Annual Report 2015

Built for growth

miller homes

Miller Homes is a respected national homebuilder with an established reputation for building outstanding quality family homes and excellent customer service. We believe that by building homes safely, in a way which is considerate to the environment and by delighting our customers with a product and experience which recognises that buying a new home is a significant lifetime purchase, we will deliver superior long term results for our stakeholders.

That is the Miller Difference.

Strategic report

Directors' report & financial statements

www.millerhomes.co.uk


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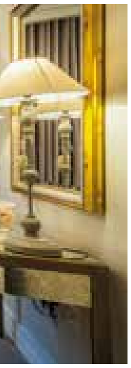

Revenue
£500m
+29%


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Profit before tax
£62m
+91%

2015 consented landbank	2015 operational performance
Scotland	
24 sites	554 completions
2,535 consented plots	£262,000 ASP
North	
39 sites	889 completions
2,658 consented plots	£195,000 ASP
Midlands & Southern	
37 sites	710 completions
6,407 consented plots	£240,000 ASP
Group total	
100 sites	2,153 completions
11,600 consented plots	£227,000 ASP

Core completions
2,153
+14%

Return on capital employed (ROCE)
20%
+71%

Operating profit
£78m
+76%

Consented landbank
11,600
+16%

Net assets
£266m
+22%

Average selling price (ASP)
£227,000
+14%

Pictures:
1. Master bedroom, The Ettrick.
2. Burleigh Woods, Crawley Down, West Sussex.
3. Work in progress on a new Miller home.

"Our plan is to deliver upper quartile EBITA growth over 2015 to 2017"
Chris Endsor, Chief Executive

Strategic report

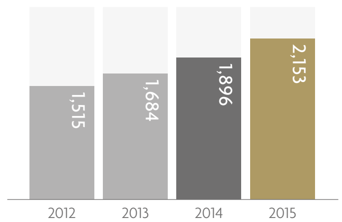
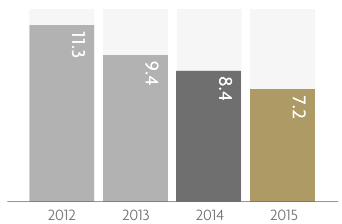
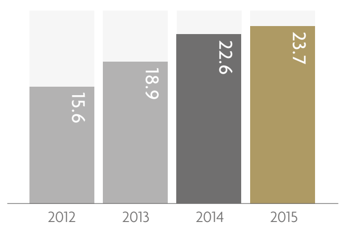
91%

Profit before tax increased by 91% to £62.0m (2014: £32.5m pre-exceptional items), as we continue to successfully execute our strategy

Picture:
Minster View, Gringley on the Hill, Doncaster.

Upper quartile earnings growth

Our 2017 targets are 18% operating margin and 25% ROCE. In addition our plan is to deliver upper quartile EBITA growth between 2015 to 2017 and increase annual output incrementally to reach 3,250 units per annum by 2019.

Strategic building blocks	Objectives	Measuring progress
1. Target 50% growth in output by 2019 from current level of 2,153 to 3,250 units.	Incremental growth in annual completions across each of our existing divisional businesses.	**Core completions** 
2. Maintain focus on existing regional footprint. The advantages of a regional approach are: – Less competitive land market – Reduced subcontractor cost pressures and availability issues – More favourable planning environment	Growth to be delivered from current strong divisional businesses, without the need to launch new operating units. This will minimise delivery risk and limit overhead increases. Overhead recoveries will improve as a result with a target of 6% by 2017.	**Overheads** (% of revenue) 
3. Maintain disciplined and selective approach to site acquisitions, optimising margins and capital efficiency.	Growth to be leveraged from our strategic landbank with completions from strategic land increasing to 40% of output by 2019. Achieve a blended gross margin in excess of 24% by 2017 through the purchase of open market land at a minimum 22% margin and strategic land in excess of 25% margin. Return on capital employed to increase to 25% by 2017 as we benefit from new site margins and the run-off of the Group's deferred tax asset.	**Owned landbank embedded margin** (%) 

Disciplined approach to enhancing shareholder value

The Group is focused on ensuring we have the people and systems to manage the detail during each key business process. This is further enhanced by the relationships developed as part of our Miller Difference ethos.

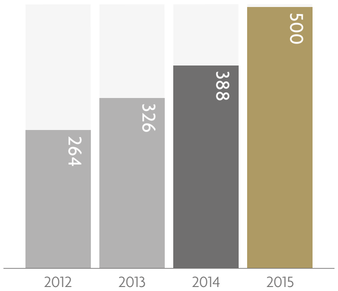
Read more about the core elements of our business model
Pages 14 to 33

A record performance

Operating margin and return on capital employed are at record levels for the Group.

Financial KPIs

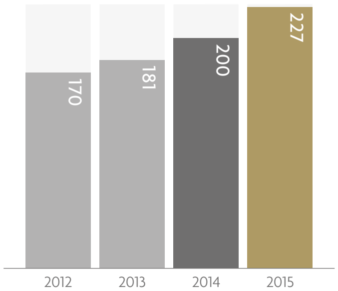
Revenue (£m)



Performance
Turnover increased by 29% in 2015 due to a combination of a 14% rise in completions and a similar increase in ASP.

Strategic significance
The Group's strategy is to reach 3,250 units per annum by 2019. Delivering this growth should lead to sustained increases in turnover and in turn profit.

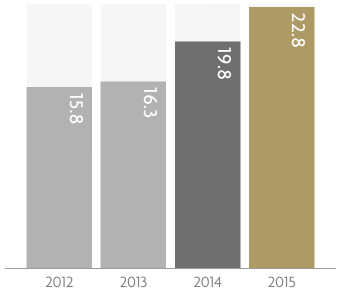
Average selling price (£000)



Performance
The Group has delivered consistent improvements in ASP over the last four years driven primarily by changes in its land acquisition strategy.

Strategic significance
Significant increases in ASP in recent years are in line with the strategy of selling larger homes in quality locations. This plan has largely been completed and accordingly future ASP increases are anticipated to be more modest, tempered in part by an increase in affordable completions from new sites coming on stream.

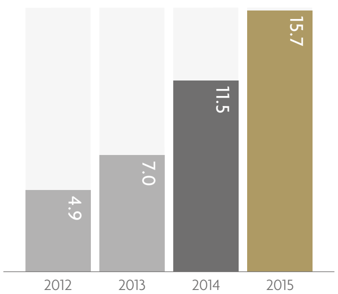
Gross margin (%)



Performance
Gross margin improvement reflects the reduction in low margin land acquired prior to the 2008 downturn (known as legacy land) which has been replaced with higher margin new sites.

Strategic significance
The Group believes there is scope for further improvements in line with either open market land or strategic land hurdle rates.

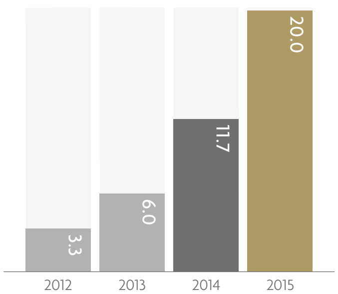
Operating margin (%)



Performance
2015 saw a 420 basis point improvement in operating margin. This was higher than the growth in gross margin due to improved overhead recoveries.

Strategic significance
The medium term target is to achieve operating margins of 18% by 2017 through a combination of higher gross margins and improved overhead recoveries.

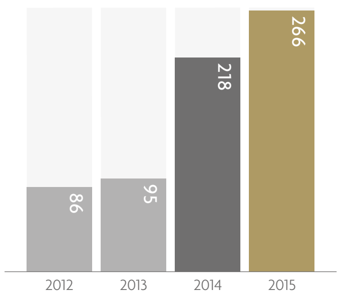
Return on capital employed (%)



Performance
The significant increase in operating margin in the year together with tight control of the capital deployed in the business, have generated a 71% improvement in the return on capital employed.

Strategic significance
The hurdle rate for land acquisitions is a minimum 25% ROCE. The Group has a track record of improving ROCE from the initial land viability. Through a combination of this and a reduction in its deferred tax asset, the Group believes that ROCE of 25% can be delivered in the next two years.

Net asset value (£m)

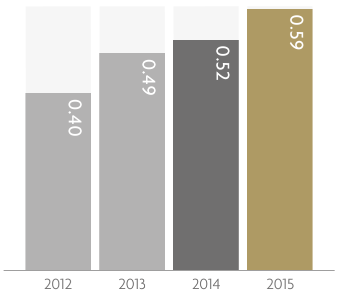


Performance
The net asset value of the Group has increased by 22% in 2015.

Strategic significance
The Group's business plan reflects further profitable growth resulting in incremental improvements in net assets.

Non-financial KPIs

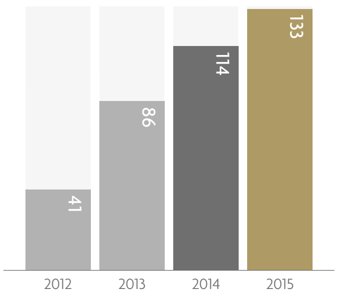
Private sales rate (per site per week)



Performance
The private sales rate increased by 13% in 2015 reflecting improved trading conditions and the benefit of new site launches.

Strategic significance
The Group believes that a private sales rate of around 0.6 sales per site per week can be sustained under current market conditions.

