miller

building for generations®

Annual Report 2013

The Miller Group is a major UK property business specialising in housebuilding, commercial property, construction and integrated asset management services.

Our mission is to create sustainable living and working environments by delivering the best products and services for all of our clients and customers. We have been building on these principles for generations.

Our businesses

Miller Homes
Building a strong landbank to deliver volume and margin growth.

More detail from page 08

Miller Construction
Building a long and diverse order book to deliver profitable growth.

More detail from page 16

Miller Developments
Building a broad development pipeline from an efficient capital base.

More detail from page 22

Miller Mining
Building a valuable energy resource with a low cost base.

More detail from page 28

Contents

Front cover: Highfield Manor, East Kilbride.

The Group at a glance

The diversity of our businesses equips us with a broad range of expertise and a depth of experience which, we believe, differentiates us from others in the sector.

All four of our businesses are well positioned to take advantage of improving market conditions and to generate profitable growth in the years ahead.

Overview

Why Miller
Our talented team has a long tradition of creating high quality developments and delivering outstanding levels of service for our customers.

Quality products
We have received many awards and accolades for our products, which range from family homes to commercial buildings.

Our approach
We recognise that innovation and continuous improvement are key to the future success of our business in today's fast-moving world.

Our businesses

Housebuilding

Miller Homes has established a tradition for building family homes over the last 80 years. We have a reputation for delivering sector-leading quality, sustainable homes and providing excellent levels of customer service.

Landbank

25,742 plots

Miller Homes in 2013: Building a strong landbank to deliver volume and margin growth.

More detail on pages 08-15

Construction

Miller Construction is a multi-disciplinary construction business providing services across the full property and estate lifecycle. We contribute to the value of the built environment by delivering high quality projects and programmes of work for customers in markets that deliver the UK's economic and social infrastructure.

Order book

£1.82 billion

Miller Construction in 2013: Building a long and diverse order book to deliver profitable growth.

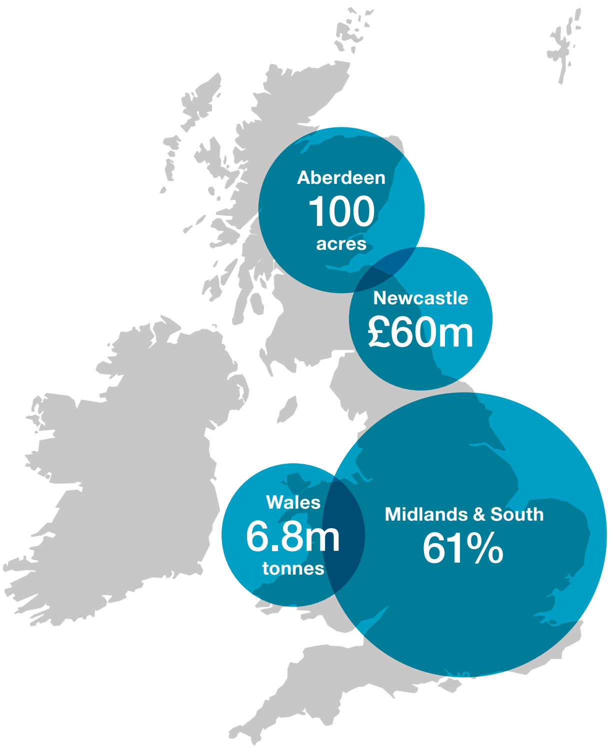
More detail on pages 16-21

Above: Robert Gordon University.
Photographer: Martin Parker, The Gatehouse Design & Print Consultancy at RGU.

Sustainability
Being sustainable is a fundamental part of our company culture and informs everything we do.

National coverage
With operations spanning the length and breadth of the country, we are well positioned for growth across the UK.

Partnerships
We adopt a partnership approach to the way we engage with all our customers, consultants, suppliers and other stakeholders; always striving to deliver ahead of expectations.



Aberdeen
100 acres
Acquisition of 100 acres of development land.

Newcastle
£60m
Over £60m worth of key construction projects.

Midlands & South
61%
61% of Homes' landbank.

Wales
6.8m
6.8m tonnes of coal reserves.

Commercial Property

Miller Developments is a major property development and trading business operating across the UK. We focus on brownfield sites and working in joint venture with public and private sector partners.

Development pipeline
12 million sq ft

Miller Developments in 2013: Building a broad development pipeline from an efficient capital base.

More detail on pages 22-27

Mining

Miller Mining operates in joint venture with Argent Group plc at the UK's largest opencast coal mine and land reclamation project at Ffos-y-fran in Wales.

Remaining reserves
6.8 million tonnes

Miller Mining in 2013: Building a valuable energy resource with a low cost base.

More detail on pages 28-29

Building a stronger, sustainable business

We produced a strong set of results in 2013 with trading performance significantly ahead of 2012. This was primarily driven by performances from Miller Homes and Miller Developments.

Key performance indicators

Turnover (£)
817.3m
+31.8%

Net debt (£)
168.8m
16.4% lower

Landbank (owned and consented plots)
8,731
+8.0%

PBIT (£)*
31.9m
+9.2%

Land investment (£)
91.8m
+64.8%

Landbank (strategic plots)
17,011
+11.2%

PBT (£)
10.4m
+57.6%

Total housing sales (units)
2,053
+12.1%

Construction order book (£)
1.82bn
+19.0%

* Before exceptional items.

Key events

Miller Homes

Planning consent received on 2,538 strategic land plots.

More detail on pages 08-15

Miller Construction

Appointed to Ministry of Defence and Scottish Hydro Electric Transmission Substation Delivery Frameworks.

More detail on pages 16-21

Miller Developments

2 million sq ft of occupier deals concluded.

More detail on pages 22-27

Chairman's statement

I am pleased to report an improved set of financial results for 2013, which positions each of our businesses to take advantage of improving market conditions. As the UK's economic recovery gradually takes hold, the Board is confident that the Group is well positioned to exploit new and existing opportunities, in order to deliver increased value for shareholders over the short to medium term.

Building value

Philip Bowman
Chairman

Performance

Group profit before interest and exceptional items of £31.9 million (2012: £29.2 million) is 9% ahead of last year. Impressive performances from our housebuilding and commercial property businesses were, in part, offset by the expected lower profits from our mining joint venture and by the necessary write-downs on a limited number of contracts in our construction business. As previously guided these were due largely to cost overruns.

In Miller Homes, the operating profit of £22.8 million is 57% ahead of last year, reflecting growth in unit sales, an enhanced average selling price and increased margins. As we trade through our legacy land and replace these resources with new, and higher margin, sites, we expect to see performance continue to improve.

In Miller Developments, the operating profit of £8.4 million was 56% higher than last year, driven by demand for our projects in Aberdeen and at Omega in Warrington. We expect that the strong development portfolio, combined with the division's entrepreneurial approach, will continue to offer good prospects for on-going success.

Miller Construction recorded an operating loss of £4.6 million, primarily reflecting losses on a limited number of contracts that had been procured competitively on the basis of price. As we have made clear, we no longer tender for projects on this basis unless they are projects with clients with whom we have on-going, long-term strategic relationships and are at commercially viable margins.

The lower operating profit in Miller Mining is as expected, and is driven by the return on an historic fixed price contract that accounts for circa 60% of our output. The division's performance in the prior year benefited from coal sales prices locked in when the market was high, creating a strong comparator for 2013.

At £10.4 million, Group profit before tax ("PBT") was 58% ahead of last year (2012: £6.6 million). In addition to the improved trading performance outlined above, profit performance was helped by a significant saving in interest costs reflecting the lower year-on-year debt levels.

The Group enjoys a robust balance sheet. Net asset value ("NAV") is £236.7 million (2012: £236.5 million) and net bank borrowings decreased by 16% to £168.8 million (2012: £202.0 million).

No dividend is proposed in relation to 2013 (2012: £nil).

Economy and markets

We can detect signs of increased business and consumer confidence as the UK's economic performance continues to improve, with slow but steady Gross Domestic Product ("GDP") growth, historically low interest rate levels, and unemployment trending downwards. These are all important factors in determining the prospects for our three core businesses. While economic recovery is taking longer than experienced in previous downturns, it does appear that the UK is finally moving in the right direction again.

Housebuilding has a clear role in contributing to renewed economic growth – a fact that is recognised increasingly by both the Westminster and Scottish governments. The UK housing market improved significantly over the last year, assisted by the introduction of Help to Buy and the increasing availability of higher Loan to Value mortgages. Across the political spectrum, the need for further reform of planning processes in order to increase historically low levels of new starts remains a hotly contested issue. Demand for new housing continues to outstrip supply across the country, and we continue to work with the Home Builders Federation ("HBF") and our fellow housebuilders to increase volumes and to respond to this crucial social need.

Improved confidence is also feeding through to the corporate sector, where we are seeing increased levels of occupier demand on our key commercial property developments as well as strong investment demand for completed product. The wider UK construction market is also showing early signs of recovery, and we expect to benefit from a continued strong flow of framework opportunities – our key procurement route.

Shareholder relations

In February 2012, we completed a major refinancing of the Group, attracting £160 million of new equity investment into the business and refinancing our senior debt with new five-year committed term facilities. This has equipped us with additional investment capital and has significantly strengthened our balance sheet.

GSO Capital Partners, a division of one of the world's leading investment and advisory firms, The Blackstone Group, is now the major shareholder. Together with our other main shareholders, Royal Bank of Scotland, Lloyds Banking Group, Noble Grossart and key management, we have a committed and supportive investor base.

Board of directors

The Board comprises a high calibre mix of shareholder representatives and non-executive directors, alongside the Group Chief Executive and Group Finance Director.

I am delighted to welcome Richard Hodsden to the Board as Group Finance Director. Richard was most recently Chief Financial Officer of Safestore Holdings plc, where he led the IPO onto the main market of the London Stock Exchange in March 2007. He has considerable business experience and a significant track record in senior posts during his career.

John Richards left the Group in November 2013, after more than 25 years in the business. On behalf of the Board, I thank John for his valuable contribution and wish him well for the future.

Corporate responsibility

Corporate responsibility is a fundamental part of the Group's culture. We embrace our responsibilities in the communities we serve, and the needs and concerns of our stakeholders inform our overall approach. Our commitment to creating a more sustainable world in which to live and work is driven from the top, and is reflected in our policies, procedures, training and the everyday activity of our employees. We made good progress during the year, exceeding targets and benchmarking very favourably against our peers. Further details are contained in the corporate responsibility review on page 34.

People

I am delighted to announce that The Miller Group, Miller Homes and Miller Construction have been awarded Gold status by Investors in People. Miller Developments, which currently holds Silver status, is assessed on a different cycle. This is a singular achievement, putting us among the top 3% of companies accredited with Gold status across the UK.

On behalf of the Board, I wish to express my sincere thanks to our employees for their hard work and dedication during 2013, and to wish them well for 2014.

Outlook

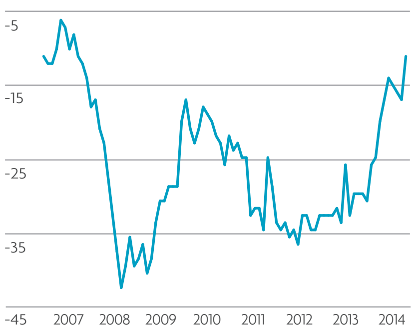
The Group made good progress in 2013 with increased profits, reduced debt levels and strengthened landbank and order books. All our key markets are showing positive signs of growth.

In Miller Homes, we enter 2014 with a significantly improved forward sales position. We have increased our landbank and are rapidly replacing legacy land with new sites acquired with higher embedded margins. We have achieved notable planning successes on our strategic land portfolio, and these will underpin our future land requirements. Miller Developments is experiencing strong demand for its anchor development sites and has a strong pipeline of opportunities. The quality, size and deliverability of the Miller Construction order book is at record levels, following a number of new framework agreement appointments in our target markets.

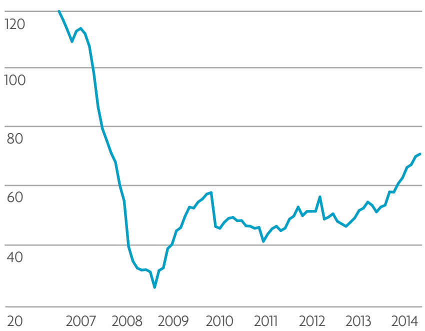
This outlook, combined with the Group's strong balance sheet, committed long-term bank facilities and high quality management teams, provides a strong platform for the future development of the business.

Philip Bowman
Chairman

Consumer confidence index[1]



Monthly number of mortgage approvals ('000s)[2]



1 Source: Bloomberg GfK.
2 Source: Bank of England.

Group Chief Executive's business review
Strategy

I am pleased to report a year of excellent progress in positioning each of our businesses for profitable growth in the future through strong operational performance.

Building growth

Keith M Miller CBE
Group Chief Executive

Overview
Miller Homes made significant progress during 2013. Increased reservation rates and growth in the number of active sites drove a 12% increase in total housing completions to 2,053 units (2012: 1,831 units). The business also delivered a 76% improvement in forward sales at the year end. The average selling price rose 6.5% to £181,000 (2012: £170,000) and should increase further, driven by the focus of our land investment on family housing in quality locations. We have stepped up our land-buying significantly with £92 million committed (2012: £56 million) during the year, increasing our owned and consented landbank by 8% to 8,731 plots (2012: 8,087 plots) with a gross development value of £1.7 billion. Legacy sites now account for only 22% of our owned and consented landbank (2012: 38%). We also achieved significant planning successes on our strategic land portfolio during 2013 which now stands at over 17,000 plots with an estimated gross development value of £3.5 billion (2012: £2.8 billion). The emphasis on building a quality, high margin landbank underpins Miller Homes' growth in the short and medium term.

Miller Developments had a strong year on the back of high occupational demand in Aberdeen and at Omega in Warrington. We acquired 100 acres of land adjacent to Aberdeen airport and are in advanced discussions with landowners at both Omega and Arena Central in Birmingham to bring forward further phases of development. These developments will provide the backbone to future profitable trading for the business. We have a total development pipeline of 12 million sq ft.

Miller Construction delivered significant improvements in the quality of its order book during 2013. The key focus on framework contracts with public sector and regulated bodies provides greater certainty of work over the medium term with an improved risk profile. We were appointed to new frameworks with Scottish and Southern Energy and the Ministry of Defence and received repeat orders from strategic clients including Network Rail during the year. The secured order book, including preferred bidder positions, is £806 million. In addition, framework agreements are expected to generate an additional £1 billion of revenue over the next five years. Our services business, Miller Asset 24, also secured a number of important new contracts during 2013 increasing its workload by 60% to £246 million (2012: £154 million).

