 32,400,000 'D' Ordinary shares of 7p each | **2.3** | 2.3 |
| 20,250,000 'E' Ordinary shares of £7 each | **141.8** | 141.8 |
| 70,470,000 'F' ordinary shares of 7p each | **4.9** | 4.9 |
| 100,000 'G' shares of 0.7p each | **-** | - |
| | **197.0** | 197.0 |

A, B, C, D, E and F ordinary shares all rank equally with respect to voting and dividends. In respect of capital return the Articles set out the process for A, B, C, E and F ordinary shareholders and for D and G shareholders which differ as certain conditions have to be met. G shares are not ordinary shares and G shareholders are not entitled to vote.

## 18. Contingent liabilities

The Group has contingent liabilities in relation to indemnities provided for performance bonds and guarantees of performance obligations. These relate to contracting or development agreements entered in the ordinary course of business by Group and joint venture companies. No guarantees have been called during the year (2014: none).

## 19. Commitments

The Group has commitments under non-cancellable operating leases to make payments in the next 12 months as follows:

| | **2015 Land and buildings £m** | **2015 Other £m** | 2014 Land and buildings £m | 2014 Other £m |
|---|---|---|---|---|
| Leases expiring: | | | | |
| Within one year | **-** | **-** | 0.2 | 0.3 |
| Between two and five years | **0.4** | **0.1** | 0.5 | 0.4 |
| Outwith five years | **0.2** | **-** | 0.4 | 0.4 |
| | **0.6** | **0.1** | 1.1 | 1.1 |

## 20. Related party transactions

| | **2015 £m** | 2014 £m |
|---|---|---|
| Sales and management fees to joint ventures and associated undertakings on normal trading terms | **4.6** | 6.3 |
| Amounts paid to majority shareholder | **0.2** | 0.2 |

The company is ultimately controlled by GSO Capital partners LP, a division of the Blackstone Group LP.

Details of balances outstanding with joint ventures and associates at the year end are given in note 13.

During the year, certain shareholders provided a loan of £20 million to TMGL Holdings Limited (a subsidiary of the company). The loan is for a term of 5 years. Accrued interest at 31 December 2015 was £1.6m.

Total compensation of key management personnel in the year amounted to £5.1m.

## 21. Investments

The principal undertakings in which the Group's interests at the year end are more than 20% are as follows:

| | Principal activities | Country of registration | Share capital % |
|---|---|---|---|
| **Subsidiary undertakings** | | | |
| TMGL Holdings Limited | Holding company | Scotland | 100 |
| Miller Homes Holdings Limited | Residential Development | Scotland | 100 |
| Miller Homes Limited | Residential Development | Scotland | 100 |
| MDL Investments Limited | Holding company | Scotland | 100 |
| Miller Developments Holdings Limited | Property Development | Scotland | 100 |
| Miller Holdings International Limited | Property Development | Scotland | 100 |
| Miller Developments Limited | Property Development | Scotland | 100 |
| **Joint ventures:** | | | |
| Omega Warrington Limited | Property Development | England | 50 |
| Miller Cromdale Limited | Property Development | Scotland | 50 |
| Miller Argent Holdings Limited | Mining | England | 50 |

The company sold its interest in Miller Argent Holdings Limited on 7 January 2016. On 10 February 2016, the Company demerged MDL Investments Limited (which together with all its subsidiary and joint venture interests comprise the Miller Developments business) from the Group.

## 22. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

*Group*

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables.