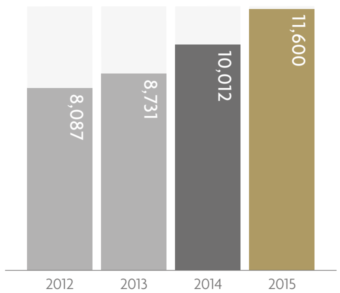
Forward sales (£m)



Performance
The 17% increase in forward sales is due to an increase in sales volumes as we benefit from improved sales rates.

Strategic significance
The Group believes that a planned increase in sales outlets and a continuation of the current trading environment will see further increases in forward sales.

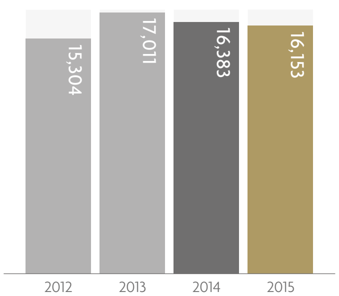
Consented landbank (plots)



Performance
Increased land investment in the year, combined with the successful promotion of strategic land options, resulted in a 16% increase in the consented landbank to 5.4 years' supply (based on current output).

Strategic significance
The Group's plan is to operate with a consented landbank of circa 5 years' supply, of which 3-3.5 years is derived from the owned landbank with the balance from consented plots predominantly held under option.

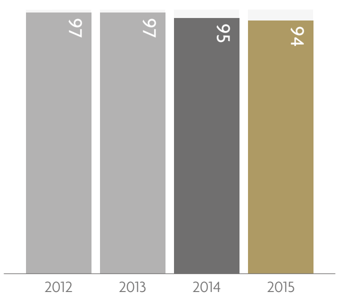
Strategic landbank (plots)



Performance
The Group successfully obtained planning consents for 2,200 plots in the year. These plots were transferred to the consented landbank and were largely replaced by new land options resulting in a net 1% reduction in the strategic landbank.

Strategic significance
The Group's target is to hold a strategic landbank of circa 15,000 plots. This reduction recognises the strong planning prospects for a number of existing sites with strategic options which should result in their transfer to the consented landbank in the coming years.

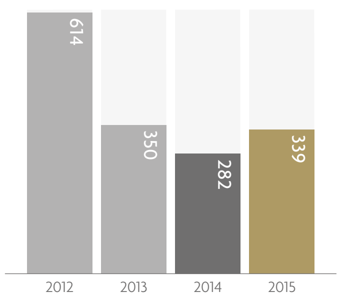
Customer satisfaction (%)



Performance
The Group continues to operate at exceptionally high levels of customer satisfaction both by historical levels and in comparison to our peers. Customer surveys are undertaken by In-House, an independent research company.

Strategic significance
The Group firmly believes that for a business where customers are likely to make the largest purchase in their lifetime, it is important to deliver exceptional levels of customer service. Accordingly, it aspires to at least maintain the current high levels of customer satisfaction.

Health & safety (accident incident rate per 100,000 employees)



Performance
The 2015 result was better than the internal target of 351. The increase in the year was against a backdrop of a significant increase in production activity and 2014 being the Group's best performance in the last ten years.

Strategic significance
Accident incident rates (AIR) remain at a low level in comparison to historic averages and the Group will endeavour to ensure that they are minimised going forward.

Market conditions continue to remain favourable

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


1

Mortgage availability

Mortgage approvals are a transparent measure of activity in the housing market. The Council of Mortgage Lenders' current estimate for 2015 of the amount loaned by UK banks and building societies is £220 billion, an 8% rise on 2014 and the highest gross lending level since 2008.

Figures from the Halifax show that mortgage payments as a percentage of income remained consistent at 29% during 2015, considerably less than the peak in 2007 of 48%. This reduction is predominantly in areas outside of London. In our regional markets, levels are consistently below 30% and are below the long term UK average of 36%. The lending institutions continue to follow a responsible approach to lending, guided by The Mortgage Market Review initiated in 2014. This provides additional controls around consumers' ability to sustain their mortgage repayments over the longer term.

The Bank of England base rate remained unchanged throughout 2015 for the sixth successive year. An increasing number of mortgage products were made available during 2015 with gradual reductions in both mortgage rates and deposit values. Market commentators are currently predicting a rate rise is unlikely until the latter part of 2016 at the earliest, with increases being small and incremental. Government commitment in England to Help to Buy until 2021 and in Scotland to 2019, will continue to assist first time buyers and should in turn ripple out to the other segments of the market. Further support from the Help to Buy ISA, and the Starter Homes Initiative, which is expected to launch in the autumn of 2016, should lead to increased demand at the entry level of the market and stimulate greater activity.

Housing supply

Changes to the planning system in the last few years have had a positive effect on what was a fundamental constraint on the UK housing market. As a result of a more favourable planning environment, 243,000 permissions were granted in England in the 12 months to October 2015, the highest since 2008. 181,000 new homes were built in 2014-15 representing a 22% increase on the previous year but it is still short of the Department for Communities and Local Government's target of 220,000 homes per annum.

The NHBC reported that 2015 new build registrations hit an eight-year high, with 156,140 new homes registered in total. The NHBC also registered 75% more new homes in 2015 than in the peak of the downturn in 2009.

Consumer confidence

There is an inextricable link between consumer confidence and the health of the housing market. Consumer confidence has improved and customers are keen to take advantage of low mortgage rates and government incentive schemes.

The GfK UK consumer confidence index remained strong for all of 2015, its strongest performance since 2002. Confidence in the employment market has also improved consistently across 2015. The Office for National Statistics data showed the level of unemployment, based on the International Labour Organisation measure, falling below 1.75 million in the three months to the end of September 2015, for the first time since August 2008.

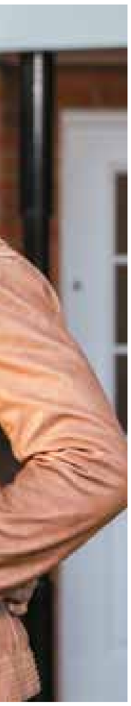
2015 CML gross mortgage lending

£220bn

+8%

Source: Council of Mortgage Lenders

Help to Buy



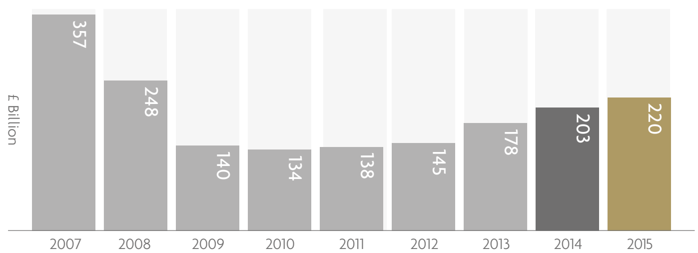
Planning consents in England (Q3 2014-Q3 2015)

243,000

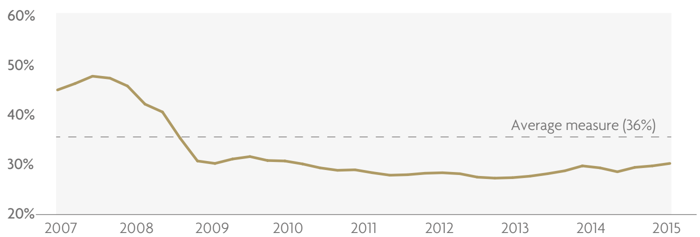
+3.5%

Source: HBF/Glenigan

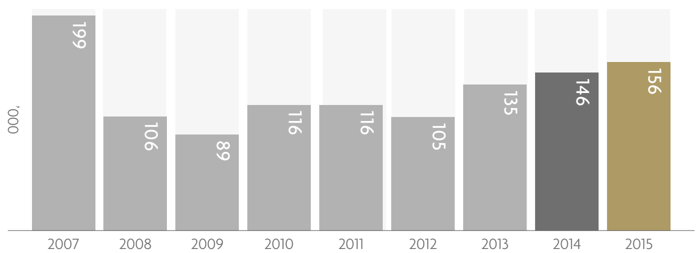
CML gross mortgage lending



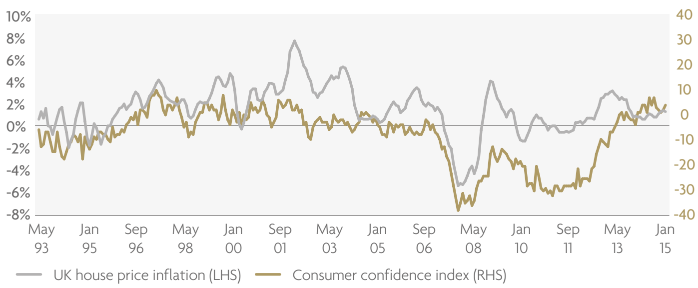
Halifax – mortgage payment as a percentage of income



NHBC new home registrations



GfK UK consumer confidence index



Our 2015 results demonstrate the strength of our growth proposition. Significant outperformance was delivered in all key financial metrics.