Finally, Miller Mining had another solid year, performing ahead of expectations despite particularly adverse weather conditions both at the start and end of the year. We have remaining reserves of 6.8 million tonnes of low cost, high quality coal at Ffos-y-fran. During the year we submitted a planning application for the neighbouring reserve of around 6 million tonnes at Nant Llesg. Planning permission was received for a new wash plant at Ffos-y-fran which will allow us to significantly increase our capacity to supply metallurgical coal for the steel market both in the UK and overseas. Demand for our coal remains strong and the order book for 2014 is already secure.

Strategy

The Group operates a diverse business model with two asset-backed businesses, Miller Homes and Miller Developments, complemented by a UK-wide construction business, Miller Construction, and our mining joint venture, Miller Mining.

Each business operates independently with well-established delegated authority levels, clearly defined investment parameters and key performance indicators against which performance is measured. The Group's strategy is to grow shareholder value through maximising the potential of each business.

The strategy for Miller Homes is to grow output beyond 2,750 units per annum over the next three to five years, with the most significant growth coming through our Midlands and South regions. This additional volume will increase operating efficiency from our existing regional infrastructure, driving up operating margins and return on capital employed. This will be further enhanced as legacy land holdings are replaced with new land acquired at current margin hurdle rates.

Our land investment is focused on good quality, suburban developments with traditional layouts and a product mix which is appropriate for the given locations, thus driving higher average selling prices. This growth is underpinned by the size and quality of our strategic land portfolio. A key focus is on maturing this portfolio of options to provide land to support our regional growth with the excess being available for trading on to other housebuilders. At the heart of everything we do is 'The Miller Difference', a philosophy which highlights our commitment to driving industry leading quality, innovation and customer service throughout the entire home-buying journey.

The strategy for Miller Developments is to generate high margin development returns from an efficient capital base. Our focus is on pre-let developments, both on our long-term strategic development sites and through new opportunities where we can deliver a product in markets with strong occupier demand which is attractive to institutional investors. In addition, we target the purchase of land with potential for planning enhancement, generally through change of use, providing opportunities for Miller Homes as well as land to trade or develop.

Miller Construction has been transformed over the last two years, moving away from one-off capital projects secured in the open market. It now provides end-to-end estate solutions from initial feasibility through funding and design management, construction and lifecycle aftercare. The business has clearly defined sector focus and procures work only through framework agreements with public sector and regulated customers, PPP projects and for strategic clients with on-going programmes of work where we share a trusted and collaborative relationship. Our services business is a fast growing and increasingly important part of the business. This strategy provides a larger, longer-term order book with greater certainty and a reduced risk profile.

The Miller Mining strategy is to be the supplier of choice to key local markets in the steel, power generation and cement sectors. We are also investigating the potential for export markets. Our coal is high quality with a low extraction cost which allows the business to remain highly cash generative despite the weakening in market prices experienced over the last 18 months. We have 60% of reserves still to extract at Ffos-y-fran and, if we are successful with our planning consent at Nant Llesg, coaling will extend well into the next decade.

Keith M Miller CBE
Group Chief Executive

Landbank

	Plots	Gross Development Value £m
Owned and consented	8,731	1,738
Strategic	17,011	3,542
Total	**25,742**	**5,280**

Order book

	Contracts £m	Preferred bidders £m	Anticipated £m	Total £m
Framework agreements	112	216	975	1,303
PPP	44	89	–	133
Services	160	46	40	246
Strategic clients	90	34	–	124
Other	11	4	–	15
Total	**417**	**389**	**1,015**	**1,821**

Group Chief Executive's business review
Our people

Our employees are dedicated and passionate about the quality products and services that they deliver. To ensure this is achieved day in, day out, our teams are supported through an on-going programme of employee development.

Investing in our people

In 2013 The Miller Group, Miller Homes and Miller Construction were awarded Gold status by Investors in People (IiP). This puts us among the top 3% of companies accredited with Gold across the UK. IiP is an important framework for helping us evaluate our business and the standard is widely recognised as a key benchmark for a well-run organisation and employer of choice. This recognition underlines the high calibre of our employees as well as our commitment to providing opportunities for personal growth through training, development and continuous improvement.

INVESTORS IN PEOPLE | Gold

The value of people

We firmly believe that the foundation of our success is mainly attributable to the high calibre of our employees. Our team's commitment and desire to deliver the highest quality products and services has helped us to build a more sustainable future.

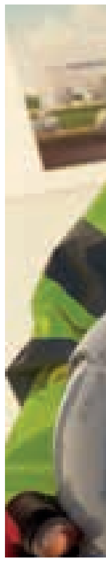
Individually, many of our people achieved industry recognition or professional accreditation throughout 2013, reflecting the capabilities of our employees. We continued our success in the annual NHBC Pride in the Job Awards with Miller Homes site managers receiving 23 Quality Awards, 11 Seals of Excellence, two Regional Awards and one Supreme Award – the ultimate accolade in the competition. We also enjoyed success in the Construction Manager of the Year Awards, where we had seven finalists, one 'highly commended' and one category winner. Employees also achieved accreditation to various professional bodies, including the Chartered Institute of Building (CIOB), Royal Institution of Chartered Surveyors (RICS) and Institution of Civil Engineers (ICE).

In turn, we have established a number of initiatives across our businesses to drive home safety, health and environment messages on a daily basis to provide our people with a safe working environment.

We also offer a range of incentives and rewards in return for the efforts of our employees in helping us achieve our business goals and are committed to ensuring all our people have access to opportunities for personal and professional growth through training, development and continuous improvement.

In a bid to attract the best people to our workforce, we recently expanded our graduate scheme to provide two distinct career paths, business and technical, providing 13 positions across both pathways.

Pride in the Job
In 2013, 23 of our site managers received recognition in the NHBC's Pride in the Job Awards.



NHBC Pride in the Job

CIOB

▲
Training and development

All our employees are provided with opportunities for personal and professional growth.

◀
Health and safety

We are committed to an industry-leading health and safety performance.

Divisional business reviews
Miller Homes

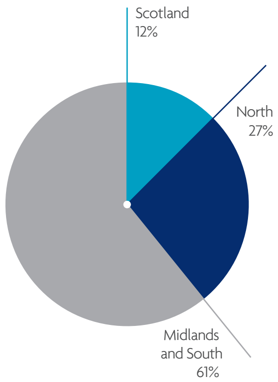
Miller Homes

Building momentum

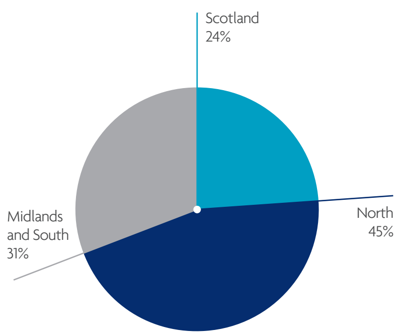
Key highlights:

- 57% increase in operating profit to £22.8 million
- 2,053 home completions
- 8,731 plot owned and consented landbank
- 17,011 plots in strategic landbank
- 97% customer recommend score
- 23 Pride in the Job Quality Awards

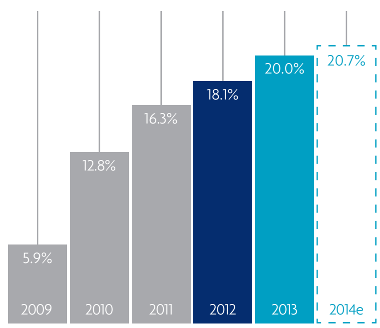
Landbank by region



Completions by region



Embedded gross margin – owned and consented landbank



Regents Park

Crossgates, Fife.

Divisional business reviews
Miller Homes continued

Business review

Market
The recovery in the UK housing market continued progressively during the course of 2013 as confidence in the prospects of the UK economy grew. It was particularly encouraging to see a rise in reservation rates as activity levels are important, not only to us, but also to our supply chain and to the wider economy.

Private reservation rates were 23% ahead of 2012, buoyed by a significantly stronger second half of the year. The overall improvement in reservation rates was aided by the introduction of Help to Buy and an increase in the availability of higher Loan to Value mortgage products, the latter increasing steadily during the year.

Selling prices have stabilised and in some locations we are seeing modest house price inflation which we anticipate will continue into 2014. The improving sales market has not only benefited 2013 completions but has also ensured that we enter 2014 with a stronger forward sales position than recent years. Reservations held at the end of 2013 for 2014 completions are up 76% year-on-year to 485 units representing a development value of £86 million (2012: £41 million).

Performance
The total number of housing completions was up 12% at 2,053 (2012: 1,831). This increase was primarily due to higher completions from our owned landbank which rose to 1,707 (2012: 1,517). This reflects an improvement in reservation rates and also the impact of investment in new land, which saw our average number of live developments increase from 63 to 68.

Turnover increased by 24% to £330 million (2012: £266 million). This was driven by an additional 190 completions from our owned landbank, together with a 6.5% increase in the average selling price to £181,000 (2012: £170,000) and higher land sales due to the sale of excess strategic landholdings. The increase in average selling price reflects a higher proportion of family product being sold in 2013 in better locations combined with modest price growth. Through a combination of product size and location of our new developments, our average selling price will increase further in 2014 as the impact of recently acquired land feeds through

Building our brands
Miller Homes

'the place to be' was created as a direct reflection of the Miller Homes brand – it is simple, emotive and aspirational. We've been building homes for 80 years, more than three generations, and it is our unique combination of people, product and place that creates the place to be, bringing us thousands of delighted customers.

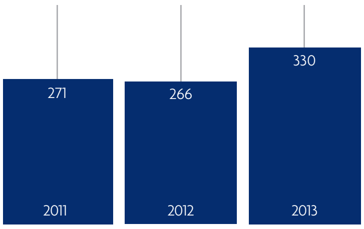
the place to be®

into completions. The price growth in 2013 was mainly generated by lower incentives rather than top-line house price inflation, although we do expect to see some house price inflation in 2014.

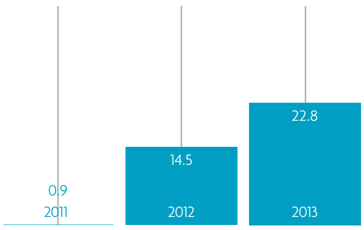
The level of sales using our shared equity offer fell dramatically in 2013 and coincided with the introduction of Help to Buy in April 2013 (in England) and in September 2013 (in Scotland). Only 5% (2012: 25%) of completions required the assistance of our own shared equity scheme. Help to Buy accounted for 18% of 2013 completions.

An increased proportion of sales were generated from recently acquired land. This accounted for 33% of completions (2012: 20%) and underpinned a 57% increase in operating profit to £22.8 million (2012: £14.5 million). The proportion of sales from new land is expected to increase to over 50% in 2014.

Turnover (£m)



PBIT (£m)



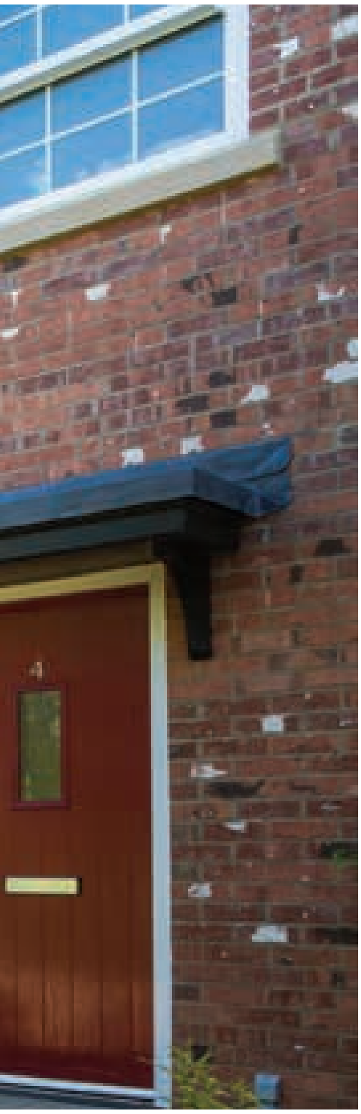
Award-winning h2010, Leeds

Award-winning h2010, Leeds, has created a new community with sustainability at its core.

Divisional business reviews Miller Homes continued

▲
Miller View, Brill
Located in the hilltop village of Brill, Miller View is a small prestigious selection of traditionally styled homes.

▶
Orchardfield Gardens, East Linton
The interior of our stunning show home at Orchardfield Gardens, East Linton.



Landbank

Our land-buying programme increased in 2013 with £92 million (2012: £56 million) being committed. This enabled our owned landbank to grow by 10% to 5,743 plots (2012: 5,203 plots). We have a further 2,988 consented plots (2012: 2,884 plots) taking our controlled landbank to 8,731 plots, which is equivalent to five years' supply. The land reinvestment programme is also improving our embedded margin, which at the end of 2013 is 20%, significantly ahead of the prior year figure of 18.1%.

Land-buying conditions remain favourable in all our areas of operation due mainly to smaller regional builders having limited access to funding.

We have a targeted land acquisition strategy which is location-driven with the key financial hurdles being margin and return on capital. Our strategic land pipeline is significant and will fuel our future growth. In this regard, the introduction of the National Planning Policy Framework (NPPF), and, in particular, the emphasis on local authorities having a robust five-year land supply, has accelerated the planning prospects for some of our key strategic sites.

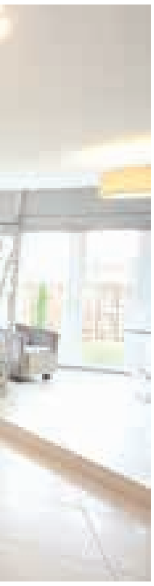
2013 was a record year in the progression of our strategic land interests with the following landmarks achieved:

- 19 planning applications (2,945 plots) submitted;
- 13 sites (2,538 plots) received either detailed or outline consent; and
- 10 sites (1,201 plots) were purchased.

Completions from our strategic landbank are forecast to increase significantly from 6% in 2013 to 25% in 2015. Our strategic landbank stands at over 17,000 plots.

Stretton Glen, Leicester

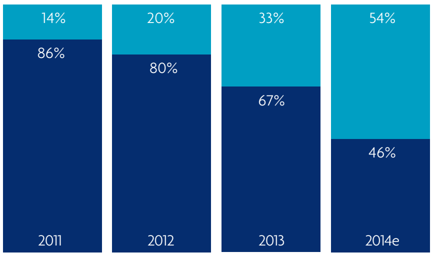
Stretton Glen combines the rural appeal of village living with a convenient location on the outskirts of Leicester.