*Reconciliation of equity*

| | 1 January 2014 | | | **31 December 2014** | | |
|---|---|---|---|---|---|---|
| **Group** | UK GAAP | Effect of transition to FRS 102 | FRS 102 | **UK GAAP** | **Effect of transition to FRS 102** | **FRS 102** |
| | £000 | £000 | £000 | **£000** | **£000** | **£000** |
| **Fixed assets** | | | | | | |
| Tangible fixed assets | 12.6 | - | 12.6 | **11.8** | - | **11.8** |
| Investments in Joint Ventures | 44.2 | - | 44.2 | **41.3** | - | **41.3** |
| Other investments | 7.2 | - | 7.2 | **1.7** | - | **1.7** |
| | 64.0 | - | 64.0 | **54.8** | - | **54.8** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Stocks | 392.8 | (5.1) | 387.7 | **427.9** | **(9.2)** | **418.7** |
| Debtors (due with one year) | 105.6 | - | 105.6 | **25.8** | **-** | **25.8** |
| Debtors (due after more than one year) | 115.9 | (8.1) | 107.8 | **120.7** | **(1.1)** | **119.6** |
| Cash at bank and in hand | 62.9 | - | 62.9 | **39.1** | **-** | **39.1** |
| | 677.2 | (13.2) | 664.0 | **613.5** | **(10.3)** | **603.2** |
| **Creditors:** amounts due within one year | (258.1) | - | (258.1) | **(168.5)** | **-** | **(168.5)** |
| **Net current assets** | 419.1 | (13.2) | 405.9 | **445.0** | **(10.3)** | **434.7** |
| **Creditors:** amounts falling due after more than one year | (228.1) | 2.7 | (225.4) | **(189.6)** | **3.8** | **(185.8)** |
| **Provisions for liabilities** | | | | | | |
| Other provisions | - | - | - | **(14.0)** | **-** | **(14.0)** |
| Pension liability | (18.3) | (4.6) | (22.9) | **(24.6)** | **(6.1)** | **(30.7)** |
| | (18.3) | (4.6) | (22.9) | **(38.6)** | **(6.1)** | **(44.7)** |
| **Net assets** | 236.7 | (15.1) | 221.6 | **271.6** | **(12.6)** | **259.0** |
| **Capital and reserves** | | | | | | |
| Called up share capital | 197.0 | - | 197.0 | **197.0** | **-** | **197.0** |
| Merger reserve | (331.4) | - | (331.4) | **(331.4)** | **-** | **(331.4)** |
| Profit and loss account | 371.1 | (15.1) | 356.0 | **406.0** | **(12.6)** | **393.4** |
| **Shareholders' equity** | 236.7 | (15.1) | 221.6 | **271.6** | **(12.6)** | **259.0** |

**Notes to the reconciliation of equity**

Under FRS102, shared equity debtors are held in the balance sheet as debtors due after more than one year, measured at fair value at the balance sheet date, resulting in a lower carrying value in comparison with UK GAAP

Under FRS102, land creditors are initially recognised at discounted value. This is used in assessing the costs of the related land acquired, resulting in a reduced work in progress cost in comparison with UK GAAP.

Under FRS102, selling and marketing expenses are required to be expensed through the income statement rather than recognised as a cost of development in work in progress, as permitted under UK GAAP.

Under FRS102, the deferred tax asset on the net defined benefit liability is included in the Deferred Tax asset in Debtors rather than offset against the defined benefit liability.

## 23. Group Companies

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates and joint ventures and the effective percentage of equity owned as at 31 December 2015 are disclosed below. All companies are incorporated in the United Kingdom unless indicated below and engaged in housebuilding, commercial property and mining operations. TMGL Holdings Limited and MDL Investments Limited are the only directly held subsidiaries of the Company.

**Directly held subsidiaries of the Company**
TMGL Holdings Limited
MDL Investments Limited

**Indirectly held subsidiaries, associates and joint ventures**

**Miller Homes - Subsidiaries (all 100%)**
Miller Homes Holdings Limited
Miller Homes UK plc
Grain Holdco Limited
L Williams & Co Limited
Miller Homes Limited
Ballchart Limited
Belsco 1011 Limited
Belsco 1012 Limited
Birch Limited
Birch Commercial Limited
Arwinrise Limited
Cussins Homes (Yorks) Limited
Dinebrief Limited
Highfields Developments Limited
Emerald Shared Equity Limited
James Miller & Partners Limited
Lemmington Estates Limited
Miller (Barrow) Limited
Miller (Cobblers Hall) Limited
Miller (Telford North) Limited
Miller Airdrie Limited
Miller City Centre Limited
Miller East Kilbride Limited
Miller Framwellgate Limited
Miller Fullwood Limited
Miller Gadsby (Burton Albion) Limited
Miller Homes (East Midlands) Limited
Miller Homes (Moor Allerton) Limited
Miller Homes (North East) Limited
Miller Homes (North West) Limited
Miller Homes (Scotland East) Limited
Miller Homes (Scotland West) Limited
Miller Homes (St Helens) Limited

**Miller Homes - Subsidiaries (all 100%)**
Miller Homes (West Midlands) Limited
Miller Homes (Yorkshire) Limited
Miller Homes Cambridge Limited
Miller Homes Cambuslang Limited
Miller Homes City Quay Limited
Miller Homes Northern Limited
Miller Homes Special Projects Portfolio Limited
Miller (Eccles) Limited
Miller (Telford South) Limited
Miller Homes St Neots Limited
Miller Homes Two Limited
Miller Maidenhead Limited
Miller Residential (Northern) Limited
Miller Shared Equity Limited
Miller Urban Redevelopments Limited
Fairclough Homes Limited
Viewton Properties Limited
MF Development Company UK Limited
MF Development Funding Company UK Limited
Miller Fairclough UK Limited
CDC2020 Limited
Fairclough Homes Group Limited
MF Homes Limited
MF Homes UK Limited
MF Strategic Land Limited
Alderview Homes (Carrickstone) Limited
Miller Belmont Limited
Miller Residential Development Services Limited
Brown's Developments (Hetton) Limited