2015 highlights

- 76% increase in operating profit to £78.4m (2014 pre-exceptional items: £44.5m)
- 14% increase in core completions driven by improved sales rates across all our divisions
- 14% increase in ASP reflecting our strategy to focus on larger family homes in quality suburban locations
- 16% increase in our consented landbank to 11,600 plots due to a combination of increased land investment and the successful progression of strategic landholdings
- 94% customer satisfaction scores and the retention of our HBF 5 Star rating for the 5th consecutive year, operating at industry leading levels of customer service
- 17% increase in the opening order book, positioning the Group for further growth in 2016

Chris Endsor
Chief Executive

Picture:
Sitting room, The Ettrick.

This has been an outstanding year for the business with significant improvements delivered across our key financial metrics.

Results

Operating profit increased by 76% to £78.4m. Operational efficiencies resulted in a significant improvement in capital turn and accordingly our return on capital employed improved by 71% to 20.0% (2014: 11.7%).

The Group's net assets rose by 22% to £266.4m (2014: £218.4m). We continued to invest significantly in land with an increase of 24% in 2015 whilst at the same time reducing net debt which fell to £140.2m (2014: £157.9m). There is a continued downward trajectory of gearing levels to 53% (2014: 72%).

Reservations

Our private sales rate in 2015 improved by 13% to 0.59 net reservations per site per week with all divisional businesses recording double digit increases. The improvement in the sales rate was delivered against a backdrop of favourable market conditions but also a targeted approach to marketing, utilising sophisticated online lead management tools developed by the Group. The investment in online technology has enabled marketing spend to be maintained at prior year levels whilst reservations have increased. Sales outlets averaged 65 (2014: 64). This was lower than anticipated as some sites ended earlier than planned due to the increased sales rate. Importantly, our improved sales rate was achieved whilst reducing the use of incentives.

Help to Buy initiated reservations fell to 33% of private sales which was anticipated in light of our increase in product size and ASP. Significantly, 70% of Help to Buy reservations were made by first time buyers, demonstrating its importance in facilitating home ownership for this segment of the market. We continue to have a low exposure to the private investor market which accounts for less than 3% of 2015 reservations. Accordingly, we do not believe that tax changes to the buy to let sector will significantly impact the Group. First time buyers accounted for 32% of all private reservations, down slightly on 35% in 2014.

Completions

Overall completions in 2015 were 2,295 (2014: 2,181), of which core completions were 2,153 (2014: 1,896). Private completions increased by 11% to 1,848 (2014: 1,665) reflecting the improvement in sales rates in the year. Affordable completions increased by 32% to 305 (2014: 231) principally due to a greater weighting of affordable units from recently acquired sites. Our joint venture units consist of one development with Muse Developments Limited. However, we entered into a further two joint venture agreements with Wates Developments Limited during the year, and by 2017, the Group anticipates delivering in excess of 100 units from joint ventures. Completions from two management contracts continue to fall as these contracts are coming to an end. This is a lower margin business stream which was initiated in 2010 and 2011 with no plans for it to continue beyond the existing contracts.

Our strategy since 2012 has been to focus increasingly on larger family homes. At the same time, we continue to offer a wide product mix to ensure our developments have a broad appeal.

Selling prices

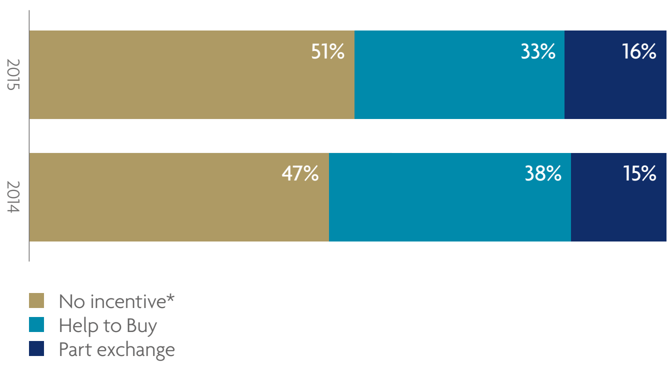
Our ASP increased by 14% to £227,000 (2014: £200,000). The private ASP increased by 15% from £215,000 to £248,000 due to the impact of our land strategy driven by unit size and location. Our private ASP of £248,000 has meant that we and our customers have benefited from the stamp duty changes in both England and Scotland which came into effect in 2015. Our affordable unit ASP increased from £87,000 to £102,000 largely due to an increased proportion of our affordable housing completions coming from our Midlands and Southern division.

Strategy

We updated our strategic plan during the year. This demonstrates a significant improvement in shareholder value, reflecting the step change in the financial and operational performance of the business in recent years. The key aspects of our updated strategic plan, which covers the period through to 2019, are:

- To deliver 3,250 units from the existing operational base. This represents an increase of over 50% on 2015 core output and importantly can be delivered within the current geographical footprint which minimises delivery risk and additional overhead requirements
- This growth will be both disciplined and incremental. Crucially, it can be achieved whilst reducing debt over the period
- Upper quartile EBITA growth over 2015-2017 when benchmarked against listed peers

Reservations type



Completions

	2015	2014	% Change
Private	**1,848**	1,665	11%
Affordable	**305**	231	32%
Core completions	**2,153**	1,896	14%
Joint ventures	**21**	22	-5%
Management contracts	**121**	263	-54%
Total completions	**2,295**	2,181	5%

(*) No incentive included or only incidentals such as stamp duty, carpets.

Supply chain

For many years now we have adopted a proactive approach of engagement with our supply chain partners and believe that this has helped the business to mitigate the cost increases and labour shortages currently prevalent in the industry. We have long relationships with many of our subcontractors and we offer assistance by holding workshops on new and emerging legislation, particularly in relation to health and safety. In addition, we provide them with our pipeline of future developments to assist them in managing their business. Annual cost inflation in 2015 was manageable at around 4% and due to forward ordering, the effect on 2015 earnings was reduced further.

People

We have great people at Miller Homes who are enthusiastic, driven and committed. My senior colleagues and I are extremely proud to lead the business and would like to record our thanks to all the team at Miller and our supply chain partners during what was a busy and rewarding 2015.

We finalised a new employee development strategy in 2015 which amongst other things has seen the launch of several new training initiatives including both a Miller Sales and Production Academy. This will ensure that we train and nurture our sales and production teams to maintain our high standards of customer service and build quality, at a time of increased activity levels in the sector.

Customer service

In 2005 we took the decision to be the first national housebuilder to publish our customer service results. Consequently, commitment to outstanding levels of customer service is embedded within the business. We are delighted that independent research, undertaken by In-House, indicates that 94% of our customers would recommend us.

Safety, health and environment

As levels of construction activity increase, it reinforces the need to have robust and effective safety, health and environmental procedures. We have a dedicated team of seven SHE professionals, who report to our SHE director. We arranged and delivered a combination of internal and external SHE training during 2015 which included facilitated workshops with over 350 subcontractors attending. I was delighted that one of our Scotland site managers Kris Aitchison, won a NHBC Regional Health and Safety award in the large builder category. During the year, our reportable incidents per 100,000 employees were 339 (2014: 282). It should be noted that the prior year score was an historical low for the Group.

Outlook

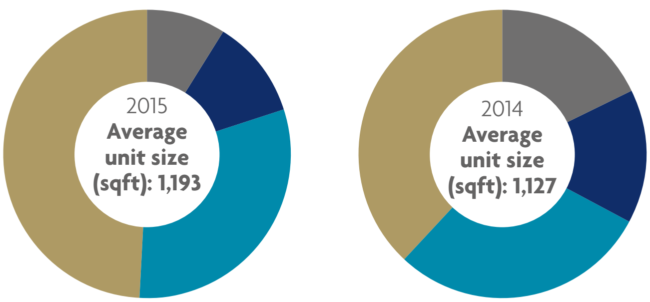
Our strong sales rate in 2015 has resulted in further improvements in the forward order book.

Our order book is currently 15% ahead of 2015 and we are 50% forward sold for the current year (2015: 48%).

We continue to operate in a sector where the fundamental drivers of supply and demand are favourable and which is underpinned by both government support and increasing appetite from mortgage lenders. The prospects for an interest rate increase in 2016 are receding however, in the event this occurs the financial discipline instilled by lenders since the introduction of the Mortgage Market Review suggests that gradual incremental rate rises can be managed.

I remain confident in the market and I am immensely proud to lead the Group with the support of an outstanding senior management team.

Private unit product mix



	2015	2014
4 to 5 bed houses	**49%**	39%
2 to 3 bed houses	**31%**	28%
Townhouses	**11%**	15%
Apartments	**9%**	18%

Landbank

In 2012, the Group's land acquisition strategy was reviewed with clear financial and operational targets established. Our primary focus is on family homes in quality locations with an emphasis on key amenities such as transport, schooling and employment. This has led to an increase both in unit size and average selling price, leveraging on the pull through of sites from the Group's strategic landbank.

36%

Percentage of the owned landbank sourced from strategic land

Picture:
Polofields, Colinton, Edinburgh.

Our quality landbank underpins the successful delivery of our business plan.

Selecting the right sites in the right locations is fundamental and we have experienced regionally based land teams to identify land that will meet our criteria. Whilst site selection and land valuation activities are undertaken regionally, procedures are in place to ensure land viabilities are performed to a consistent level across the Group. All site purchases are ultimately approved by the Board following a site visit by the Chief Executive prior to acquisition.