Divisional business reviews
Miller Homes continued

Completions analysis

■ Legacy sites ■ New sites

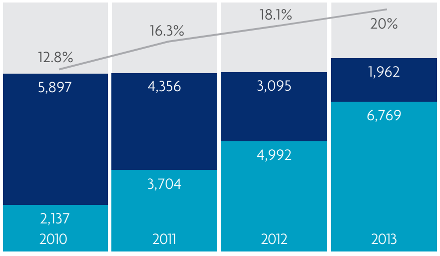


Average selling price (£'000)

■ Total ■ Private

Landbank analysis

■ Legacy sites ■ New sites ■ Embedded margin



Corporate responsibility

Sustainable development has been a key part of our business for a number of years. Our vision is to make our workplace, our homes and the environment safer. In 2013, we launched our new sustainability strategy, 'A Better Place', which sets out in detail how we plan to meet the challenges we have set ourselves over the next seven years. A key aspect of this strategy is engagement with all of our key stakeholders, employees, local residents, customers and suppliers.

An employee survey carried out during the year confirmed that we have a highly engaged workforce with over 80% of employees expressing a desire to be involved in sustainability initiatives.

▲
The Leader
The Leader is a stylish and practical five bedroom detached family home.

We had a commendable performance in health and safety where our Accident Incident Rates fell by 43% year-on-year.

Our build quality statistics continue to impress both in terms of historic levels and in comparison to our peers. During 2013, 23 of our site managers achieved recognition in the NHBC's Pride in the Job Awards scheme, with one receiving the ultimate accolade, the Supreme Award, in the multi-storey category. In relative terms, this is industry-leading. In customer care, 97% (2012: 97%) of respondents stated that they would recommend Miller Homes to their best friend and we retained our five star rating for customer satisfaction in the HBF New Home Customer Satisfaction survey.

Outlook

2013 was a year of significant growth for the business. We will continue to build on this through 2014 and beyond until we reach the current operational capacity of 2,750 units per annum.

Market conditions from both a sales and land-buying perspective remain positive. We expect the positive momentum in reservation rates experienced in 2013 to continue into 2014 and envisage that we will see modest house price inflation. All sites required to meet our 2014 targets are secure and, with a greater proportion of completions arising from recently acquired sites, we expect to make further significant progress in 2014.

Driving sales
Incentive schemes

To support buyers looking to move onto or up the property ladder, we offer a number of incentive schemes for those who meet the qualifying criteria, including Help to Buy.

Help to Buy provides assistance to buyers who only have a 5% deposit through the provision of a 20% equity loan from the government, meaning buyers only need to secure up to a 75% mortgage from a bank or building society.

During 2013, 18% of our buyers received support through Help to Buy.

Harrand family

The Harrand family move into their new Miller home in Castle Donington thanks to Help to Buy.

Wensleydale Park, Blyth, Northumberland

The contemporary interior of The Orwell show home at Wensleydale Park, Blyth.

Minster View, Gringley on the Hill

Situated in a small rural village, Minster View has been thoughtfully designed to complement its picturesque surroundings.

Divisional business reviews
Miller Construction

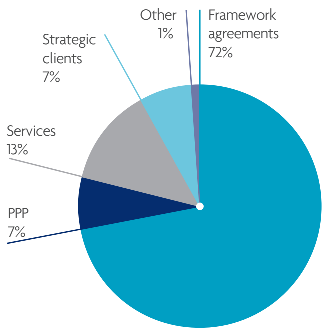
Miller Construction

Building a quality order book

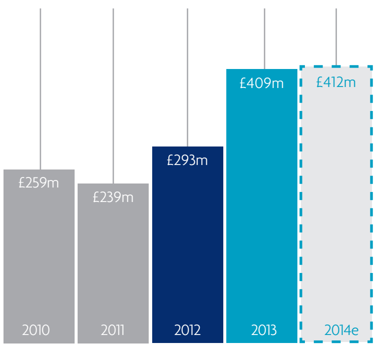
Key highlights:

- £387 million of work won during year
- 73% of work won from frameworks, services and PPP
- £806 million order book
- Further £1 billion anticipated work from existing frameworks
- Total order book £1.8 billion, of which 79% is frameworks and PPP
- £92 million increase in services order book to £246 million

Order book



Turnover



Rolls-Royce UK Discs, Washington

A quality partnership. Strong teamwork and a commitment to quality and safety ensured we delivered the state-of-the-art precision manufacturing facility on-time.

Divisional business reviews
Miller Construction continued

Business review

Market
Miller Construction has made good progress during 2013 despite the wider industry continuing to face challenging market conditions. Competition in the general market place remains fierce. There are early signs, however, of an increase in the volume of opportunities on the back of improving economic conditions.

We remain selective in the markets we pursue. Preference is given to frameworks and programmes of work for a limited number of strategic clients. Our chosen markets have developed over the last 12 months. Our emphasis is now focused on those that contribute to and deliver the UK's economic (rail, energy, science and technology) and social (education, health, communities, defence) infrastructure. We continue to experience positive demand in these sectors, leading to a record order book at the end of 2013. We are also investing in the growth of our services business through further expansion of our self-delivery capability. This enables us to provide end-to-end services to 'Consult, Fund, Build and Care' for our clients.

Performance
Construction delivered a 58% increase in turnover to £408.7 million (2012: £259.4 million) reflecting the significant investment in business development in growth markets made over recent years. Turnover is now back at 2009 levels but, more importantly, the forward order book is increasingly weighted towards lower risk framework opportunities, services and work for PPP and strategic clients.

The total order book stands at over £1.8 billion which is a record for the business. This comprises £806 million of signed contracts and preferred bidders plus a further £1 billion of anticipated work from our existing framework agreements. 79% of the total order book relates to frameworks and PPP contracts. Our services business had an extremely successful year with its order book increasing by 60% to £246 million.

Construction produced an operating loss of £4.6 million (2012: profit £3.2 million) reflecting write-downs on a limited number of historic contracts which had been procured competitively on the basis of price. These projects encountered cost overruns as a result of operational issues, insolvency of subcontractors and difficulties in recovering the cost of client variations to project specifications. We no longer tender for projects which will be won on price alone and only bid for projects with clients with whom we have on-going, long-term strategic relationships and where margins are viable.

The result for the year included a profit of £6.1 million (2012: £7.8 million) on the disposal of mature PFI/PPP investments, where we were able to take advantage of a strong secondary investment market.

Building our brands
Miller Construction

'constructive innovation' states we are experienced and confident in our approach, always looking to offer original thinking and new solutions. The work we do becomes part of people's lives and that's a responsibility we take very seriously.

constructive innovation®

Providing end-to-end solutions

We don't just build our customers' assets, we build partnerships that look at whole life costing, value for money and on-going operations. Our services can add value across the whole life of a property project, from feasibility, funding and design, through to construction and lifecycle aftercare. We pride ourselves in our approach to partnership working, with many of our project relationships lasting in excess of 25 years.

Strengthening the order book

During the year, we secured further significant programmes of work under existing framework agreements with hub North Scotland, Improvement and Efficiency South East (IESE), Ministry of Justice and NHS Procure 21+. We have also secured positions on major new frameworks in our growth markets of energy and defence, as well as making significant inroads into the rail market. The services business also continues to grow, winning new contracts and ensuring we are able to offer clients an integrated end-to-end solution.

As part of the Miller Quatro joint venture, we have been appointed to the Scottish Hydro Electric Transmission Substation Delivery Framework. The framework, which has a cumulative value of approximately £600 million, will replace, reconfigure, expand and modernise its existing high voltage transmission network. Our first contract will commence early in 2014.

In the defence sector, we have secured a position on a major national framework to design and build projects valued up to £400 million across the Ministry of Defence's UK estates. We are one of five contractors appointed onto the National Capital Works Framework to deliver large-scale projects individually valued up to £50 million. The framework will run over an initial four-year period with the option for it to be extended by up to a further three years.

Airbus, Barnwell House, Filton

A modern, energy-efficient open plan complex delivered to accommodate the global aviation specialist's UK engineering team.

City of Leicester College

Delivered as part of the Building Schools for the Future (BSF) programme, the new City of Leicester College provides an inspirational learning environment to support modern education needs.

Divisional business reviews Miller Construction continued

We have also been appointed to the new North East Procurement Organisation (NEPO) Construction Framework. The four-year framework will be used by 10 local authorities across the North East and covers design and build projects and construction-only schemes including refurbishment and remodelling of existing properties.

During 2013, we won a further four contracts valued in excess of £40 million under the NHS Procure 21+ framework. We have now won more than £150 million of work under this framework. We have also secured two further contracts under the Ministry of Justice Strategic Alliance Agreement Framework for the North. We have now been awarded contracts valued at over £23 million since the inception of the Northern Framework last year. Under the IESE Framework, Miller Construction has been appointed as preferred contractor for 13 schools across the South East with a construction value of over £48 million.

The hub North Scotland project continues to be highly active. We have been selected as contractor to deliver £200 million of new schools across the North of Scotland. In addition to design and construction, we will provide facilities management and lifecycle services at Wick Community Campus and expect to be appointed to provide similar services for the other school projects.

Our PPP business had another busy and successful year achieving financial close on the £55 million Inverness College project and on a further tranche of three community health centres for hub North Scotland. We are preferred bidder for North Tyneside's Quality Homes for Older People PFI project. The partnership will deliver more than 900 apartments across 10 new and 16 refurbished sheltered housing schemes. The total construction value exceeds £78 million. We are also shortlisted on the North East batch of the Priority Schools Building Programme.

On the Leicester BSF project, we commenced work on a further 10 schools with a combined contract value of £95 million.

Within the science and technology market, we have completed two projects for Airbus valued at £35 million and for Rolls Royce for their new Sunderland production facility valued at £35 million.

In the rail market, we continue work on four contracts for Network Rail including the upgrade of Newcastle station and we are pursuing a number of framework opportunities.

Our services business won £50 million of new work in 2013. In addition to substantial work for hub North Scotland, the services business won the £22 million contract for the facilities management and lifecycle of four health centres for Greater Glasgow Council, and the £10 million facilities management contract for Central and North West London NHS Foundation Trust.

Having established a clear pipeline of work in each of our chosen markets, it is vital that both our on-site delivery and aftercare service are market leading. We continue to invest in the improvement of our business platform and the development of our management team and supply chain to ensure we achieve a consistently high quality of delivery across all our operations.

BITC CR Index

Miller Construction was awarded Silver accreditation in the Business in the Community CR Index for 2012/13.

Corporate responsibility

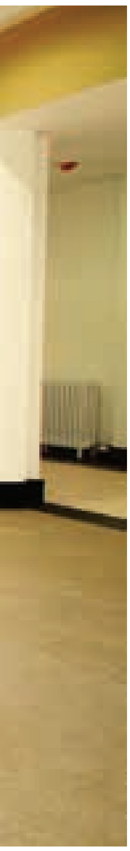
Our CR approach continues to be embedded across the business. During 2013, we achieved Silver accreditation in the Business in the Community CR Index.

Safety remains our top priority. We recorded an improvement in our safety record during the period and our commitment to providing a safe working environment for our employees, our supply chain and our clients remains of paramount importance. Messages are reinforced through the 'Take Pride' safety initiative on our journey to an ultimate goal of 'Zero Incidents Every Day' for all of our sites and workplaces. This message and ethos is managed through a variety of training and site induction initiatives including a behavioural safety training programme.

All construction sites are inspected by independent safety professionals on a fortnightly basis with the results benchmarked and improvement recommendations integrated into revised business processes.

Outlook

Our focus on framework contracts has substantially improved the risk profile of Construction's forward order book and has provided greater financial certainty over the medium term. Our appointments to both the Scottish Hydro Electric Transmission Substation Delivery Framework and the recently announced national framework for the Ministry of Defence represent major steps forward for the business. We are well placed to deliver growth on the back of a focused strategy and a record order book.



Pegasus House, Filton

A new home for Airbus: An extensive renovation of the Grade II Listed art-deco building (originally opened in 1936), restored Pegasus House back to its former glory for Airbus. With many of its original features retained the modernised building is the centrepiece of the £70 million Airbus Aerospace Park in Filton.

Durham University Business School

With state-of-the-art lecture theatres and sustainable features built in, the refurbished and extended Business School at Durham University is a world-class learning facility.

Divisional business reviews
Miller Developments

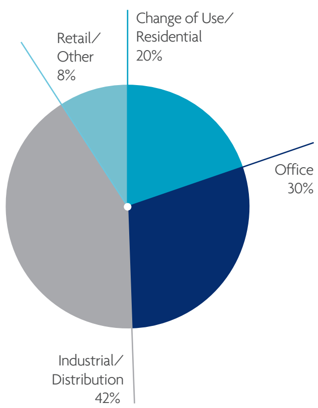
Miller Developments

Building together

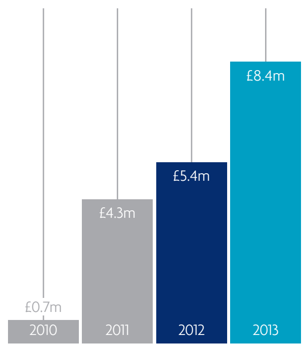
Key highlights:

- 56% increase in operating profit to £8.4 million
- 12 million sq ft development pipeline
- 2 million sq ft of occupier deals concluded
- Significant land acquisition at Dyce, Aberdeen
- Pre-let developments under construction in Aberdeen and at Omega, Warrington
- Continued divestment of European portfolio with asset sales in Hungary and Portugal

Portfolio split by sector



Profit before interest (£m continuing operations)



▲ **GDF Suez, North Dee Business Quarter, Aberdeen**

In joint venture with Aberdeen-based property developer, Cromdale Ltd., Miller Developments is developing a bespoke 40,000 sq ft Grade A office building for GDF Suez following a forward funding deal with Tritax.

Divisional business reviews Miller Developments continued

Business review

Market

Market sentiment has continued to improve throughout 2013 with an increase in investment activity that has extended to higher quality product in the regions – our core market. Notwithstanding this improvement, occupational markets remain diverse with prime property, geographic locations such as London and Aberdeen, and the industrial/distribution and residential sectors performing strongest.

We have very limited exposure to the UK retail sector which continues to struggle. This sector remains uncertain and high risk due to structural change and constrained disposable income.

The funding market is improving with institutions continuing to show high demand for quality product with a strong covenant, a good location and a long lease. The return of institutional investors to development funding is significant and a welcome change. We are also seeing positive signs in the bank funding market with some new entrants, as well as a general improvement in credit terms being offered by the traditional property lending banks.

Our strategy remains focused on the UK where we are looking to expand our development activities in a recovering market which offers attractive opportunities at higher margins.

Performance

Miller Developments produced an operating profit of £8.4 million (2012: £5.4 million) on turnover of £52.4 million (2012: £60.6 million). A larger proportion of profits were generated by higher margin land trading transactions than in 2012. Profits were generated from a broad cross-section of transactions with the highlights being generated by our key longer-term development sites at Omega in Warrington and in Aberdeen, as well as land sales at our Linwood and Pacific Quay developments in Glasgow.