**Miller Homes - Joint ventures (all 50%)**
St Andrews Brae Developments Limited
Miller Wates (Didcot) Limited
Miller Wates (Southwater) Limited
College Street Residential Developments Limited
Croftport Homes Limited
Iliad Miller (No 2) Limited
Iliad Miller Limited
Land & City Properties (Bollington) Limited

**Miller Homes - Joint ventures (all 50%)**
Mount Park Developments Limited
Perth Land and Estates Limited
Canniesburn Limited
Lancefield Quay Limited
Miller Applecross (Edinburgh Quay) Limited
Miller Gadsby (Castle Marina) Limited
Scotmid-Miller (Great Junction Street) Limited

**Miller Homes - Associates (45%)**
New Laurieston (Glasgow) Limited

**Miller Homes - Limited liability partnership (33.33%)**
Telford NHT 2011 LLP

**Miller Mining - Subsidiaries (all 100%)**
Miller Mining Limited
JH&L Coal Inc (Indiana, USA)
James Miller & Partners Inc (Delaware USA)
Miller Developments (South Wales) Limited

**Miller Mining - Joint ventures (all 50%)**
Miller Argent Holdings Limited
Miller Argent (Ffos-Y-Fran) Limited
Miller Argent (South Wales) Limited
Ffos-Y-Fran (Commoners) Limited
Miller Argent (Nominee No1 Limited)

**Miller Developments - Subsidiaries (all 100%)**
Miller Developments Holdings Limited
Miller Group Holdings (UK) Limited
Miller Holdings International Limited
Miller Developments Limited
Cussins Commercial Developments Limited
Cussins Property Group Limited
Cussins Homes (North) Limited
Cussins Homes Limited
Miller (Ardent House) Limited
Miller Prestonholm Limited
Miller (Gainsborough) Limited
Miller (Nottingham) Limited
Miller (Queen's Drive) Limited
Miller (Arena Central) Limited
Miller (St Neots) Limited
Miller Alpha Limited
Miller Tower Wharf Limited
Miller Developments (Management Services) Limited

Miller Developments One Limited
Miller Developments Three Limited
Miller Developments Four Limited
Miller Developments Five Limited
Miller Developments (Warriston Road) Limited
Miller Fort William Limited
Miller Developments Northern Limited
Miller Inverness Limited
Miller Lochside View Limited
Miller Developments Regeneration Limited
Miller Romania One Limited
South Queensferry Limited

**Miller Developments - Partnerships (50% unless stated)**
Miller Cromdale (West Wing) LLP
Miller Cromdale (Ardent House) LLP
Miller Cromdale Esslemont LLP
Miller Cromdale (Liberty) LLP
The Miller Birch Partnership
Miller King Auchendinny LLP
SQ1 LLP
Clan (Alpha Place) LLP (7%)
Miller Craigrossie Hawkhead LLP (40%)
Arena Central Developments LLP

**Miller Developments - Joint ventures (50% unless stated)**
Miller King Kirkcaldy Limited
Miller King Markinch Limited
Miller King Cardenden Limited
Miller Cromdale (Old Ford Road) Limited
Miller Cromdale Riverside Business Park Limited
Miller Cromdale Limited
Miller Northpoint (Pacific Quay) Limited
SQ3 Limited
Omega Warrington Limited
Miller Birch (Nottingham) Limited
Miller Birch (Chellaston) Limited
Miller Birch Limited
Pacific Quay Developments Limited
Thirlstone Centros Miller Limited
Centros Miller 1999 Limited
Miller Cromdale (Consort House) Limited
City Road Basin Limited (51%)
Edinburgh Quay Limited (51%)
Centros Miller Holdings Limited (56%)
Edinburgh Quay (Three) Limited (51%)

**Miller Developments - Overseas subsidiaries (all 100%)**
Miller Centre SRL (Incorporated in Romania)
SC Miller Investitii SRL (Incorporated in Romania)
Miller DK Outlet Center Ringsted ApS (Incorporated in Denmark)
Miller Developments Spain SL (Incorporated in Spain)

**Miller Developments - Overseas Joint ventures (all 50%)**
Ringsted Retail Company ApS (Incorporated in Denmark)
SPV Ringsted ApS (Incorporated in Denmark)
Ringsted Outlet Center P/S (Incorporated in Denmark)

**Other**
Construction Holdco 1 Limited
The Miller Group Limited