Our key financial hurdles for acquiring land are gross margin and ROCE which are a minimum of 22% (after sales and marketing costs) and 25% respectively. In addition to strict financial criteria, a number of factors are taken into account as part of the land acquisition process, such as location, proximity to transport links, availability of good local schools, employment and local demographics. The central authorisation of land acquisitions ensures a consistency of approach across the Group whilst still varying the product size and vernacular to meet the needs of the particular location.

Our preference is to enter into conditional contracts and purchase sites after receipt of a detailed planning consent. In 2015, 91% of our plots were purchased on this basis with the remainder purchased with the benefit of an outline planning consent. In terms of the year end owned landbank, 92% has a detailed planning consent with the balance having an outline consent.

We categorise our landbank as follows:

- Consented landbank: this is land which is either owned or controlled via a conditional contract or option to purchase and which benefits from a minimum of an outline planning consent, subject to section 106 or 75 agreements.
- Strategic landbank: this represents land controlled by an option contract to purchase over the life of the contract agreement. This land currently does not benefit from a planning consent but has favourable prospects. Our in-house teams promote these sites through the system and on receipt of a planning consent we are able to acquire the site, typically at a 15% discount to market value.

Consented landbank

	2015			2014		
	Plots	GDV £m	Margin %	Plots	GDV £m	Margin %
Owned and unconditional	**6,341**	**1,464**	**23.7%**	5,995	1,291	22.6%
Controlled	**5,259**	**1,138**	**25.2%**	4,017	826	24.3%
Consented	**11,600**	**2,602**	**24.3%**	10,012	2,117	23.3%


1


2

Pictures:
1. Bedroom, Langley Country Park, Mackworth, Derby.
2. Kitchen, Langley Country Park.
3. Langley Country Park.

Case study

Langley Country Park, a strategic site delivering a gross margin in excess of 30% and ROCE over 40%.

Langley Country Park, located in Mackworth, Derbyshire, was acquired in November 2013.

Although in a rural setting, the development is within easy reach of Derby city centre, and has good access to the key transport routes, major employers in the area such as Rolls Royce and Toyota, as well as being close to one of the best state schools in the county.

This was a long standing strategic site which obtained detailed planning permission for 530 homes in December 2013. The site is shared with another housebuilder. To meet the needs of the local community, there is a wide mix of product ranging from two bedroom starter homes to five bed detached properties, with an average selling price of £250,000.

Since its launch in October 2014, the development has achieved a sales rate of 0.9 per week with 48 properties sold during 2015. Buyers have been attracted by the development's location, which is in close proximity to a wealth of local amenities and falls within the catchment of the highly sought after Ecclesbourne Secondary School, which has an Ofsted 'excellent' rating.

Langley Country Park is typical of many of the strategic sites that the Group has acquired in recent years and has a margin in excess of 30%.

3

Consented landbank

We increased our consented landbank by 16% to 11,600 plots (2014: 10,012 plots). This represents 5.4 years' supply based on 2015 completions. The gross development value of the consented landbank has increased by 23% which reflects both an increase in plot numbers and higher ASP. The number of sites purchased in 2015 was 28, compared to 20 sites in 2014. In total, we have 100 sites in the consented landbank at the year end. All site acquisitions met our minimum financial hurdle rates and are forecast to generate an average gross margin and ROCE of 24% and 30% respectively.

We invested £126m in land in 2015, our highest level since 2007. We are successfully trading through our legacy land which now represents 10% (2014: 18%) of the owned landbank. Accordingly, the embedded margin in our owned landbank has continued to grow and stands at 23.7% at the year end. This compares to less than 18% at 2007 and differentiates this cycle from the previous one.

The Group has established a land acquisition strategy designed to increase the ASP, margin and ultimately profit per plot. This has been achieved through a selective approach to site location and an increase in unit size.

Strategic landbank

We hold a strategic landbank of 16,153 plots (2014: 16,383 plots) which is large relative to our annual output. In 2015, we obtained planning consents on circa 2,200 plots resulting in their transfer to the consented landbank. We are constantly replenishing the strategic landbank and added circa 2,000 plots during the course of the year.

We have a rigorous process to determine which sites are optioned into the strategic landbank based upon site size, discount to open market value, location and planning prospects. Similar to the acquisition of short term land, strategic options are ultimately approved by the Board. We consider smaller sites to be both more desirable in terms of planning and promotion prospects and improving capital return. Our average site size is 270 plots with 71% located in the Midlands and Southern division. At the end of the year, we had submitted 16 planning applications (2,709 plots) with planning authorities for which a decision is awaited.

Impact of 2012 land strategy on the owned landbank

	2012		2015
ASP	£176k	→	**£231k**
Embedded margin	15.6%	→	**23.7%**
Embedded profit per plot	£27k	→	**£55k**
Land sourced from strategic landbank	11%	→	**36%**
Standard product (private units)	64%	→	**76%**
Average private unit size	1,108sqft	→	**1,196sqft**

Engagement

We need to manage relationships with a broad range of stakeholders which includes local authorities, suppliers, subcontractors, consultants and our customers. Understanding the importance of engaging effectively with each stakeholder group allows us to grow strong and enduring relationships delivering the best results for everyone.

£45m

Local contributions including planning gain payments to local authorities and the value of affordable housing delivered

Picture:
A site manager and sales adviser preparing for a pre-plaster meeting with customers.


miller
miller
Join us for your
Pre-Plaster Meeting
miller homes
the place to be

Engagement begins on identification of a site which meets our criteria. We believe engagement is essential to successfully create new, sustainable communities which thrive and enhance the existing environment both socially and economically.

Communities

Before submitting planning applications, we work closely with local authorities and undertake extensive consultation where appropriate. In 2015, we undertook 23 public consultations. We endeavour to ensure that local communities are aware of our development proposals at the earliest opportunity. We also undertake targeted activity within communities to demonstrate our commitment and support. This can take the form of financial sponsorship for local clubs and organisations through to working with local schools to educate pupils on matters such as health and safety.

We launched our Miller Respect scheme in 2007. For any given development, this provides the local community with the opportunity to contact us with any pressing concerns through a 24/7 helpline and enables us to address matters appropriately. In 2015, 81% of calls made to our helpline received responses within 24 hours (2014: 74%). This compares to our target of 70%.

Through contributions we make as part of the planning approval process, we also fund a broad range of local authority services and facilities. During 2015, our contribution to education, affordable homes, transport and other community initiatives totalled £45m.

We have also announced our support for Habitat for Humanity GB's, Hope Builders Campaign, where we have pledged to raise £100,000 in 2016 to help those living in housing poverty.

Employees, suppliers and subcontractors

Positive staff engagement is important for the success of our business. We have a highly engaged workforce with our most recent employee survey showing that 84% were positively engaged. We are also proud to have achieved Investors in People Gold Award for our commitment to providing opportunities for our employees through training, development and continuous improvement.

At Board level we agree annual SHE objectives for our three divisional businesses. Progress is monitored by the national SHE Director who reports on a regular basis to both divisional boards and the Group Board. In 2015 all objectives were achieved. Our two focus areas in 2015, 'Health & Wellbeing' and 'Engagement' were well supported by our staff, suppliers and contractors. Over 200 contractors across the business participated in a variety of training and awareness workshops which included topics on dust, scaffold and cranes.

Customers

In 2015, we launched a new and improved website to enhance the Customer Journey and to engage customers throughout the home buying process and after they have moved into their new home. We use multiple channels of engagement with customers as part of our social media strategy and in other forms of media, both on and offline, to respond to and provide relevant information to support buyers and potential buyers.

We have always been industry leading in providing an enhanced experience for our customers during their purchase. Our Homeowners' Manual, given at point of reservation, explains and guides customers on what to expect. Communication is key to a positive experience and our customers have Welcome, Pre-plaster, Demonstration and Handover meetings with both their sales adviser and the site manager present. In addition, on reservation, each customer has access to a dedicated section of our website, mymillerhome.com. This portal allows them to follow the build progress of their house through a construction animation timeline. Email and SMS updates are also provided.

Positive staff engagement

84%

Source: Internal employee survey carried out by Q4consulting

Pictures:
1. We have pledged to raise £100,000 for Habitat for Humanity GB's Hope Builders Campaign.
2. A CGI of our new development at Drayton, Oxfordshire.
3. AWC Contracts Ltd, Miller Homes' Scottish Contractor of the Year 2015.
4. Alastair Parsons, Sales Director, with Summer of Sport judges, triathletes Tom and David Bishop.
5. Schoolchildren receive lessons in health and safety.

5

2

3

4

Case study

Drayton, a site demonstrating our credentials in pre-planning engagement.

In 2014, we entered into a conditional contract with a local landowner, which was subject to obtaining planning consent for a site located to the west of Drayton, Oxfordshire.

Local community group, Drayton 2020, established a Neighbourhood Plan Steering Group to devise a development strategy for the village. Early discussions were held with Drayton 2020 which ultimately resulted in their support for our proposals with the site then being included in the emerging Neighbourhood Plan.

A referendum on the Neighbourhood Plan saw 91% of local residents vote in favour, demonstrating strong community support. This process greatly assisted the planning application process.

The development will make a valuable contribution towards the local housing requirement, both open market and affordable. It also allows for the provision of significant and much needed recreational facilities including sports pitches and a pavilion for the local community.

The development was a finalist in the award for Stakeholder Engagement in Planning in the 2015 Planning Awards and was highly commended.