Building our brands Miller Developments

'shaping the future' reflects the nature of our commercial property business. It is forward looking, with confidence and gravitas, and demonstrates there is a tangible, physical aspect to what we do – we are making things happen.

shaping the future®

Omega Warrington Limited

Named North West Property Company of the Year 2013 at the Estates Gazette North West Awards.

Miller Birch

Named Property Developer of the Year 2013 at the Insider East Midlands Property Awards.

Development portfolio

Our strategy is to maintain a cross-sector commercial property business with a focus on high margin activities such as pre-let development and the purchase of land with potential for planning enhancement. We adopt a highly entrepreneurial approach in order to generate value across all sectors.

The portfolio, including joint ventures, comprises 20 active projects capable of delivering over 12 million sq ft of accommodation. We have a mixed portfolio comprising long-term, major development projects and shorter-term opportunities that allow us to trade within a two to three year timescale.

On our long-term development sites, attention has been focused on extending and improving planning consents and conditions, and ensuring that our contractual position with partners and with local authorities allows for immediate development.

Omega, in Warrington, has experienced a particularly successful year with over 1.7 million sq ft under development. Omega North completed logistics units for Brakes Bros (200,000 sq ft) and Hermes Parcelnet (153,000 sq ft) during the year with both facilities forward sold and funded by La Salle Investment Management. Construction is also underway for a 770,000 sq ft logistics unit for Travis Perkins which will be completed in 2014.

D2 Business Park, Dyce, Aberdeen

Proposed office development at D2 Business Park, Dyce, Aberdeen.

Divisional business reviews Miller Developments continued

Infrastructure works to open up the next phase of the manufacturing and logistics land situated on Omega South have begun, with Asda as the first occupier (605,000 sq ft). The project has been supported by the Local Enterprise Partnership and Warrington Borough Council through a loan for infrastructure works. With significant activity on site, we are experiencing a growing pipeline of potential occupiers.

The current strength of the Aberdeen commercial property market has made development there a particular focus. We own sites in the North Dee Business Quarter and at Dyce, alongside the airport and the new Aberdeen Western Peripheral Route.

At North Dee, we are developing a bespoke 40,000 sq ft Grade A office building for GDF Suez which has been pre-sold and is being funded by Tritax. We have also agreed a pre-let of 50% of our 27,000 sq ft Pilgrim House office development with the Food Standards Agency. Construction began on site in December and is due to be completed in 2014.

We acquired approximately 100 acres of development land at Dyce in early 2013. We subsequently sold part of the site for the construction of an office headquarters for an oil services company and have begun infrastructure works on the remainder on the back of a strong pipeline of potential occupiers. The retained land was officially launched as D2 Business Park in June and we have received a positive market response.

In Birmingham, having extended the Arena Central development agreement with Birmingham City Council for a further five years, we are working on further revisions to bring forward development.

At Linwood, near Glasgow, we completed the initial infrastructure works that allowed the sale of the first phase of residential land to a national housebuilder. The second phase is contracted for sale in 2014.

We continue to reduce our exposure in Europe, disposing of our joint venture interests in Portugal and Hungary during 2013. Whilst economic conditions have remained challenging, our two remaining European retail projects have continued to show progress with new lettings at our factory outlet schemes in Ringsted near Copenhagen and in our shopping centre in Brasov, Romania.

Industrial Agents Society Awards

Omega North, Warrington, was named Best Overall Scheme at the Industrial Agents Society Awards 2013.

Risk management

A strong risk management culture and strategy is firmly embedded in our approach to business. Prior to committing to any new development, we look to agree a significant proportion of pre-lets/pre-sales. Where the development contains an obligation to undertake significant construction works, we will either forward fund or obtain bank finance. A significant amount of our business is undertaken in joint venture with established and trusted partners along with new partners with similar values. We provide development management, project management and accounting services for joint ventures.

We have a core team of experienced property professionals with broad experience and contacts across all sectors to enable the business to maximise the opportunities that exist within the current market.

Outlook

A sustained and significant recovery across all sectors of the market requires an increase in tenant demand. With business and consumer confidence beginning to improve, we are heading in the right direction. With the exception of retail, most markets have a low and static supply of stock so when tenant demand does pick up, we are likely to see a significant spike in rents, as seen in the under-supplied Aberdeen market.

We have a strong pipeline of development opportunities driven by the quality and location of our longer-term development sites in Aberdeen, Glasgow, Birmingham and at Omega, Warrington. Our success in 2013 has been driven by these sites. Their continued progress, combined with a motivated and high calibre team and a recovering market, means we are looking to the future with confidence.

Hermes Parcelnet, Omega North

A 153,000 sq ft parcel handling distribution centre for Hermes Parcelnet has been completed at Omega North.

Pilgrim House, North Dee Business Quarter, Aberdeen

Pilgrim House, a Grade A office development, is 50% pre-let to the Food Standards Agency.

Divisional business reviews
Miller Mining

Business review

Building reserves

Market
Demand for coal from the UK power generation market remained strong throughout 2013, contributing approximately 40% of total UK electricity supplied. The market coal price reduced by circa 10% through 2013, driven lower by excess global supply resulting from the impact of cheap shale gas in the US. The medium term prospects for coal prices remain positive as the global economy recovers and the supply demand imbalance is corrected. Despite the significant contribution of coal to the UK's energy mix, government energy policy continues to favour renewables, gas and nuclear over coal. We remain of the view, however, that coal has an important role to play going forward in ensuring continuity of base load supply at affordable prices.

Our largest customer is RWE npower to whom we supply coal for use at Aberthaw Power Station. Coal supplies South Wales with over 40% of its electricity supply. The quality of our product is evidenced by RWE committing to take delivery of a further 680,000 tonnes in 2014.

The quality and reliability of our output has enabled us to agree a number of supplementary contracts with RWE and also to further strengthen our customer base. During the year, we supplied additional coals to Tata's Port Talbot steel works and also to the cement industry. Encouragingly, our coal is well suited to these alternative markets, which represent potential growth opportunities for the company going forward.

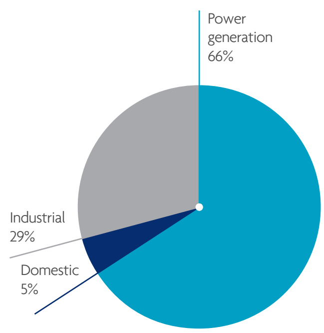
Performance
Miller Mining had another solid year with coal dispatches from the Ffos-y-fran Land Reclamation Scheme up 3% to 919,000 tonnes (2012: 888,000 tonnes). As expected, the Group's share of joint venture turnover of £25.8 million (2012: £31.6 million) and operating profit of £4.7 million (2012: £7 million) reduced as we reverted from a floating price contract, which we had hedged when the market was high, to a historic fixed price contract on the majority of our output.

Despite lower coal prices, the project remains strongly cash generative, with the joint venture producing an operating cash inflow of £22 million during the year.

Operations
The 1,000 acre Ffos-y-fran scheme is reclaiming derelict and unstable land, whilst at the same time recovering over 11 million tonnes of coal reserves using surface mining techniques. It is being carried out in joint venture with Argent Group plc. Amongst the major benefits provided by the scheme has been the removal and treatment of three potentially hazardous waste tips. This has relieved the local community in Merthyr Tydfil of a major liability. The scheme provides employment for over 200 people, the majority of whom reside locally. The joint venture continues to work closely with the local council to maximise the economic and amenity benefits for the wider area – over £4.5 million has been contributed by the company to a community fund since the project commenced coaling in 2007.

Key highlights:
- £4.5 million operating profit
- JV operating cashflow £22 million
- £56 million order book
- 6.8 million tonne remaining coal reserve
- Planning consent received for new wash plant
- Planning application submitted for additional 6.0 million tonne reserve

Sales by market (£m)



Ffos-y-fran Land Reclamation Scheme

The scheme is reclaiming derelict and unstable land while recovering coal reserves.

Overburden production in the year was 8.7 million cubic metres (2012: 8.5 million cubic metres). To date, we have moved over 59 million cubic metres of overburden, representing almost 50% of the total excavation task and recovered over 4.5 million tonnes of coal which represents around 40% of anticipated coal reserves.

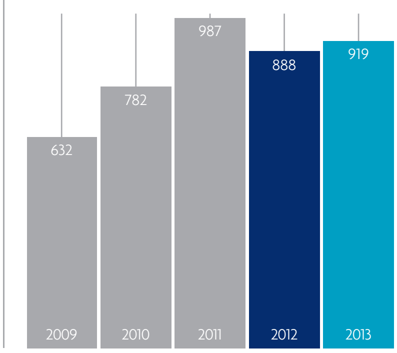
Safety on site is of paramount importance. Our safety record is good and compares favourably with the sector. This is the key priority and we devote considerable resource to prevention measures and ensuring a safe working environment for all our employees.

Outlook

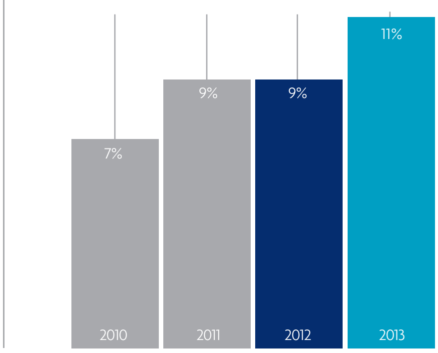
The forward curve for coal prices is positive with coal futures trading ahead of current levels. We therefore expect coal prices to recover and anticipate continuing strong demand from our expanded customer base.

We have lodged two planning applications in 2013. One is for a higher capacity coal washing plant to facilitate our expansion into the metallurgical market and the other is for the adjoining six million tonne coal reserve at Nant Llesg which has the potential to deliver direct employment opportunities for approximately 200 people over the next decade.

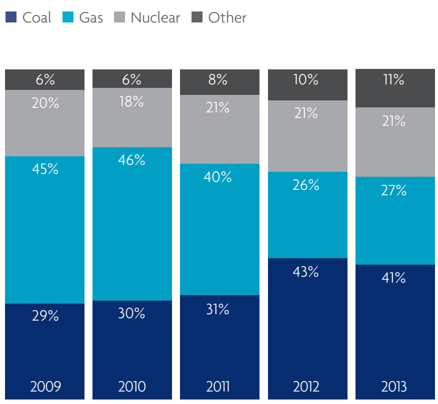
Coal sales (‘000 tonnes)



Ffos-y-fran contribution to UK surface mine production



Fuel used in UK electricity generation



Group Finance Director's review

The Miller Group delivered a strong result in 2013 with profit before tax 58% ahead of last year at £10.4 million (2012: £6.6 million). This was primarily driven by the performances from Miller Homes and Miller Developments and by a significant saving in interest costs reflecting the lower prevailing year-on-year debt levels.

Building stability

Richard Hodsden
Group Finance Director

Trading performance

Turnover of £817 million was 32% ahead of 2012 levels, driven mainly by a £149 million increase delivered by Miller Construction. We have invested significantly in business development in Miller Construction with a focus on securing framework agreements and services contracts. This is showing real returns through higher turnover and a significant increase in the order book to £1.8 billion (2012: £1.5 billion). Turnover in Miller Homes was £64 million higher following an increase in unit completions to 1,707 units (2012: 1,517 units). The average selling price achieved in 2013 was 6.5% higher at £181,000 (2012: £170,000) reflecting a greater proportion of family housing.

Group profit before interest and tax ("PBIT") and exceptional items of £31.9 million was 9% higher than in 2012 (£29.2 million).

Miller Homes' PBIT was 57% ahead of prior year levels, at £22.8 million, driven by an increased contribution from newly acquired land at enhanced margins. New sites accounted for 33% of unit completions in 2013 (2012: 20%). This is expected to increase to over 50% in 2014.

Miller Developments delivered a 56% increase in operating profit to £8.4 million (2012: £5.4 million). This increase was on reduced turnover of £52.4 million (2012: £60.6 million) reflecting an increased weighting to higher margin land trading transactions. Miller Mining also performed strongly in 2013. Whilst operating profit was lower at £4.5 million (2012: £9.2 million), this was expected following a return to an historic fixed price contract on circa 60% of our output. The prior year Mining result benefited from coal sales prices locked in when market prices were higher.

Miller Construction recorded a loss before interest of £4.6 million (2012: £3.2 million profit) primarily reflecting losses on a limited number of contracts procured competitively on the basis of price. These projects encountered cost overruns mainly resulting from either the insolvency of subcontractors or difficulties in recovering the cost of client variations to project specifications. We no longer tender for projects on this contract basis unless they are with clients with whom we have on-going, long-term strategic relationships.

The result for the year includes £4 million of exceptional items relating to Group re-organisation costs (£2.1 million) and a re-assessment of the carrying value of one of our properties in Miller Developments (£1.9 million).

The gain on disposal of fixed assets of £5.1 million (2012: £7.8 million) primarily related to the profits on disposal of mature PPP investments.

Finance costs

Group interest costs were considerably lower year-on-year at £17.5 million (2011: £22.6 million). This reflects the full year benefit of reduced debt following the 2012 refinancing combined with lower average debt levels over the year. Special Purpose Vehicle ("SPV") interest costs accounted for £1.8 million of the reduction.

Cash flow

The Group generated an operating cash flow of £28.7 million (2012: £40.1 million). This was despite a £10 million increase in net land spend in Miller Homes to £58 million. The Group is focused on achieving further debt reduction over the coming years whilst at the same time increasing its landbank investment. Gearing levels remain low at 40% (2012: 46%).

Balance sheet

Capital employed

Group capital employed was £424 million (2012: £449 million). There was a £31 million increase in work in progress in Miller Homes reflecting the increased investment in new land. Land creditors increased to £40 million (2012: £20 million).

Financing

The Group has £231 million of committed senior debt facilities maturing in February 2017. These facilities are provided by Lloyds Banking Group and Royal Bank of Scotland and are secured by fixed and floating charges across the Group's assets.

In addition, there are £44 million of project-specific loans which fund a limited number of housebuilding and commercial property projects. These loans have no recourse to the wider Group and are being steadily amortised – £23 million was repaid during 2012. The Group also has interests in a number of joint venture and PPP investments containing ring-fenced funding arrangements.

£120 million of core borrowings are hedged at a weighted cost of funds of 2.1% through to summer 2014. All other Group borrowings are at floating rates. Hedging is also in place to cover our limited Euro investments in overseas subsidiaries and joint ventures through the use of a Euro loan under the core Group facility.

The Group has £78 million of surety facilities used to provide performance bonds for Miller Construction. These facilities are uncommitted and are supported by Group guarantees, as is normal for such a business. Miller Homes uses NHBC to provide its bonding requirements.