Quality

We are committed to building attractive homes to the highest standards and in the safest manner possible. Constant review and improvement is carried out by our Product Development Committee which together with rigorous quality control procedures, enables us to deliver homes that meet or exceed our customers' expectations. This approach is evidenced by independent audits undertaken by the NHBC in which we are an upper quartile performer.

15

NHBC Pride in the Job Site Manager Awards in 2015

Picture:
Sitting room, The Shakespeare.

Building homes to exacting quality standards whilst ensuring the safety of our workforce and those living in and around our developments are key priorities for the Group.

Our teams are aware that quality and health and safety are non-negotiable elements of how we conduct our business.

Meeting quality aspirations

We understand that the quality of our homes is a key differentiator in the customer decision making process. We invest time and resources in our product development and have a dedicated Product Development Committee. Its remit is to:

- Strictly control the number of housetypes in use, particularly those that are not part of the Group standard housetype portfolio
- Maintain detailed working drawings for all standard housetypes ,ensuring that all divisional businesses receive consistent designs and drawings
- Maintain contemporary external designs and internal finishes, with customer opinion sought as part of the post occupation feedback process

In 2015, 93% of all private housetypes plotted on land acquired were from the Group's standard housteype portfolio. The use of standard housetypes provides a number of advantages to the Group both in terms of cost and buildability. It has enabled the central procurement team to reduce the number of suppliers of key components in recent years, which in turn provides the construction team with benefits in terms of familiarity of product and the commercial team with the most favourable pricing.

Our quality is independently assessed and benchmarked against our peers by the Home Builders Federation in their National New Homes Customer Satisfaction Survey. Our results are consistent with last year at over 90% satisfaction, with the Group performing well above the sector average of 85%. NHBC carried out 11,000 key stage inspections on Miller Homes sites in 2015 and provided feedback to us on all elements of construction quality. From this we analyse themes and trends to challenge our production teams to identify improvement strategies. As in previous years we have maintained our upper quartile ranking in the reports issued to us by NHBC.

Handing over to a customer a home with no reportable defects is a key target for our business and in the last three years we have seen a 55% increase in our performance in this measure. 15 of our site managers also received Quality Awards as part of the NHBC Pride in the Job scheme, with three going on to win a coveted Seal of Excellence.

Safety, health and environment

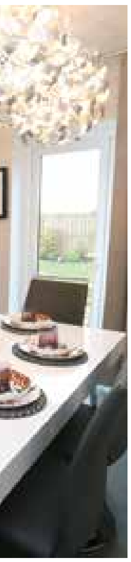
At any one time, over 2,500 employees and subcontractors are working on our developments. With this high volume of people and activity, we are conscious of the need to ensure risks to employees, subcontractors and the public are minimised and we work hard to ensure performance and standards are maintained at all times.

We place the utmost importance on safety, health and environment. This is enforced as part of our culture and underpinned by a suite of reporting systems and processes. We are one of the few housebuilders whose management systems are accredited to IS0 14001 (environment) and OHSAS 18001 (health and safety). In addition, we undertake our own internal audits each year and our accreditor, Lloyds, undertakes surveillance visits on a half yearly basis across all our work locations.

The number of our workforce carrying CSCS cards increased to an average of 96% (2014: 94%) and our contractors certificated under the SMAS (Safety Management Advisory Services) Worksafe scheme increased to 92% (2014: 91%).

To emphasise the importance of SHE, we hold our own annual Safety, Health and Environment Awards. Three site managers received Divisional awards with Vincent Morris, site manager of Langley Country Park in Derbyshire, winning the national prize.

Pictures:
1. Construction in progress on a new Miller home.
2. Pride in the Job award winners 2015.
3. Award-winning site manager, Mark Atherton.
4. Barley Green, Warrington, Cheshire.
5. Dining kitchen, the Esk.



Case study

Barley Green, an example of a development built to high quality and safety standards.

Our Barley Green development in Warrington was purchased from the Homes and Communities Agency in 2014.

Barley Green comprises a mixture of three bedroom semi-detached and mews properties and four bedroom semi-detached and detached properties. Due to its location and product mix, the development has attracted interest from a large number of first time buyers as well as young families looking to upsize.

The development is managed by award-winning site manager, Mark Atherton, who has won three Quality Awards and a Seal of Excellence in the Pride in the Job Awards over the last four years. Mark, who joined the Group 13 years ago as an assistant site manager, was also a finalist in our own annual Safety, Health and Environment Awards in 2015.

During 2015, 60 homes were sold at Barley Green, with over 100 subcontractors being on site at any point in time. It is testimony to Mark's approach that these standards of build quality and health and safety can be delivered on a development with these levels of construction activity.

The work undertaken at Barley Green is reflective of the Group's consistent approach to procedures on site and satisfying customers' expectations.

Customer focus

At the heart of our business is our commitment to the promise we make to our customers. This promise is endorsed by our Chief Executive in a letter to every customer at reservation stage. This commitment to excellence in service and quality during the Customer Journey continues on while our customers are living in their Miller home.

94%

Percentage of our customers who would recommend Miller Homes

Picture:
Customers receive the keys to their new Miller home.

Our people, business processes and importantly culture, help us to ensure that we deliver on our commitment to customers.

We believe the systems and tools we use enhance both the customer's experience as well as ensuring we maximise return on our investment in marketing and drive reservations by exhausting sales leads generated by our marketing activities. This is reflected in both our financial results and softer measures of performance.

People

We are committed to having the very best sales team and ensure we invest in the training and development of our sales force to maintain the standards we expect for our customers. Within the Miller Sales Academy our in-house teams are given training in selling techniques and consumer legislation, our customer relationship management system (CRM), and the procedures unique to the Miller Homes Customer Journey. We also have a trainee development scheme which encourages individuals from other industries, or graduates, to join our team and learn, with a career path of opportunities for internal promotion.

Nearly 50% of our current sales managers have been promoted from within. To maintain our standards and identify development opportunities we have a comprehensive mystery shopping programme conducted three times a year measuring divisional and national performance to drive improvements in six KPIs which are aligned to our training programmes.

Business processes

The Group uses Salesforce as its CRM system, which has been tailored to meet our specific business requirements. It ensures full transparency in the lead management process with specific dashboards created for different user groups, from sales advisers to managing directors. It is a complete end to end system, recording all contact with customers in the sales journey from initial enquiry through to post-handover. It is now fully integrated with our web portals, including our own website, as well as external portals such as Zoopla.

Our website was upgraded in October 2015 and will continue to be a priority investment and focus for our marketing spend. 52% of our leads are now generated through our own website, which keeps in line with current technology by its method of enabling users to complete 'goals' such as booking an appointment online and registering with us.

Results

Increased visitors to our developments and our own website traffic indicate the increasing interest in purchasing a new home. In 2015, visits to our website exceeded 2.2m (2014: 1.6m), over 6,000 per day.

As a consequence of the development of the website, registration rates are up 74% since launch. In the digital arena, mobile has overtaken laptops and tablets as the most common way of accessing the internet. Our new mobile responsive website, has seen a 206% increase in conversion of interest to 'goals', such as telephone calls, registration or booking an appointment.

We monitor and critically assess all marketing spend nationally. We analyse the marketing mix employed across each of our divisional businesses to measure cost per lead and cost per reservation, both in online and offline performance. This allows us to circulate best practice and ensure spend is measured, controlled and keeps up with a constantly evolving digital market, where the majority of our media spend is allocated.

Our net promoter score in 2015 was 65% and rates us higher than many brands known and considered leading in customer service. Last year over 4% of completions were from repeat customers and almost 17% were referred to us by family or friends. We actively encourage this source of sales, as it is not only low cost but a tangible example of the value of our brand.

1

Website registrations

+74%

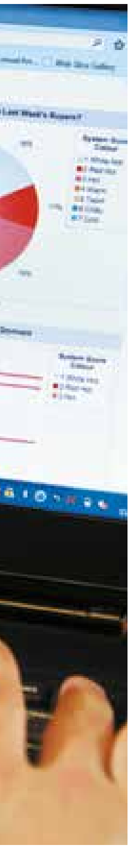
Since the new, mobile enhanced website launched in 2015

Referral rate

17%

2015 reservations

Pictures:
1. Our bespoke CRM system.
2. Miller Homes sales adviser, Katherine Hope.
3. 5 stars for customer satisfaction in the HBF New Home Customer Satisfaction Survey.




2

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Case study

Katie Bird recently moved into her new Miller home with her family at the Meadows, Ollerton.

"This was such a big move for us and I don't think we would have been able to do it without the help of Miller Homes. We looked at a few houses but they weren't right for us at all. Then we found this development and when we drove around, it was clean and tidy even though it was still a working site.

The service we received was second to none. This was our first brand new home. We met Lyn from the sales office and Vic the site manager and they sent us texts and emails, including pictures of the house's progress, as we lived four hours away so we couldn't just pop in and see how things were going. The staff sorted everything out for us; all we had to do was pack our boxes.

We have that much confidence in Miller Homes that we've also invested in a flat for our son. We knew that buying with them again would work well, we knew what they were like and we knew Lyn and Vic. We got exactly the same service living three minutes away from the sales office as we did before we moved. We invested everything in them and it's nice to know that they have continuity; we didn't have a one off experience. Miller Homes has a really good team on The Meadows development.