Taxation

There are £80 million of tax losses carried forward at 31 December 2013. These losses primarily relate to Miller Homes.

The Group has carefully considered the extent to which future taxable profits will be available against which carried-forward tax losses can be utilised. Forecasts show continued profitability and, consequently, we have a deferred tax asset of £60 million in relation to an element of past losses. We have an unrecognised deferred tax asset of over £20 million at current tax rates.

Pensions

The Group's defined benefit pension scheme was closed to new entrants in 1997 and to future accrual for existing members in 2010. On a FRS 17 basis, the deficit (net of tax) increased in the year to £18.3 million (2012: £10.4 million), reflecting the latest actuarial assumptions derived from the July 2013 triennial valuation, along with an increase in RPI assumptions.

Contributions to the Group's defined contribution pension plan totalled £4 million (2012: £3.6 million).

Restructure

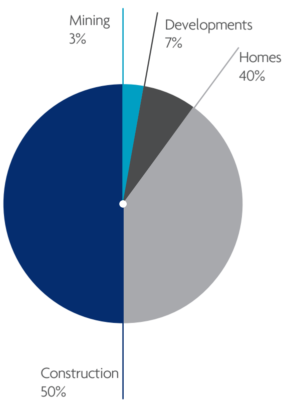
During the year, the Group undertook a corporate restructuring which involved, inter alia, the shares in The Miller Group Limited being exchanged for shares in a new top company, The Miller Group (UK) Limited, effective 27 September 2013. This exercise was undertaken by means of a Scheme of Arrangement approved at the Court of Session in Scotland. The ultimate controlling ownership of all the companies is unchanged following the restructuring.

On 3 October 2013, The Miller Group Limited undertook a court approved capital reduction resulting in a £310 million transfer from share premium account to profit and loss reserve as shown in note 17.

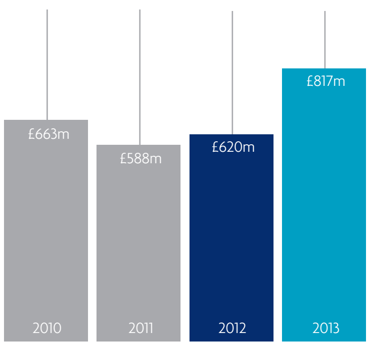
As a result of the corporate restructuring, the consolidated financial statements have been prepared using merger accounting as if the Group was in existence for the whole of the current and preceding financial years. Consequently, whilst the company accounts are prepared for a six month period from its incorporation on 25 June 2013 with no comparatives, the consolidated profit and loss account reflects the results of the Group for the year ended 31 December 2013 and the year ended 31 December 2012.

Richard Hodsden
Group Finance Director

Turnover (by business)



Turnover (£m)



Principal risks and uncertainties

The Group Board is committed to identifying, evaluating and managing the principal risks and uncertainties facing the Group.

Introduction

The Group and each division maintain a risk 'heatmap' and dashboard which are updated quarterly and reviewed three times per annum at Group Executive Board and Audit Committee levels. These identify the most significant risks affecting each business and evaluate existing control techniques for effectiveness. Throughout all parts of the Group, strict adherence to the principle that we only accept risks that can be fully identified and priced is a fundamental aspect of the Miller approach to business.

An important characteristic of the Group-wide risk control procedure is the range of delegated authority levels set for land and contract procurement. Using a mix of criteria, these identify large and/or unusual projects which will require additional approvals at Group Executive or Group Board levels. The following are the principal risks and uncertainties that impact on the Group.

Corporate risks	Risk	Mitigation
Economic and market risk	Macro-economic conditions have a direct bearing on the demand for homes and commercial property space, as well as on the spending patterns of public and private sector clients. Weaker consumer confidence and pessimism about employment prospects will inevitably impact on demand for housing. Economic and market conditions have improved over the last 12 months. The UK economy has returned to growth and both inflation and unemployment have fallen. Interest rates remain low. Despite this generally improving climate there remain structural risks associated with the economy. Deficit reduction policies are leading to significantly reduced public sector capital procurement programmes and corporate investment levels remain subdued.	We monitor a variety of key economic performance indicators to determine our future output levels. We track housing sales rates, prices and incentives on a weekly basis to monitor current trading and trends. In Miller Construction and Miller Developments, we actively target markets and customers that are out-performing. The Group is robustly financed and this provides protection against market risk. Financial forecasts and business plans are updated regularly and sensitivity analysis undertaken.
Funding	The Group requires access to adequate financial resources in order to deliver its investment objectives in both housebuilding and commercial property and to manage working capital requirements across the Group. We also require access to bonding facilities in both our Homes and Construction businesses.	Cash is managed by a combination of short and medium-term forecasts. Business plans are updated regularly and sensitivity analysis performed on cash flows. We have a committed five year senior debt facility with two of the UK's major banks. The Group has significant headroom in its core facilities. Bonding lines are maintained with the surety market and NHBC.
People	Our employees are the Group's most important asset and it is therefore imperative that we attract and retain the best people. Effective performance management, talent management, recruitment and retention are key to success, with the overall risk that inadequate management of these elements may have an adverse impact on Group performance.	The Group has a fully integrated HR strategy that addresses all aspects of reward, retention and talent, as well as performance management. Training opportunities and personal development plans are key areas of focus and are kept constantly under review to ensure our processes are in line with best practice. We have an established succession plan for middle and senior management.
Safety, Health and Environment (SHE)	This is the risk associated with breaches of SHE legislation resulting in workplace injuries, environmental damage or physical damage to property. This could result in financial penalties, reputational damage and suspension of site activities.	Health and safety is at the forefront of operations with proactive policies and procedures regularly tested to ensure compliance. The Board has an approved SHE strategy and progress against targets is reported regularly. Key performance indicators are in place and site operations are subject to regular audits and inspections. Initiatives such as 'Zero Incidents Every Day' and behavioural safety campaigns reinforce a zero tolerance approach to safety breaches.
Pensions	Although the Group's Defined Benefit Pension Scheme was closed to new entrants in 1997 and to future accrual for existing members in July 2010, there remain financial risks relating to the funding of the scheme. In particular, increased longevity assumptions or reduced bond yields could lead to a higher funding requirement.	The Board has agreed a de-risking plan to manage pension liabilities risk. A proactive joint investment strategy has been agreed with the trustees to deliver real returns on a proportion of the assets within the Scheme. A joint investment committee comprising management and trustees monitors changes to market conditions and responds accordingly.

Housebuilding	Risk	Mitigation
Mortgage availability	The last five years in particular have shown the importance of mortgage availability and pricing on UK housing demand.	2013 saw government intervention in the form of Help to Buy along with an increase in the number of higher LTV mortgages. We maintain excellent relationships with the relevant government agencies and lenders to ensure we are involved in all key initiatives and schemes. Our land-buying strategy is aimed at more family housing to reduce our share of first-time buyers where higher LTV mortgages are more critical.
Land acquisition	This is the risk associated with our ability to acquire sufficient land in the right locations at the requisite hurdle rates and hence achieve our strategic growth aspirations.	We have a clearly defined land strategy and have strengthened our land teams. All land required to deliver our 2014 targets is owned with full planning. A significant proportion of our new land will be satisfied from our strategic land portfolio which provides some assurance on security of supply. All proposed land acquisitions are subject to a strict evaluation process including detailed technical and commercial investigations and market research. Strict approval controls are in place.
Planning and regulatory	This is the risk of obtaining planning and technical consents associated with the purchase of new sites. This is key in the context of our significant strategic landholdings and manifests itself either through delayed site purchases or planning gain costs which impact site viabilities.	We have a dedicated team which monitors planning policy at a local and national level. Particular attention is paid to emerging policy which could impact our strategic landbank. The NPPF has generally enhanced the planning prospects of our strategic landholdings, however the timescales to achieve a full planning consent together with the necessary technical consents still requires careful monitoring and timely programming.
Construction	This risk relates to our ability to build on time the requisite volume of houses within cost budgets. The rise in industry housing volumes over the past year has led to the late delivery of certain materials (eg bricks and blocks). In addition, we have seen in some regions, shortages in skilled trades leading to above inflation cost increases.	National supply agreements covering all key materials are in place. Solus arrangements are only considered for materials after evaluating the risks/rewards involved. In relation to labour, multiple suppliers are used to minimise dependence on any one firm. Where cost increases are incurred, we will look to mitigate the overall impact through build efficiencies, in respect of which a number of initiatives are planned in 2014.

Construction	Risk	Mitigation
Contract risk	Contract risk ranges from initial project and customer selection, through bid pricing, contractual risk and project delivery. Effective management of these risks is vital to the achievement of our strategic growth plan and delivery of profit and cash flow targets.	The business has clearly defined sector focus and procures work only through framework agreements with public sector and regulated customers, PPP projects and for strategic clients with on-going programmes of work where we share a trusted and collaborative relationship.. We assess projects after detailed consideration of technical and build risks, customer covenant strength and our own resource capability. Tiered authority levels are in place with a matrix of risks and parameters used to determine the required level of approval. Delivery risks are controlled and monitored by our teams who rely heavily on our established management information systems. Tight discipline is maintained – all projects are reviewed each month with a focus on both current progress and forecast final position compared with the original programme and budget.
Supply chain	Significant reliance is placed on the supply chain including key sub-contractors in the delivery of our Construction projects. Insolvency of a key sub-contractor or inadequate management of supply chain partners is therefore an important risk which requires careful control.	Rigorous assessments are performed on all supply chain partners, sub-contractors, design and technical consultants. These are formally reviewed and approved at director level before orders are placed. KPI scoring mechanisms are used to provide objective feedback on performance. All sub-contract orders are reviewed and approved by the finance team for risk of insolvency before being placed. Package risk assessments (including contingency plans) are prepared and approved where the impact of potential sub-contractor insolvency is high.

Commercial	Risk	Mitigation
Market and land values	Failure to achieve the expected valuations on disposal of commercial properties would impact on the profitability and cash flow of the business. This risk primarily relates to our reducing portfolio of assets acquired prior to the property market 'crash'.	Assets are held at the lower of cost and net realisable value. We have re-evaluated the carrying values of our property portfolio based on current rents and yields and recorded any impairment in value where appropriate. Valuation risk on newly acquired assets is reduced significantly through pre-lets, back-to back disposals and forward sales.
Property acquisition	There is risk associated with our ability to acquire sufficient commercial property opportunities reflecting the desired risk and return on equity criteria and hence achieve our strategic targets.	Property acquisition follows a rigorous process where management, with the assistance of external specialists, challenge and check all planning, revenue and cost assumptions. Tiered authority levels are in place. Development risk is controlled by commencing the majority of projects only when there is a substantial pre-let or pre-sale agreement. Joint ventures are frequently entered into in order to share risk. Rigorous partner approval criteria are applied.

Mining	Risk	Mitigation
Legal and regulatory risk	Electricity generation is subject to on-going legislation on emissions. The impact is to require generators to invest substantially in abatement whilst at the same time increasing cost through higher taxation. This is likely to impact on their demand and the price for coal.	We have broadened our customer base with an increase in supply to the metallurgical and cement markets, which are less impacted by emissions legislation.
Coal prices and fuel costs	The commodity price for coal (API 2) has reduced significantly over the last two years. The forward curve anticipates a recovery in prices over the medium term, however the outlook is uncertain. International coal prices are quoted in US$ and we are therefore also exposed to adverse movements with sterling. Gas oil represents a significant proportion of mine production costs. Increasing global fuel costs would significantly add to the cost base of the mine.	We forward sell a significant proportion of our output on fixed price sterling contracts, or use coal price hedging to mitigate risk on floating rate contracts. Sales are also increasing to metallurgical markets which are less sensitive to API 2 fluctuations. We have hedged a material proportion of our fuel costs through to the end of 2014.

Corporate responsibility

Being a sustainable organisation is much more than a business obligation for The Miller Group; it is a fundamental part of our company culture and informs everything we do.

Building responsibly

Our commitment to operating in the most sustainable way possible comes from the top and is reflected in our policies, our procedures, our training and our aim to be the industry's best partner, employer and sustainable developer.

Our bond is to be committed to our customers, our employees and the world in which we live. That is why we are aiming to achieve zero impact on the environment by 2020.

To help us achieve these goals, we take a consistent Group approach to common areas of priority and complement this with tailored approaches from each of our businesses to ensure the needs of their individual stakeholders are met.

In 2013, The Miller Group, Miller Homes and Miller Construction were awarded Gold status by Investors in People, placing us among the top 3% of companies accredited with Gold across the UK.

Following in-depth research into the needs and concerns of a wide range of stakeholders, Miller Homes launched its new sustainability strategy, A Better Place, detailing how it will achieve its key aims and objectives to become a more sustainable business by 2020. Miller Homes also secured top place for transparency in the NextGeneration Sustainability Benchmark, and was ranked third place overall out of the 25 largest housebuilders with an improved score of 84%.

Lockheed Road naming ceremony

A special ceremony was held to mark the naming of a new road at Omega North, Warrington, which celebrated the history and heritage of the site.

Miller Construction was awarded Silver in the BITC CR Index for their second submission to the benchmark and also achieved an average Considerate Constructors Scheme score of 40.30, significantly ahead of the industry average.

We are proud of our achievements to date, but we will continue to evaluate our performance to ensure continuous improvement.

Economic impact

As a successful business, we are aware of the positive economic impact we can have on the areas in which we operate. This is achieved through employment opportunities for our own employees as well as indirectly through our sub-contractors and suppliers. Our projects can also provide a catalyst for further economic opportunities in these localities.

To achieve this it is essential that we meet the quality standards expected by our clients and that we deliver to their expectations. Our BSI ISO 9001 certified quality management systems provide a robust framework and the achievements of our site teams were recognised by the industry during 2013. We achieved 23 Quality Awards, 11 Seals of Excellence, two Regional Awards and a Supreme Award in the NHBC Pride in the Job Awards and seven of our site managers were finalists in the Construction Manager of the Year Awards, with one gold medal in the New Build Refurbishment category and a highly commended in the Housing and Accommodation Over £10 million category. Our customers experience unrivalled levels of customer care with independent ratings showing that 97% of them would recommend Miller Homes to a friend and the NHBC awarding us a five star rating for customer satisfaction.

Our achievements not only reflect the high calibre of our employees but also the quality of our relationships with our supply chain with whom we work collaboratively, openly and honestly, to deliver innovative and quality solutions.

Employment

We understand that our people are the foundation of our success and that it is our duty to provide a working environment that is safe, healthy, inclusive and provides development opportunities.

Every single employee receives health and safety training with additional training as required for their role. During 2013, Miller Homes received recognition at the NHBC Health and Safety Awards with a special award for Best Health & Safety Worker Engagement Programme, one site was highly commended and six sites received commendations. We also continued to drive standards in health and safety during the second year of our own Safety, Health and Environment Awards.

A healthy lifestyle is fostered through our comprehensive employee programmes. These include the provision of flexible working arrangements, job-share schemes, child care vouchers, volunteering opportunities, pension scheme, life assurance and professional advice services. We have also signed up to the Public Health Responsibility Deal to ensure that we maintain, enhance and protect the health and wellbeing of our employees through our Health and Wellbeing Strategy and Action Plan and we have given our commitment to ensuring we pay a 'living wage' to our employees.

Charity abseil

Graduates from The Miller Group take part in a charity abseil down the Forth Rail Bridge for the charity Place2Be.

Lights switch-on

Jasmine Stewart from St Matthew's Primary School in Jarrow switches on the Christmas lights at Newcastle Central Station, sponsored by Miller Construction.

Corporate responsibility continued

We treat all employees equally and do not tolerate discrimination. All employees receive training on our approach and we implement targeted initiatives to increase diversity and inclusion. As a business with the Two Ticks accreditation, we are committed to employing disabled people and we have developed an Equality and Diversity Strategy and Action Plan setting out our commitment and activities in relation to equality, diversity and/or inclusion both to our employees and our clients.

Equipping our employees with the skills that they need both for today and for their career in the future is extremely important to us. All employees receive robust and extensive induction training and thereafter we analyse skills needs at the individual and business level at least annually. Addressing these needs is tailored to the individual and may take the form of training, further education, professional qualifications, participation in our dedicated management training scheme, The Talent Development Initiative, or even a charity placement. Our graduate scheme now offers two distinct career pathways, technical and business, with 13 placements during 2013.

Communities

Our businesses do not exist in isolation and we understand that when we work in a location we have an opportunity or, as we see it, an obligation to be a good neighbour. We do this by both minimising our impact and by providing new opportunities for the local region. For example, we have a dedicated helpline, Miller Respect, for residents in and around our Miller Homes developments; we worked with Bath Spa University and its students' union, First Great Western and Onboard to help renovate Bath's Oldfield Park train station; we commemorated the history of Omega North by naming its new access road 'Lockheed Road' after the US aircraft manufacturer which was based there during World War II; and we have continued to contribute to a community fund for the benefit of those living in and around Merthyr Tydfil.

At a national level, we form strategic partnerships with charities giving not only financial support but sharing our time, knowledge and expertise to the benefit of both organisations. In 2013, this involved working with our three company-nominated charities St. Columba's Hospice, Project Dream – Royal Lyceum Theatre and Place2Be, and three employee-nominated charities, Royal Blind, Camphill Communities and UpRising.

We also provided matched funding to employees undertaking their own fundraising activities, bringing our total donations to charity to over £100,000.

Environment

Our approach to the environment has been identified as one of the key areas where we can make a significant impact in relation to sustainability. We have identified a number of specific measures in which we are committed to minimising the effect of our operations on the environment.

We are legally compliant in our approach and our systematic management has been certified to BSI ISO 14001 across the whole Group. In 2013, we recycled over 94% of our construction waste across the Group.

Our efforts go beyond managing and measuring our own environmental impact and we seek to minimise the environmental impacts of our buildings over their whole life to support our clients and customers in their efforts to become more sustainable.

Start on site

Schoolchildren get involved in an event to mark the start of work on a new £3.7 million school building at Ash Field Academy in Leicester, part of the Leicester BSF programme.

Currie Star kit sponsorship

Miller Homes provides support for Edinburgh's Currie Star football club.

During 2013, Miller Homes developed an exclusive collection of eco-friendly properties in Nottinghamshire. The Gold Leaf Collection at the Dukesmead development in Bingham, features five individual properties which have all been constructed to different energy and carbon dioxide standards in order to assess the implications these features may have on design, procurement and build process as the regulated minimum standards increase. This project has focused on the construction stage with a 'fabric first' approach and looks at the improvements needed to ensure that the required standards can be achieved on a repeatable basis by a volume housebuilder.

To further demonstrate our company-wide commitment to health, safety and the environment, the Group invested in new video-conferencing equipment for use in both internal and external meetings. Adopting a 'video first' approach to meetings will not only enhance communications across the business and provide greater cost efficiencies, but will reduce the need for unnecessary travel and impact positively on our carbon footprint.

Targets for 2020

We use stretching targets to ensure the delivery of our approach at all levels. Our Group objectives and targets for 2020 are as follows:

Deliver quality

– To meet our customers' quality expectations in all circumstances; and
– To use suppliers who share our corporate responsibility standards and to work with our suppliers to achieve these.

Be an employer of choice

– To have an embedded culture of safety with a zero tolerance approach to all accidents and unsafe practices;
– To have fully flexible working arrangements that cater for both employee and business needs;
– To have a workforce and Board that reflect the demographic nature of the areas in which we work;
– To have a workforce that is fully equipped with both the personal and technical skills they need now and the support to develop the skills that they will need in the future; and
– To link responsible behaviours to financial rewards at all levels of the business.

Be part of our communities

– To communicate with and contribute to every community in which we work;
– To work collaboratively with charitable organisations in order to achieve clearly defined and mutually beneficial objectives; and
– To give every employee the opportunity and right to paid time off to volunteer.

Protecting the environment at every stage of our product lifecycle

– To minimise the direct environmental impact of our operations, including causing no environmental incidents, sending zero waste to landfill, sourcing all timber from sustainable sources and significantly reducing our carbon and water consumption;
– To consider and actively reduce the whole-life environmental impact of our operations, from the raw material source to the end of the life of the product; and
– To give information, advice or practical assistance to all our customers to help them reduce their own environmental impact.

School Savings Initiative

Children from Disraeli School, High Wycombe, take part in Miller Homes' School Pocket Money Savings Initiative.

Board of Directors and Executive Management

Board of Directors

Philip Bowman (1)
Non-Executive Chairman

Keith M Miller CBE (2)
Group Chief Executive

Richard Hodsden (3)
Group Finance Director

Michael Whitman (Not pictured)
Non-Executive Director

Tripp Smith (Not pictured)
Non-Executive Director

Michael Carruthers (Not pictured)
Non-Executive Director

Gordon Moore (Not pictured)
Non-Executive Director

Executive Management

Keith M Miller CBE (2)
Group Chief Executive

Richard Hodsden (3)
Group Finance Director

Chris Endsor (4)
Chief Executive, Miller Homes

Chris Webster (5)
Chief Executive, Miller Construction

Phil Miller (6)
Chief Executive, Miller Developments

Sheelagh Duffield (7)
Group General Counsel and Company Secretary

Stephen Dunn (8)
Group Human Resources Director

1.


2.


Philip Bowman (1)
Non-Executive Chairman
Chief Executive of Smiths Group plc since 2007, Philip has wide experience of leadership at major international public companies. He was previously Chief Executive of Scottish Power plc and Allied Domecq plc and served on the boards of British Sky Broadcasting Group plc, Scottish and Newcastle Group plc and Coles Myer Limited. Philip has also been Chairman of Liberty plc and Coral Eurobet Limited. His earlier career included 10 years at Bass plc where he held a variety of roles including Chief Financial Officer and Chief Executive of Bass Taverns. He is the Senior Independent Director of Burberry Group and a Director of Better Capital Limited and Berry Bros. & Rudd Limited.

Philip has an MA in Natural Sciences from Cambridge University.

Keith M Miller CBE (2)
Group Chief Executive
Keith joined The Miller Group in 1975 and has been the Group Chief Executive since 1994. He has a BSc (Hons) in Building from Heriot-Watt University, a Postgraduate Diploma in Management Studies (DMS) from Glasgow University and an Honorary Doctorate of Engineering (DEng) from Napier University. He is also a Fellow of the Chartered Institute of Building (FCIOB) and a Fellow of the Royal Institution of Chartered Surveyors (FRICS).

Keith received a CBE for services to the Construction Industry in Scotland and to Charity in January 2005.

Richard Hodsden (3)
Group Finance Director
Richard joined the Group in November 2013. He was formerly Chief Financial Officer of Safestore Holdings plc where he led the IPO of the company on to the main market of the London Stock Exchange in 2007. Previously he was Chief Financial Officer of Security Printing and Systems Ltd, a division of The Stationery Office. He managed the sale of this division before becoming Chief Financial Officer of the acquisition vehicle, Globalvault plc.

Richard holds a degree in Accountancy from the University of Wales, Cardiff, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Michael Whitman (not pictured)
Non-Executive Director
Michael is a Senior Managing Director of The Blackstone Group and Head of the European Business of GSO Capital Partners. He focuses on private and public investment opportunities and is a member of GSO's Investment Committee. Before joining GSO Capital Partners in 2006, Michael was a Managing Director with Citigroup Private Equity. Prior to joining Citigroup Private Equity, he worked in Salomon Smith Barney's High Yield Capital Markets business from 1996 through 2000. From 1994 to 1996 he was a corporate finance analyst at Salomon Brothers.

Michael received a BA in History from the University of Notre Dame, USA.

Tripp Smith (not pictured)
Non-Executive Director
J. Albert (Tripp) Smith is a Co-Founder of GSO Capital Partners and a Senior Managing Director of The Blackstone Group. Prior to GSO, Tripp was Global Head of the Capital Markets Group within the Alternative Capital Division of CSFB. Previous to that, Tripp was a Managing Director and Global Co-Head of CSFB's Leveraged Finance Group, where his responsibilities included membership of various governance committees for the organisation. Tripp joined CSFB in November 2000 when it acquired DLJ, where he was Global Head of High Yield Capital Markets. Tripp had been a member of DLJ's high yield team since he joined the firm in 1993. Prior to that, he worked for Smith Barney and Drexel Burnham Lambert.

Tripp received a BBA in Accounting from the University of Notre Dame, USA.

Michael Carruthers (not pictured)
Non-Executive Director
Michael Carruthers is a Principal with GSO Capital Partners and is involved in direct financings and secondary investments across various target sectors. Before joining GSO Capital Partners in 2006, Michael was an Investment Banking Analyst in Credit Suisse's Toronto office from 2005-2006. During this period, he worked on a variety of transactions including mergers and acquisitions, initial public offerings and leveraged buyouts.

Michael graduated with honours in Business Administration from the Richard Ivey School of Business at the University of Western Ontario, Canada.

Gordon Moore (not pictured)
Non-Executive Director
Gordon serves on the boards of a number of privately owned companies and is on the Advisory Committee of Kings Park Capital. He was previously a Partner of Cinven, having been part of their investment team for over 11 years. He has held Directorships with a number of Cinven's investee companies including Fitness First Holdings Limited, Odeon Cinemas, NCP, Sweden DIA (Sweden) AB and, most recently, the publicly listed Smurfit Kappa Group. Gordon has significant experience working with companies in a wide range of industrial sectors.

Gordon is a Member of the Institute of Chartered Accountants of Scotland and also a Director of Worth School.

Chris Webster (5)
Chief Executive, Miller Construction
Chris joined the Group in September 2010. He was formerly Chief Operating Officer and Main Board Director at Amey plc, where he spent almost 20 years.

Chris has a degree in Civil Engineering from the University of Manchester, is a Chartered Engineer (CEng), a member of the Institution of Civil Engineers and a Fellow of the Chartered Institution of Highways and Transportation.

Chris is also Non-Executive Director for the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) as a lead for the property and construction sector.

Sheelagh Duffield (7)
Group General Counsel and Company Secretary
Sheelagh joined the Group in March 2012. Sheelagh held similar senior executive roles at Scottish Power plc and Scottish Television plc. She also has strategic experience particularly in the delivery of large, complex, cross border mergers, acquisitions and disposals. Before joining the Group, Sheelagh was a founding director of Savendie, a consultancy business offering strategic and corporate governance advice to a wide range of clients including those in the public sector and financial services market.

Sheelagh is a law graduate from University of Aberdeen.

Chris Endsor (4)
Chief Executive, Miller Homes
Chris joined the Group in 2000 following the acquisition of Birch Homes, where he was one of the founders and Group Managing Director. He was appointed Chief Executive of Miller Homes in 2011.

Chris has a degree in Quantity Surveying from Nottingham Trent University and is a Fellow of the Chartered Institute of Building (FCIOB).

Chris is actively involved in the Home Builders Federation.

Phil Miller (6)
Chief Executive, Miller Developments
Phil joined Miller Developments in 1989 and was appointed Managing Director in 1994.

Phil has a degree in Land Economics and is a Member of the Royal Institution of Chartered Surveyors (MRICS).

He has served on the Capital Committee of the Scottish Arts Council, is a member of the Edinburgh Business Forum and he is a former Chairman of the Scottish Property Federation.

Stephen Dunn (8)
Group Human Resources Director
Stephen joined the Group in 2008 from Scottish Power where latterly he was Corporate Services Director, having previously held the role of Group Human Resources Director.

Stephen is a Chartered Member of the Institute of Personnel and Development (CIPD), a Trustee of the Sick Kids Friends Foundation and a Board Member of the Royal Lyceum Theatre, Edinburgh.

Contents

Corporate Governance Report

The Miller Group is committed to achieving corporate governance standards that meet the highest possible levels of integrity and compliance for a privately owned enterprise. We evaluate the effectiveness of our decision-making, accountability and audit processes against similarly sized publicly listed corporations. 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 non-executive 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 38 to 39.

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. At particular points of the year the Group Board reviews budgets, financial statements and principal risks and uncertainties facing the business as identified on pages 32 and 33. At least annually the Group Board receives a detailed presentation on the performance of Homes, Construction, Developments and Mining and reviews health, safety and environment practices and strategy. In addition it considers corporate responsibility initiatives and strategy across the Group.

The Group Board generally meets at its head office in Edinburgh or in London but it also holds meetings to coincide with Senior Executive Forum meetings in other regions, providing the directors the opportunity to review operations and meet local management.

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 receive appropriate updates on areas of law and regulation to assist with awareness of corporate governance and their directors' duties.

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.

Corporate Governance Report
continued

Group Executive Board
The Group Executive Board members are as shown on pages 38 to 39. This Committee 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 three times as a Remuneration Committee and three times as a Nominations Committee 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 three 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.

During the year the Audit Committee reviewed the effectiveness of the internal audit function which is provided by an external adviser that reports regularly to the Committee.

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, tax advisory 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. The Board continues to enhance and strengthen the procedures for identifying and monitoring key areas of risk.

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. Internal audit independently review the risk identification procedures and control processes implemented by management, and report to the Audit Committee on a half yearly basis. The Audit Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board.

The Group Chief Executive also reports to the Board on behalf of the Executive Team 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 2013. Accordingly, the Board is satisfied that the Group has an effective system of internal control.