I would definitely recommend Miller Homes because of the service. The quality of the house is great but the service was the best thing about our experience. Everyone is really friendly and nice. The builders will wave and say hello and they'll always stop so that my son can have a look at their trucks. Everybody is really good and they make you feel like a part of the area which is nice."

Leadership

The leadership style and business culture embraced by the Board empowers individuals and encourages a collaborative team based approach.

The Board has significant industry experience with a broad and complementary skill set. Together with the support of shareholders, this team has successfully executed the strategy set in 2012, delivering significant annual improvements in both profit and return on capital.

23

Average years industry experience of the Board

Picture:
Sales Adviser, Vivian Muckle and Chief Executive, Chris Endsor, discuss development plans with Site Manager, Jim Currie.

The Board is responsible for the management, direction and performance of the business.

1
Chris Endsor
Chief Executive

Chris joined the Group in 2000, following the acquisition of Birch plc where he was a founder and Group Managing Director. He has held a number of senior positions within the Group and was appointed Chief Executive in 2011. Chris has 34 years' industry experience, having initially trained and qualified as a quantity surveyor. He has an in depth knowledge of the industry and in particular has taken a keen interest in land strategy throughout all his senior management positions. Chris adopts an inclusive leadership style designed to deliver excellence through teamwork and constructive challenge.

2
Ian Murdoch
Finance Director

Ian is a chartered accountant having trained with KPMG where he worked for nine years. He joined Miller Homes in 2005 having previously spent four years at The Miller Group as Group Financial Controller. Ian was appointed as Finance Director in 2011. He has broad experience covering both financial and operational aspects of the Group. In addition to his mainstream finance role, Ian has responsibility for tax, treasury, the Group's defined benefit pension scheme and IT. He has played a key role in the successful development and implementation of the Group's strategic plan.

Board
Led by the Chief Executive, the Board comprises the Finance Director, Legal Director and Divisional Managing Directors. The Board has wide and extensive industry experience with individuals having diverse backgrounds but possessing complementary skills. The Board meets six times per annum and is accountable to its shareholders for the proper conduct of the Group. In addition, there is a holding company board of the Miller Group (UK) Limited which meets four times per annum.

The principal responsibilities of the Board include financial management and controls, strategic planning, risk management and setting cultural tone. In addition, the Board is responsible for identifying and evaluating significant risks to the business. A rigorous evaluation process is undertaken annually and reviewed at each Board meeting. Over the last 12 months, the Board's view is that risks have remained relatively static.

The Group's corporate governance framework is supplemented by additional board committees held as part of the holding company board structures.

Corporate Approval Committee
The Corporate Approval Committee has delegated authority to approve certain land acquisitions, contracts, investments and capital expenditure over defined limits. The committee comprises the Chief Executive, Finance Director and a member of the holding company board.

Remuneration Committee
The Remuneration Committee meets three times per annum. Recommendations are made to the holding company board on all aspects of the remuneration, benefits, and employment conditions of the Board.

Audit Committee
The Audit Committee considers and makes recommendations regarding the integrity of the financial statements of the Group; the effectiveness of internal controls and risk management and the internal and external audit process. The committee meets three times per annum.


1


4

3
Julie Jackson
Legal Director and Company Secretary

Julie is a lawyer who holds a Scots law degree and is also qualified to practice in England and Wales. Julie joined the Group in 2009 having previously spent six years with Miller Developments and a further 13 years in private practice specialising in property development. Julie is responsible for all Group legal and Company secretarial matters including land due diligence, insurance and governance. Julie is also a non-executive director of Castle Rock Edinvar Housing Association.

4
Darren Jones
Managing Director, Midlands and Southern

Darren joined the Group in 2013. He has 30 years' experience in the industry and has held various roles during this time including Area Managing Director and Regional Chairman positions for a large listed housebuilder. Darren has extensive knowledge of the industry with a particular interest in production and cost control. He chairs the Production Directors' meetings on a national basis.

5
Steve Birch
Managing Director, North

Steve joined the Group following the acquisition of Fairclough Homes in 2005. With a background in finance, he has 31 years' sector experience, 16 of which as a Managing Director. Steve has an in depth knowledge of the industry with a particular focus on finance and technical issues. Steve chairs the Technical Directors' meetings on a national basis.

6
Stewart Lynes
Managing Director, Scotland

Stewart joined the Group in 2008. He was promoted to Operations Director in 2011 and to his current role of Managing Director in 2013. Stewart is a qualified quantity surveyor and has previously worked for several large listed housebuilders. He has 15 years of experience in the sector. In addition to his surveying skills, Stewart's strengths are in land buying and sales. Stewart chairs the Commercial Directors' meetings on a national basis.

Managing risk

The Board is committed to identifying, evaluating and managing the principal risks and uncertainties facing the Group. The Group maintains a risk register and dashboard which is reviewed and updated at each Board meeting. These identify the most significant risks affecting the business and evaluate existing control techniques for effectiveness.

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

↔ No change
↑ Increase
↓ Decrease

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

The Group exceeded 20% return on capital employed for the first time.

2015 highlights

- 91% increase in profit before tax to £62m (2014: £32.5m)
- 300 basis point improvement in gross margin to 22.8% (2014: 19.8%)
- 420 basis point improvement in operating margin to a record 15.7% (2014: 11.5%) as we increase volumes
- 71% increase in return on capital employed to a record 20.0% (2014: 11.7%) reflecting improved operating margin and capital turn
- 24.3% embedded margin in our consented landbank (2014: 23.3%), which is a record for the Group
- 22% increase in net assets to £266m with 2015 profits retained in the business
- New £210m committed bank facilities with existing lenders through to 2020 and on improved terms

Ian Murdoch

Ian Murdoch
Finance Director

Picture:
Brookfields, Sileby, Leicestershire.

Net debt fell by £18m despite a £44m increase in land spend in the year.

Operating performance

Revenue increased by 29% to £499.6m (2014: £387.5m). This reflected an increase in revenues from housing completions to £489.1m (2014: £378.5m) with other revenues relatively static at £10.5m (2014: £9.0m). The 29% growth in revenues from housing completions reflected a 14% increase in core completions to 2,153 (2014: 1,896) and a 14% increase in ASP. Higher sales rates resulted in completions of private units rising to 1,848 (2014: 1,665). The increase in affordable unit completions to 305 (2014: 231) is due to more recently acquired sites having a higher allocation of affordable housing when compared to our older legacy sites.

All our divisions experienced growth in both completions and ASP. The increase in volumes was greatest in our Midlands and Southern division which delivered an increase of 29%. This was due to significant land investment in recent years. The increase in ASP was most marked in the Scotland division which experienced a 17% increase due largely to the impact of a high value development in Edinburgh and a reduced number of affordable housing completions.

The increase in ASP to £227,000 (2014: £200,000) was achieved despite an increase in the proportion of affordable housing completions which represented 14% (2014: 12%) of core completions. The private ASP increased by 15% to £248,000 (2014: £215,000) and the ASP of affordable units increased by 17% to £102,000 (2014: £87,000). The 15% rise in private ASP reflected double digit increases in all divisions.

Gross profit increased by 48% to £114.1m (2014: £76.9m, pre exceptional items). Gross margin increased by 300 basis points to 22.8% (2014: 19.8%). Gross margins continue to benefit from lower completions of legacy land and a greater throughput of volumes from sites sourced from our strategic landbank. Legacy land completions fell to 19% (2014: 49%) of core completions with completions from strategic land increasing to 30% (2014: 20%). Legacy sites suffer from having a lower ASP and margin. As we continue to trade through these legacy sites and replace them with new sites, further improvements in gross margin and gross profit are anticipated.

Overheads increased to £36.2m (2014: £32.7m) mainly due to an increase in staff costs and incentive arrangements. As a percentage of revenue, overheads have fallen to 7.2% (2014: 8.4%) and we believe that this can fall further to around 6% by 2017.

The combination of increased gross profit combined with improved overhead recoveries has resulted in a 76% increase in operating profit to £78.4m (2014: £44.5m pre-exceptional items). We have delivered a step change in operating margin with a 420 basis point increase to 15.7% (2014: 11.5%) and are on target to deliver 18% by 2017.

Finance cost

The Group's net finance cost of £16.4m (2014: £12.0m) comprised:

- bank interest and amounts payable on intercompany loans of £14.8m (2014: £11.9m);
- imputed interest on land creditors of £2.9m (2014: £2.7m);
- a charge of £1.1m (2014: £0.5m) in relation to the defined benefit pension scheme, offset by
- interest receivable of £2.4m (2014: £3.1m) representing imputed interest on the unwind of the discount applied to available for sale assets.

Taxation

The tax charge in the year was £13.1m (2014: £12.0m credit). This reflected the utilisation of the Group's deferred tax asset which principally comprises brought forward tax losses. The availability of these trading losses should result in no significant amounts of tax being paid until 2018. In arriving at the deferred tax asset of £65m, historic tax losses have been valued at the enacted corporation tax rate for the period in which the losses are anticipated to be utilised.

Cashflow and debt

The Group's net debt fell to £140.2m (2014: £157.9m). This was delivered despite a £44m increase in land spend and reflects the impact of improved sales rates and tighter control of work in progress.

The Group entered into new five year committed bank facilities of £210m with our existing lenders. At the year end there was headroom of £100m. These facilities provide the Group with the resources to deliver the growth in our business plan.