Going concern

The directors have reviewed the latest annual budget and strategic plan.

As explained in the Directors' Report, they believe the Group has adequate funding resources to continue in operational existence in the foreseeable future. For this reason the accounts have been prepared on a going concern basis.

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. During the year the Group Human Resources Director provided the Committee with benchmarking information obtained from external sources.

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 any of the Company's LTIPs or pension schemes. Philip Bowman participates in a separate long-term incentive arrangement with performance conditions, aligned to growth in the value of the Group. No amount was payable under this arrangement at 31 December 2013.

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 2013 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. The annual bonus is principally related to Group Profit before Tax as recorded in the management accounts. This 'performance condition' is considered appropriate as it is the key driver of enhanced shareholder value. The 2013 scheme provides for a maximum of 100% of salary for performance above budget. Of the bonus earned 30% is mandatorily deferred for a period of three years.

For the year ended 31 December 2013 bonuses of £292,000 (2012: £550,000) are payable under the current year scheme and £nil (2012: £560,000) under deferred schemes.

LTIPs have a number of performance conditions relating to the strategic direction of the Group. No payments under LTIPs were made during the year.

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.

Statement of Directors’ Responsibilities
in respect of the Strategic Report and the Directors’ Report and the Accounts

The directors are responsible for preparing the Strategic Report and Directors’ Report and accounts in accordance with applicable law and regulations. Company law requires the directors to prepare accounts for each financial year. Under that law they have elected to prepare the Group and Parent Company accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the parent company and Group and of their profit or loss for that period. In preparing each of the Group and parent company accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and 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 accounts 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.

Directors' Report

The directors have pleasure in presenting their report and the audited accounts for the year ended 31 December 2013.

Principal activities
The business conducted by the Group consists of housing, commercial property, construction 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 £10.1 million (2012: £6 million). No dividend will be paid.

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 borrowing facilities are described in the Group Finance Director's Review on pages 30 and 31. 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 at the date of this report are shown on page 38 to 39.

John Richards resigned from the Board on 18 November 2013.

Mark Brown resigned from the Board of The Miller Group Limited on 29 April 2013.

Employees
The directors' report in relation to employees is shown on pages 34 to 37.

Supplier payment policy
Each business is responsible for agreeing the terms and conditions, including terms of payment, relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. While payment terms within the Group vary, the company's average supplier payment period at 31 December 2013 was 15 days (2012: 24 days).

Contributions
The total of charitable donations made by the Group was £114,000 (2012: £84,000).

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
A resolution for the reappointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board
S J Duffield
Secretary
12 March 2014

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 2013 set out on pages 48 to 65. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 45, 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 our 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 (APB'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 the parent company's affairs as at 31 December 2013 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 Strategic 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
United Kingdom
12 March 2014

Group Profit and Loss Account
for the year ended 31 December 2013

	Note	2013 £m	2012 £m
Turnover: Group and share of joint ventures	2	**817.3**	619.9
Less share of joint ventures		**(62.4)**	(45.8)
Group turnover		**754.9**	574.1
Cost of sales			
Recurring		**(688.1)**	(513.6)
Exceptional	7	**(1.9)**	–
Gross profit		**64.9**	60.5
Administrative expenses			
Recurring		**(52.2)**	(49.1)
Exceptional	7	**(2.1)**	–
Group operating profit		**10.6**	11.4
Share of operating profit in joint ventures and associates		**12.2**	10.0
Gain on disposal of fixed asset investments		**5.1**	7.8
Profit/(loss) before interest			
Recurring		**31.9**	29.2
Exceptional	7	**(4.0)**	–
		27.9	29.2
Net interest expense	3	**(17.5)**	(22.6)
Profit/(loss) on ordinary activities before tax	6		
Recurring		**14.4**	6.6
Exceptional		**(4.0)**	–
		10.4	6.6
Tax	9	**(0.3)**	(0.6)
Profit after tax for the financial year		**10.1**	6.0

The notes on pages 52 to 65 form an integral part of the accounts.

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2013

	2013 £m	2012 £m
Profit after tax for the financial year		
Group	**4.1**	1.7
Joint ventures and associates	**6.0**	4.3
	10.1	6.0
Loan waiver	**–**	48.9
Actuarial (loss)/gain on pension scheme	**(11.4)**	0.1
Deferred tax on actuarial (loss)/gain	**1.5**	–
Exchange loss	**–**	(0.6)
Total gains and losses recognised relating to the financial year	**0.2**	54.4

The notes on pages 52 to 65 form an integral part of the accounts.

Balance Sheet
at 31 December 2013

	Note	Group 2013 £m	Group 2012 £m	Company 2013 £m
Fixed assets				
Tangible assets	10	**12.6**	12.5	**–**
Investments in joint ventures:				
Share of gross assets		**94.3**	110.1	**–**
Share of gross liabilities		**(90.3)**	(114.8)	**–**
Loans to joint ventures		**40.2**	56.9	
	11	**44.2**	52.2	**–**
Other investments	11	**7.2**	8.1	**197.0**
		64.0	72.8	**197.0**
Current assets				
Stocks and work in progress	12	**392.8**	362.5	**–**
Debtors:				
Due within one year	13	**105.6**	77.1	**–**
Due after more than one year	13	**115.9**	119.1	**–**
Cash at bank and in hand		**62.9**	49.1	**–**
		677.2	607.8	**–**
Creditors: amounts falling due within one year	14	**(258.1)**	(180.4)	**–**
Net current assets		**419.1**	427.4	**–**
Total assets less current liabilities		**483.1**	500.2	**197.0**
Creditors: amounts falling due after more than one year	15	**(228.1)**	(253.3)	**–**
Net pension deficit	5	**(18.3)**	(10.4)	**–**
Net assets		**236.7**	236.5	**197.0**
Capital and reserves				
Called up share capital	16	**197.0**	2.8	**197.0**
Share premium account	17	**–**	368.3	**–**
Capital redemption reserve	17	**–**	0.5	**–**
Merger reserve	17	**(331.4)**	–	**–**
Profit and loss account	17	**371.1**	(135.1)	**–**
Shareholders' funds	18	**236.7**	236.5	**197.0**

The notes on pages 52 to 65 form an integral part of the accounts.

These financial statements were approved by the Board of Directors on 12 March 2014 and were signed on its behalf by:

Keith M Miller CBE
Group Chief Executive

Richard Hodsden
Group Finance Director

Group Cash Flow Statement
for the year ended 31 December 2013

Reconciliation of operating profit to net cash flow from operating activities

	2013 £m	2012 £m
Operating profit	**10.6**	11.4
Depreciation	**0.4**	0.4
(Increase)/decrease in stocks and work in progress	**(9.7)**	41.7
Increase in debtors	**(20.1)**	(13.4)
Increase in creditors and provisions	**47.5**	–
Net cash inflow from operating activities	**28.7**	40.1

Consolidated cash flow statement

	Note	2013 £m	2012 £m
Net cash inflow from operating activities		**28.7**	40.1
Dividends received from joint ventures and associated undertakings		**2.0**	1.4
Returns on investments and servicing of finance	21	**(10.8)**	(26.9)
Corporation tax received		**0.8**	3.3
Capital expenditure and financial investment	21	**(2.7)**	7.1
Acquisitions and disposals	21	**15.2**	(1.9)
Net cash inflow before financing		**33.2**	23.1
Financing			
Issue of shares	21	**–**	160.0
Decrease in debt	21	**(19.4)**	(140.3)
Increase in cash		**13.8**	42.8

Reconciliation of net cash flow to movement in net debt

	Note	2013 £m	2012 £m
Increase in cash		**13.8**	42.8
Cash flow from decrease in debt		**19.4**	140.3
Debt in subsidiaries at date of disposal		**–**	67.0
Debt conversion and waiver		**–**	254.5
Movement in debt in year		**33.2**	504.6
Net debt at beginning of year		**(202.0)**	(706.6)
Net debt at end of year	22	**(168.8)**	(202.0)

The notes on pages 52 to 65 form an integral part of the accounts.

Notes
Forming part of the Financial Statements

1 Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting
The accounts are prepared under the historical cost basis of accounting and in accordance with applicable accounting standards.

Basis of preparation
The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2013 using merger accounting. On 27 September 2013, in return for the issue of new ordinary share capital, the entire share capital of The Miller Group Limited and its subsidiary companies was acquired by The Miller Group (UK) Limited. This transaction has been accounted for in line with the requirements of Financial Reporting Standard No 6 "Acquisitions and Mergers". Therefore the Group financial statements have been prepared as if the Group was in existence for the whole of the current and prior financial years. Consequently whilst the company accounts are presented for a six month period from incorporation with no comparatives the consolidated profit and loss account reflects the results of the Group for the year ended 31 December 2013 and the year ended 31 December 2012. The results of subsidiary undertakings acquired or disposed of during the year are included in the accounts from or to the effective dates of acquisition or disposal. As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented.

As explained in the Directors' Report, 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.

Joint ventures and associates
An associate is an undertaking in which the Group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in the consolidated balance sheet. Where a Group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows of the joint arrangement. Such arrangements are reported in the consolidated accounts on the same basis.

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. Claims are recognised as income when certified or agreed in writing.

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 and appropriate attributable overheads.

Contract work in progress is shown within debtors as amounts recoverable on contracts and is stated at cost incurred plus attributable profit, less amounts transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Where payments on account exceed the value of work certified at the balance sheet date this is shown as payments on account within creditors.

Taxation
The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences (including past trading losses) which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. In relation to the deferred tax asset, the directors have considered carefully the extent to which they believe it is more likely than not that suitable taxable profits will be available in the future against which carried forward tax losses can be utilised.

1 Accounting policies (continued)

Foreign currencies

The net assets of overseas subsidiary and associated undertakings are translated into sterling at the rates of exchange ruling at the end of the financial year. Profit and loss accounts of those undertakings are translated into sterling at average rates ruling during the financial year. The resulting exchange differences are dealt with through reserves.

Leased assets

Expenditure on operating leases is charged to the profit and loss account as incurred.

Pensions

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The scheme is closed to future accrual.

The Group also operates defined contribution schemes. The assets of such schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Investments in subsidiary companies

Investments in subsidiary companies are carried at cost, less provision for permanent impairment.

2 Segmental analysis

Turnover	2013 £m	2012 £m
Housing	**330.0**	265.7
Property	**52.4**	60.6
Construction	**408.7**	259.4
Mining	**26.2**	34.2
	817.3	619.9

Profit/(loss) before interest	Before exceptional items £m	Exceptional items £m	2013 Total £m	2012 Total £m
Housing	22.8	–	**22.8**	14.5
Property	10.3	(1.9)	**8.4**	5.4
Construction	(4.6)	–	**(4.6)**	3.2
Mining	4.5	–	**4.5**	9.2
Group	(1.1)	(2.1)	**(3.2)**	(3.1)
	31.9	(4.0)	**27.9**	29.2
Net interest payable			**(17.5)**	(22.6)
Profit before tax			**10.4**	6.6

Share of turnover and operating profit of joint ventures and associates included in the above:

	Turnover		Operating profit	
	2013 £m	2012 £m	2013 £m	2012 £m
Housing	**3.4**	0.5	**0.4**	1.0
Property	**33.2**	13.7	**5.0**	1.9
Mining	**25.8**	31.6	**4.7**	7.0
Construction	**–**	–	**2.1**	0.1
	62.4	45.8	**12.2**	10.0

Notes
Forming part of the Financial Statements continued

2 Segmental analysis (continued)

Turnover above is external. Inter-segmental turnover amounted to £0.9 million (2012: £1.0 million) in Property and £nil (2012: £0.5 million) in Construction, a total of £0.9 million (2012: £1.5 million).

	2013 £m	2012 £m
Net assets/(liabilities)		
Housing	**398.1**	399.1
Property	**50.5**	52.3
Construction	**(38.6)**	(27.6)
Mining	**18.0**	25.7
Group	**(22.5)**	(11.0)
	405.5	438.5
Net debt	**(168.8)**	(202.0)
	236.7	236.5

Share of net assets of joint ventures and associates included in the above:

	2013 £m	2012 £m
Housing	**4.3**	4.8
Property	**21.2**	20.3
Construction	**0.3**	0.5
Mining	**18.2**	26.4
	44.0	52.0

3 Net interest expense

	2013 £m	2012 £m
Interest payable on bank loans and overdrafts	**(14.0)**	(16.4)
Amortisation of arrangement fees	**(1.4)**	(3.4)
Bank and other interest receivable	**3.1**	0.9
	(12.3)	(18.9)
Associates and joint ventures:		
Bank and shareholder loan interest	**(4.3)**	(2.1)
Other interest	**(0.9)**	(0.9)
	(5.2)	(3.0)
Other finance expense (note 5)	**–**	(0.7)
Net interest expense	**(17.5)**	(22.6)

4 Staff numbers and costs

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

	2013 Number	2012 Number
Housing	**592**	625
Property	**36**	44
Construction	**588**	484
Other	**90**	83
	1,306	1,236

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2013 £m	2012 £m
Wages and salaries	**69.3**	60.4
Social security costs	**7.4**	6.2
Other pension costs	**4.7**	4.2
	81.4	70.8

5 Pensions

The Group operates a defined benefit pension scheme which is now closed to future accrual. A full actuarial valuation was carried out at 1 July 2013 and updated, for FRS 17 purposes, to 31 December 2013 by a qualified independent actuary. Membership data is set out below:

	2013 £m	2012 £m
Number of active members	**–**	–
Annual pensionable payroll of active members (£m)	**–**	–
Number of deferred members	**643**	810
Number of pensioner members (including dependents)	**516**	420
Annual pension payroll (£m)	**3.8**	3.6

The major assumptions used by the actuary were:

	2013	2012
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions in payment*	**3.2%**	2.6%
Rate of increase in deferred pensions	**2.3%**	1.8%
Discount rate	**4.6%**	4.6%
Inflation assumption	**3.3%**	2.7%

* On the excess over the Guaranteed Minimum Pension, pensions which are guaranteed to increase at a rate of 3% per annum have been assumed to increase at 3%.

The assets in the scheme and the expected rates of return were:

	Value at 31 December 2013 £m	Long-term rate of return expected at 31 December 2013	Value at 31 December 2012 £m	Long-term rate of return expected at 31 December 2012
Equities	**54.6**	**7.6%**	54.1	6.0%
Bonds	**42.9**	**4.6%**	51.5	4.6%
Other	**10.6**	**0.5%**	0.4	0.5%
	108.1	**6.0%**	106.0	5.1%

The assumed average expectation of life for a member currently aged 65 is 21.7 years (2012: 21.6 years).