£75m of debt is hedged at a cost of funds of 5% per annum.

Financial highlights

	2015	2014
Completions (no.)	**2,153**	1,896
ASP (£000)	**227**	200
Revenue (£m)	**500**	388
Operating profit (£m)	**78**	45
Operating margin (%)	**15.7**	11.5
Capital employed (£m)	**406**	376
Net debt (£m)	**140**	158
Net assets (£m)	**266**	218
ROCE (%)	**20.0**	11.7

Balance sheet

The Group's net assets have increased significantly to £266.4m (2014: £218.4m) due to the strong financial performance in the year. Combined with a reduction in net debt, this has resulted in gearing falling to 53% (2014: 72%).

The Group's return on capital employed improved to a record 20.0% (2014: 11.7%). The 71% increase in the year reflected a 37% increase in operating margin combined with a significant improvement in capital turn to 1.28 times (2014: 1.02 times). The improved capital turn has been delivered through a number of initiatives, including increased sales rates and diligent management of work in progress. In order to aid comparability with other housebuilders, the Group also reports on its return on net operating assets. This measure excludes the Group's deferred tax asset, and is a better means of comparing operational efficiency. The Group's return on net operating assets increased to 24.5% (2014: 14.3%).

We continued to invest heavily in land which rose by 15% to £265.4m (2014: £229.8m). The number of plots in our owned and unconditional landbank increased to 6,341 (2014: 5,995). The Group has carefully managed production levels, and despite further planned growth in 2016, work in progress has fallen to £164.1m (2014: £166m). This has been achieved through various strategies including reduction in showhomes, stock units, and equivalent build units, the latter aided by the introduction of a new production planning system.

The level of impairment provisions continues to fall in line with the reduction in legacy plots in the landbank. As at 31 December 2015, we held an impairment provision of £9.8m (2014: £19.3m).

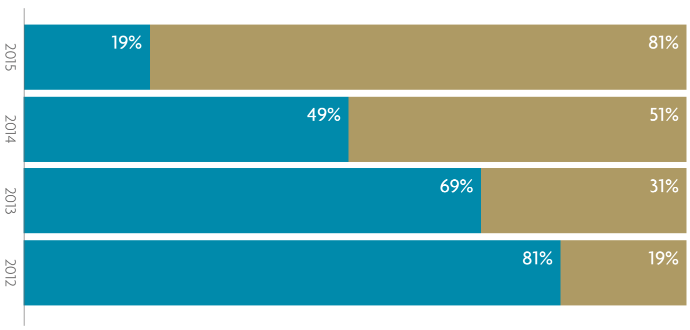
Available for sale assets represents the Group's investment in shared equity loans which were issued during 2008 to 2013. Our investment fell by £7.3m to £34.2m (2014: £41.5m), principally due to a significant increase in redemptions to £10.1m (2014: £5.1m) offset by an unwind in the fair value discount and provision movements (£2.8m). The Group prudently carries its shared equity assets at a discount of 34% (2014: 34%) against its original value.

Land creditors remained relatively unchanged at £60.3m (2014: £59.3m).

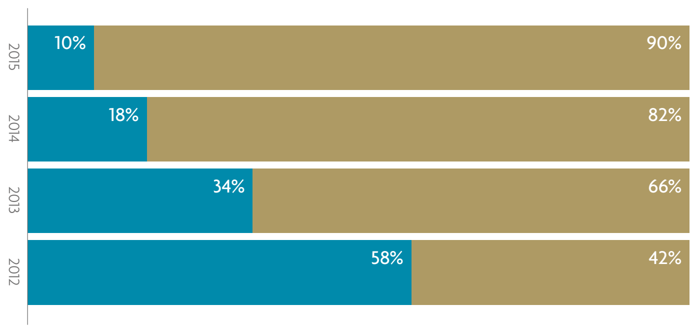
Pensions

The defined benefit scheme was closed to new entrants in 1997 and to future accrual in 2010. The scheme deficit has fallen to £29.7m (2014: £30.7m) which reflects contributions of £3m offset by an actuarial loss of £0.9m and interest charge of £1.1m. The next triennial valuation is due on the 30 June 2016. Pension arrangements for the Group's employees are provided through a defined contribution scheme with the annual cost reflected in the Income Statement amounting to £2.2m (2014: £2.2m).

Core completions by land type



Owned landbank by land type



Legacy
New

Building a better place together

Our strategy, *a better place*, sets out our approach to tackling the social and environmental issues facing the Group. We consider this approach integral throughout each and every aspect of our business.

We have highlighted throughout this report many ways our sustainability strategy touches and shapes what we do and how we do it. Ultimately it is about leaving a positive legacy in every community after each development has completed and within this section more detail can be found on activities and progress undertaken in relation to this throughout 2015.

Our approach to becoming a more sustainable business reflects our customer centric vision and is focused on four key principles and six key objectives. Our principles are Product, Processes, People and Partners and our objectives are based on delighting our customers, keeping our people safe, being a good community member, developing our employees, safeguarding the environment and responsible sourcing.

We measure our performance against a set of key performance indicators and report on these annually.

Product

We continually monitor the Customer Journey to ensure that we are always delivering excellence in terms of the quality of the homes we build, the features we offer and the service we provide throughout the buying process.

Processes

We understand that our operations consume natural resources and it is our responsibility to ensure that we do all we can to minimise our environmental impacts wherever possible to leave a positive legacy.

People

We recognise that our success comes as a result of the dedication of our highly skilled employees and we are committed to the long term development of our teams.

Partners

We work in close partnership with our suppliers and subcontractors to drive innovation, health and safety and to secure availability of key materials and trades.

65%
net promoter score
(2014: 64%)

94%
percentage of customers who would recommend Miller Homes (2014: 95%)

100%
plots sold with smart meters (2014: 100%)

5 star rating
in the HBF National New Home Customer Satisfaction Survey (2014: 5 star)

1:4
sites with Pride in the Job Quality Award-winning site managers (2014: 1:3)

73%
sites with sustainable drainage (2014: 68%)

28%
of sites using off-site fabrication methods (2014: 27%)

96%
of construction waste diverted from landfill (2014: 93%)

1.9 tCO_2
GHG scope 1 and 2 carbon emissions per EBU (2014: 2.0 tCO_2)

9.6
tonnes of construction waste per equivalent build unit (2014: 9.2 tonnes)

22,720
timber pallets recycled and reused (2014: 17,981)

109g km
average vehicle CO_2 emissions from fleet list (2014: 111g km)

94.3%
average SHE audit score (2014: 94.5%)

97%
of new sites using ecology specialists (2014: 56%)

721
total number of employees
(2014: 703)

32%
proportion of female employees (2014: 32%)

16%
females as a proportion of managers and directors (2014: 14%)

3.0
average number of training days per employee (2014: 2.4)

339
reportable incidents per 100,000 employees (2014: 282)

23%
employee turnover rate (2014: 19%)

84%
positive staff engagement

96%
employees and subcontractors with CSCS certification (2014: 94%)

100%
proportion of responsibly sourced construction timber (2014: 100%)

66
national suppliers assessed under our Code of Conduct (2014: 45)

92%
of subcontractors with SMAS certification (2014: 91%)

918
subcontractor companies supported (2014: 963)

23
public consultations held (2014: 17)

£45m
local contributions (2014: £31m)

Directors' report & financial statements

20%

Return on capital employed of 20% (2014: 11.7%) achieved due to improvements in operating margin and capital turn

Picture:
Kitchen, The Oakdale.

Directors' report

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

Principal activities
The principal business conducted by the Group was residential housebuilding.

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 £48.9 million (2014: £48.4 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 Finance Director's review on pages 37 to 39. 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 who held office during the year and at the date of this report are as follows:

Chris Endsor
Ian Murdoch
Julie Jackson
Steve Birch (appointed 9 February 2016)
Stewart Lynes (appointed 9 February 2016)
Darren Jones (appointed 9 February 2016)
Donald Borland (resigned 25 February 2016)

Employees
The Directors' report in relation to employees is shown on pages 40 and 41.

Supplier payment policy
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. We also subscribe to the Prompt Payment Code.

Contributions
The Group made £40,000 of charitable donations during the year and did not incur any political expenditure.

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

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

By order of the Board

Julie Jackson
Company Secretary
9 March 2016

Statement of Directors' responsibilities in respect of the Strategic report and Directors' report and the financial statements

Financial statements and accounting records

The directors are responsible for preparing the Strategic report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the EU and whether the Parent Company financial statements have followed applicable UK Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

Directors' responsibility statement

The directors confirm that, to the best of each person's knowledge:

- the Group financial statements in this report, which have been prepared in accordance with IFRS and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and the Parent Company financial statements in this report, which have been prepared in accordance with FRS 101 and those parts of the Companies Act 2006 applicable to companies reporting under FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- the Strategic report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

Independent Auditor's report to the members of Miller Homes Holdings Limited

We have audited the financial statements of Miller Homes Holdings Limited for the year ended 31 December 2015 set out on pages 47 to 67. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework.