The following amounts were measured in accordance with the requirements of FRS 17:

	2013 £m	2012 £m
Total market value of assets	**108.1**	106.0
Present value of scheme liabilities	**(131.0)**	(119.5)
Deficit in the scheme	**(22.9)**	(13.5)
Related deferred tax asset	**4.6**	3.1
Net pension liability	**(18.3)**	(10.4)

Notes
Forming part of the Financial Statements continued

5 Pensions (continued)

The movement in the pension scheme balance (before deferred tax) is explained below:

	2013 £m	2012 £m
Opening pension scheme balance	**(13.5)**	(15.1)
Pension cost	**–**	(0.6)
Employer contributions	**2.0**	2.0
Total (loss)/gain recognised in reserves	**(11.4)**	0.2
Closing pension scheme balance	**(22.9)**	(13.5)

The amounts charged to the profit and loss account are as follows:

	2013 £m	2012 £m
Expected return on pension scheme assets	**(5.2)**	(4.8)
Interest on pension scheme liabilities	**5.2**	5.5
Charge to financing	**–**	0.7

A reconciliation of actual to expected return on assets is given below:

	2013 £m	2012 £m
Expected return on scheme assets	**5.2**	4.8
Gain on scheme assets	**4.4**	7.5
Actual return on scheme assets	**9.6**	12.3

The movement of scheme liabilities is set out below:

	2013 £m	2012 £m
Opening scheme liabilities	**119.5**	112.0
Interest cost	**5.2**	5.5
Loss on scheme liabilities	**15.8**	7.2
Actual benefit payments	**(9.5)**	(5.2)
Closing scheme liabilities	**131.0**	119.5

The movement of scheme assets is set out below:

	2013 £m	2012 £m
Opening scheme assets	**106.0**	96.9
Expected return on assets	**5.2**	4.8
Gain on assets	**4.4**	7.5
Employer contributions	**2.0**	2.0
Actual benefit payments	**(9.5)**	(5.2)
Closing scheme assets	**108.1**	106.0

5 Pensions (continued)

An analysis of the amounts recognised in the statement of total recognised gains and losses is as follows:

	2013 £m	2012 £m
Gain on pension scheme assets	**4.4**	7.5
Loss on the present value of scheme liabilities	**(15.8)**	(7.3)
Total actuarial (loss)/gain recognised	**(11.4)**	0.2
Cumulative gains and (losses) recognised	**(47.7)**	(36.4)

Historic information regarding the scheme is set out below:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Scheme liabilities	**(131.0)**	(119.5)	(112.0)	(95.0)	(94.2)
Assets	**108.1**	106.0	96.9	100.6	94.4
(Deficit)/surplus (before deferred tax and asset limit reduction)	**(22.9)**	(13.5)	(15.1)	5.6	0.2
Experience gains and (losses) on scheme assets	**4.4**	7.5	(4.8)	2.9	8.7
Experience gains and (losses) on scheme liabilities	**(8.6)**	(0.1)	(6.9)	0.5	1.9

6 Profit on ordinary activities before taxation

	2013 £m	2012 £m
This is stated after charging the following:		
Depreciation	**0.4**	0.4
Operating lease rentals	**6.9**	6.2
	£000	£000
Auditor remuneration:		
Audit of these accounts	**40**	38
Other services:		
Audit of subsidiaries accounts	**209**	170
Other services relating to taxation	**119**	143
All other services	**241**	141
Audit of joint ventures and accounts of other investments	**31**	43
	640	535

7 Exceptional items

	2013 £m	2012 £m
Land and property write-downs	**(1.9)**	(3.1)
Property write-backs	**–**	3.1
Restructuring costs	**(2.1)**	–
Joint venture asset write-downs	**–**	(3.4)
Joint venture asset write-backs	**–**	3.4
	(4.0)	–

Notes
Forming part of the Financial Statements continued

8 Remuneration of directors

	2013 £m	2012 £m
Directors' emoluments:		
Salary and other benefits	**1.8**	1.3
Annual bonus	**0.3**	1.1
	2.1	2.4

The aggregate emoluments of the highest paid director were £978,000 (2012: £1,164,000). Retirement benefits accrued to one director (2012: two directors) under defined contribution schemes. Contributions to defined contribution pension schemes amounted to £4,000 (2012: £16,000).

9 Taxation

	2013 £m	2012 £m
Corporation tax:		
Current year	**–**	1.9
Prior years	**0.7**	0.8
Share of joint ventures tax	**(1.0)**	(2.7)
	(0.3)	–
Deferred tax	**–**	(0.6)
	(0.3)	(0.6)

The current tax charge for the year of £0.3 million (2012: £nil) is less than the standard rate of corporation tax of 23¾% (2012: 24½%). The differences are explained below:

	2013 £m	2012 £m
Current year tax reconciliation		
Profit on ordinary activities before tax	**10.4**	6.6
Current tax at 23¾% (2012: 24½%)	**(2.5)**	(1.6)
Effects of:		
Timing differences in respect of which deferred tax is not provided	**0.4**	(0.2)
Permanent differences	**1.1**	1.0
Adjustments to prior year corporation tax provision	**0.7**	0.8
Total current tax charge	**(0.3)**	–

The corporation tax rate, from 1 April 2013, of 23% will reduce to 21% from 1 April 2014 and 20% from 1 April 2015.

10 Tangible assets

Group

	Freehold land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost			
At beginning of year	14.7	3.0	17.7
Additions	–	0.5	0.5
At end of year	**14.7**	**3.5**	**18.2**
Depreciation			
At beginning of year	3.2	2.0	5.2
Charge for year	–	0.4	0.4
At end of year	**3.2**	**2.4**	**5.6**
Net book value			
At 31 December 2013	**11.5**	**1.1**	**12.6**
At 31 December 2012	11.5	1.0	12.5

11 Investments

	Group		Company
	2013 £m	2012 £m	**2013 £m**
Investment in joint ventures	**44.2**	52.2	**–**
Other investments:			
Investments in subsidiaries	**–**	–	**197.0**
Investments in associates	**(0.2)**	(0.2)	**–**
Loans	**7.4**	8.3	**–**
	7.2	8.1	**197.0**
Total investments	**51.4**	60.3	**197.0**

Joint ventures

	Group £m
At beginning of year	52.2
Share of profits less losses	6.0
Dividends received	(2.0)
Loans	(11.9)
Exchange movements	(0.1)
At end of year	**44.2**

The total of the Group's profit before taxation from interests in associates and joint ventures is £7.0 million (2012: £7.0 million).

Notes
Forming part of the Financial Statements continued

11 Investments (continued)
The amounts included in net assets in respect of joint ventures comprise the following:

	2013 £m	2012 £m
Share of assets:		
Share of fixed assets	**49.2**	50.1
Share of current assets	**45.1**	60.0
	94.3	110.1
Share of liabilities:		
Due within one year	**(46.7)**	(80.6)
Due after one year	**(43.6)**	(34.2)
	(90.3)	(114.8)
Loans provided to joint ventures	**40.2**	56.9
Share of net assets	**44.2**	52.2

Other investments
Group

	Associates £m	Loans £m
At beginning of year	(0.2)	8.3
New loans	–	2.5
Repayments	–	(3.4)
At end of year	**(0.2)**	**7.4**

Company

	Subsidiaries £m
At beginning of period	–
Acquisition	197.0
At end of period	**197.0**

12 Stocks and work in progress
Group

	2013 £m	2012 £m
Land and development work in progress:		
Residential developments	**366.2**	334.2
Commercial developments	**26.6**	28.3
	392.8	362.5

13 Debtors

Due within one year

	Group 2013 £m	Group 2012 £m
Trade debtors	**7.8**	2.7
Amounts recoverable on contracts	**65.0**	47.4
Amounts owed by associates and joint ventures	**0.8**	4.1
Other debtors	**27.0**	16.4
Prepayments and accrued income	**5.0**	6.5
	105.6	77.1

Due after more than one year

	Group 2013 £m	Group 2012 £m
Trade debtors	**55.9**	59.1
Deferred tax (see below)	**60.0**	60.0
	115.9	119.1

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 2013 £m	Group 2012 £m
At beginning and end of year	**60.0**	60.0

The elements of the deferred tax balance calculated at 20% (2012: 23%) are as follows:

	Group 2013 £m	Group 2012 £m
Difference between accumulated depreciation and capital allowances	**0.8**	1.0
Tax losses	**80.3**	92.5
Other timing differences	**2.8**	2.3
	83.9	95.8
Less amount recognised	**(60.0)**	(60.0)
Unrecognised deferred tax	**23.9**	35.8

The directors believe the Group will in due course be able to utilise the majority of the tax losses accumulated at 31 December 2013.

Notes
Forming part of the Financial Statements continued

14 Creditors: amounts falling due within one year

	Group 2013 £m	Group 2012 £m
Bank loans (secured)	**21.1**	1.6
Payments received on account	**19.8**	12.8
Trade creditors	**145.8**	107.4
Land creditors	**19.2**	11.9
Other taxes and social security	**2.5**	2.3
Other creditors	**8.5**	7.1
Corporation tax	**0.5**	0.4
Accruals and deferred income	**40.7**	36.9
	258.1	180.4

15 Creditors: amounts falling due after more than one year

	Group 2013 £m	Group 2012 £m
Bank loans (secured)	**206.3**	243.8
Accruals and deferred income	**0.4**	1.5
Land creditors	**21.4**	8.0
	228.1	253.3
Analysis of debt:		
SPV Debt:		
In one year or less	**6.1**	1.6
Between one and two years	**21.8**	10.5
Between two and five years	**1.6**	39.9
Greater than five years	**14.4**	4.2
Unamortised finance costs	**(0.2)**	(0.3)
	43.7	55.9
Core debt:		
In one year or less	**15.0**	–
Between one and two years	**15.0**	–
Between two and five years	**157.8**	194.9
Unamortised finance costs	**(4.1)**	(5.4)
	183.7	189.5
Total debt	**227.4**	245.4

16 Share capital

	2013 £m
Authorised, allotted, called up and fully paid	
449,143,960 'A' Ordinary shares of 7p each	**31.4**
182,782,211 'B' Ordinary shares of 7p each	**12.8**
54,953,829 'C' Ordinary shares of 7p each	**3.8**
32,400,000 'D' Ordinary shares of 7p each	**2.3**
20,250,000 'E' Ordinary shares of £7 each	**141.8**
70,470,000 'F' Ordinary shares of 7p each	**4.9**
100,000 'G' Shares of 0.7p each	**–**
	197.0

During the year the company issued 20,250,000 £7 ordinary shares, 789,750,000 7 pence ordinary shares and 100,000 0.7 pence shares which were exchanged for shares in The Miller Group Limited under a Scheme of Arrangement to insert the company as the parent company of the Group.

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.

17 Reserves

Group

	Merger reserve £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m
At beginning of year	–	368.3	0.5	(135.1)
Capital reduction	–	(310.0)	–	310.0
Profit for year	–	–	–	10.1
Group restructure	(331.4)	(58.3)	(0.5)	196.0
Actuarial loss on pension scheme	–	–	–	(9.9)
At end of year	**(331.4)**	**–**	**–**	**371.1**

18 Reconciliation of movement in shareholders' funds

	Group £m	Company £m
Profit after taxation for the financial year	10.1	–
Actuarial loss on pension scheme	(9.9)	–
Share issue	–	197.0
Net increase in shareholders' funds	0.2	197.0
Opening shareholders' funds	236.5	–
Closing shareholders' funds	**236.7**	**197.0**

Notes
Forming part of the Financial Statements
continued

19 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. A small number of interest shortfall guarantees have been given by the Group in relation to bank finance provided to joint ventures and subsidiaries. No guarantees have been called during the year (2012: none).

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

	2013 Land and buildings £m	**2013 Other £m**	2012 Land and buildings £m	2012 Other £m
Leases expiring:				
Within one year	**0.1**	**0.2**	–	0.1
Between two and five years	**1.0**	**2.2**	1.3	2.3
Outwith five years	**1.0**	**–**	1.3	–
	2.1	**2.4**	2.6	2.4

21 Notes to the cash flow statement

	2013 £m	2012 £m
Returns on investments and servicing of finance		
Interest received	**3.1**	0.9
Interest paid and similar charges	**(13.9)**	(27.8)
Net cash outflow from returns on investments and servicing of finance	**(10.8)**	(26.9)
Capital expenditure and financial investment		
Purchase of fixed assets	**(3.0)**	(5.9)
Sale of fixed asset investments	**0.3**	13.0
Net cash (outflow)/inflow from capital expenditure and financial investment	**(2.7)**	7.1
Acquisitions and disposals		
Net investment in joint ventures and associates	**15.2**	(1.9)
Net cash inflow/(outflow) from acquisitions and disposals	**15.2**	(1.9)
Financing		
Share issue	**–**	160.0
Repayment of loans	**(29.7)**	(328.8)
New loans received	**10.3**	188.5
Net cash (outflow)/inflow from financing	**(19.4)**	19.7

22 Analysis of changes in net debt

	At beginning of year £m	Cash flows £m	Non-cash movements £m	**At end of year £m**
Cash at bank and in hand	49.1	13.8	–	**62.9**
Debt due within one year	(1.6)	19.4	(38.9)	**(21.1)**
Debt due after one year	(249.5)	–	38.9	**(210.6)**
	(202.0)	**33.2**	**–**	**(168.8)**

23 Related party transactions

	2013 £m	2012 £m
Sales and management fees to joint ventures and associated undertakings on normal trading terms	**8.7**	11.6
Amounts paid to majority shareholder	**0.2**	2.5

Details of balances outstanding with joint ventures and associates at the year end are given in note 13. No balances are outstanding with the majority shareholder at the year end.

24 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:			
Miller Group Holdings (UK) Limited	Holding Company	Scotland	100
The Miller Group Limited	Holding Company	Scotland	100
TMGL Holdings Limited	Holding Company	Scotland	100
Miller Homes Holdings Limited	Residential Development	Scotland	100
Miller Homes Limited	Residential Development	Scotland	100
Miller Developments Holdings Limited	Property Development	England	100
Miller Holdings International Limited	Property Development	Scotland	100
Miller Developments Limited	Property Development	Scotland	100
Miller Corporate Holdings Limited	Construction	Scotland	100
Miller Construction (UK) Limited	Construction	Scotland	100
Joint ventures:			
Omega Warrington Limited	Property Development	England	50
Miller Cromdale Limited	Property Development	Scotland	50
Arena Central Developments LLP	Property Development	England	50
Ringsted Outlet Centre P/S	Property Development	Denmark	50
Miller Argent Holdings Limited	Mining	England	50
Investments:			
Miller Equitix Inverness Holdings Limited	Education Services Provider	Scotland	50
Bluelight Partnership (ASP) Holdings Limited	Bluelight Services Provider	England	30
Hub North Scotland Limited	Education and Health Provider	Scotland	30

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