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 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 2015 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
– the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
– the financial statements 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
9 March 2016

Consolidated income statement
for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Revenue	1	**499.6**	387.5
Cost of sales		**(385.5)**	(310.6)
Exceptional cost of sales	2	**–**	3.9
Gross profit		**114.1**	80.8
Administrative expenses		**(36.2)**	(32.7)
Group operating profit		**77.9**	48.1
Share of profit in joint ventures		**0.5**	0.3
Operating profit	2	**78.4**	48.4
Finance costs	5	**(18.8)**	(15.1)
Finance income	6	**2.4**	3.1
Net finance costs		**(16.4)**	(12.0)
Profit before taxation		**62.0**	36.4
Income taxes	7	**(13.1)**	12.0
Profit for the year		**48.9**	48.4

The notes on pages 51 to 67 form part of the financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	2015 £m	2014 £m
Profit for the year	**48.9**	48.4
Items that will not be reclassified to profit and loss:		
Change in fair value of financial instruments	**(0.2)**	–
Change in fair value of available for sale financial assets	**–**	(0.6)
Actuarial loss on retirement benefit obligations	**(0.9)**	(6.5)
Deferred tax on actuarial loss	**0.2**	1.4
Total comprehensive income for the year attributable to owners of the parent	**48.0**	42.7

Consolidated statement of changes in equity
for the year ended 31 December 2015

	Share capital £m	Retained earnings £m	Total £m
Balance at 31 December 2013	25.0	69.7	94.7
Profit for the year	–	48.4	48.4
Change in fair value of available for sale financial assets	–	(0.6)	(0.6)
Increase in share capital	100.0	–	100.0
Transfer of retirement benefit obligations	–	(19.0)	(19.0)
Actuarial loss on retirement benefit obligations (net of deferred tax)	–	(5.1)	(5.1)
Balance at 31 December 2014	125.0	93.4	218.4
Profit for the year	–	48.9	48.9
Change in fair value of financial instruments	–	(0.2)	(0.2)
Actuarial loss on retirement benefit obligations (net of deferred tax)	–	(0.7)	(0.7)
Balance at 31 December 2015	**125.0**	**141.4**	**266.4**

Company statement of changes in equity
for the year ended 31 December 2015

	Share capital £m	Retained earnings £m	Total £m
Balance at 31 December 2013	25.0	38.8	63.8
Loss for the year	–	(5.0)	(5.0)
Increase in share capital	100.0	–	100.0
Balance at 31 December 2014	125.0	33.8	158.8
Loss for the year	–	(7.7)	(7.7)
Balance at 31 December 2015	**125.0**	**26.1**	**151.1**

The notes on pages 51 to 67 form part of the financial statements.

Consolidated statement of financial position
as at 31 December 2015

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Assets					
Non-current assets					
Property, plant and equipment	9	**0.2**	0.2	**–**	–
Investments	10	**14.3**	4.6	**363.2**	353.6
Available for sale financial assets	11	**34.2**	41.5	**–**	–
Deferred tax	12	**65.0**	78.1	**–**	–
		113.7	124.4	**363.2**	353.6
Current assets					
Inventories	13	**441.8**	406.4	**–**	–
Trade and other receivables	14	**27.7**	17.0	**–**	0.1
Cash and cash equivalents		**8.6**	29.5	**–**	–
		478.1	452.9	**–**	0.1
Total assets		**591.8**	577.3	**363.2**	353.7
Liabilities					
Non-current liabilities					
Interest bearing loans and borrowings	16	**(148.8)**	(158.6)	**–**	–
Trade and other payables	15	**(12.5)**	(22.3)	**–**	–
Retirement benefit obligations	27	**(29.7)**	(30.7)	**–**	–
Provisions and deferred income	17	**(5.2)**	(1.4)	**(0.8)**	–
		(196.2)	(213.0)	**(0.8)**	–
Current liabilities					
Interest bearing loans and borrowings	16	**–**	(28.8)	**–**	–
Trade and other payables	15	**(129.2)**	(117.1)	**(211.3)**	(194.9)
		(129.2)	(145.9)	**(211.3)**	(194.9)
Total liabilities		**(325.4)**	(358.9)	**(212.1)**	(194.9)
Net assets		**266.4**	218.4	**151.1**	158.8
Equity					
Share capital	18	**125.0**	125.0	**125.0**	125.0
Retained earnings		**141.4**	93.4	**26.1**	33.8
Total equity attributable to owners of the parent		**266.4**	218.4	**151.1**	158.8

The notes on pages 51 to 67 form part of the financial statements.

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

Chris Endsor
Chief Executive

Ian Murdoch
Finance Director

Consolidated cash flow statement
for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Profit for the year		**48.9**	48.4
Depreciation		**0.1**	0.1
Amortisation of land option costs		**0.6**	0.7
Finance income		**(2.4)**	(3.1)
Finance cost		**18.8**	15.1
Share of post tax profits from joint ventures		**(0.5)**	(0.3)
Taxation		**13.1**	(12.0)
Operating profit before changes in working capital		**78.6**	48.9
Working capital movements:			
Movement in trade and other receivables		**(1.0)**	4.2
Movement in inventories		**(38.2)**	(49.8)
Movement in trade and other payables		**2.3**	40.9
Cash generated from operations		**41.7**	44.2
Interest paid		**(14.8)**	(12.2)
Corporation tax received		**0.2**	–
Net cash inflow from operating activities		**27.1**	32.0
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(0.2)**	(0.1)
Movement in loan with joint ventures		**(9.2)**	0.3
Net cash (outflow)/inflow from investing activities		**(9.4)**	0.2
Cash flows from financing activities			
(Decrease)/increase in bank borrowings	21	**(60.1)**	155.5
Increase in other long term borrowings	21	**21.5**	–
Decrease in loans from Parent Company	21	**–**	(191.0)
Net cash outflow from financing activities		**(38.6)**	(35.5)
Net decrease in cash and cash equivalents	21	**(20.9)**	(3.3)
Cash and cash equivalents at beginning of year		**29.5**	32.8
Cash and cash equivalents at end of year	21	**8.6**	29.5

The notes on pages 51 to 67 form part of the financial statements.

1. Accounting policies

Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with IFRSs as adopted by the EU ("Adopted IFRSs"). The accounting policies set out below have, unless otherwise stated, been applied consistently in the financial statements. The Parent Company financial statements have been prepared and approved by the directors in accordance with applicable law and the Accounts Standards including FRS 101 Reduced Disclosure Framework.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

As permitted by Section 408 of the Company Act 2006 the income statement of the Parent Company is not presented.

Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and all its subsidiary undertakings at the reporting date. The results of subsidiary undertakings acquired or disposed of during the year are included in the financial statements from or to the effective date of acquisition or disposal.

Measurement convention

The financial statements are prepared on the historical cost basis with the exception of available for sale financial assets which are stated at their fair value.

Going concern

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.

New accounting Standards Effective in 2015

IFRS 12 'Disclosure of Interests in Other Entities' has been adopted. This standard requires additional disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities.

Following the adoption of this standard the 'Basis of consolidation' accounting policy has been amended as set out above.

The other standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 31 December 2015 have no effect on these financial statements.

Revenue and profit recognition

Revenue represents the amounts (excluding value added tax) derived from the sale of new houses, build contracts and land. Revenue from house sales represents the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash. The incentives offered to customers affect the recognition of revenue. Where cash incentives are given, the full cash amount is deducted from revenue. Profit is recognised on a per completion basis, by reference to the remaining margin forecast across the development. Sales incentives also include Group shared equity schemes which are accounted for as available for sale financial assets. Revenue is recognised at the initial fair value of the available for sale financial asset as described above. Revenue from build contracts is recognised in line with the stage of completion. Revenue from land sales is recognised on legal completion.

Exceptional items

As permitted by IAS 1 "Presentation of financial statements", the Group has disclosed additional information in respect of exceptional items on the face of the income statement in order to aid understanding of the Group's financial performance. An item is treated as exceptional if it is considered that by virtue of its nature, scale or incidence and being of such significance that separate disclosure is required for the financial statements to be properly understood.

Jointly controlled entities (equity accounted investees)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial information includes the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment. Investments in joint ventures and associates are accounted for using the equity method of accounting.

1. Accounting policies (continued)

Net finance costs

Finance costs comprise interest payable on bank loans and amounts owed to Group undertakings, the unwinding of the discount from nominal to present day value of trade payables on extended terms (land payables) and interest on retirement benefit obligations. Finance income comprises interest receivable on funds invested and the unwinding of the discount to present day value of available for sale financial assets (see note 6). Interest income and interest payable is recognised in the income statement on an accruals basis.

Income taxes

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

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

Operating leases

Expenditure on operating leases is charged to the income statement on a straight-line basis over the lease period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets concerned. The useful lives are as follows:

Plant and equipment:	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Available for sale financial assets

Receivables on extended terms granted as part of a sales transaction are secured by way of a legal charge on the relevant property, categorised as an available for sale financial asset and are stated at fair value as described in note 11. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses, the impact of changes in future cash flows and interest calculated using the effective interest rate method, which are recognised directly in the income statement. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the year.

Inventories

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

Land purchased on deferred payment terms is recorded at fair value. Any difference between fair value and the amount which will ultimately be paid is charged as a finance expense in the income statement over the deferral period.

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost less allowances for impairment.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances in hand and at bank.

Trade and other payables

Trade and other payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land payables, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

Pensions
The Group participates in The Miller Group Limited Group Personal Pension Plan, a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

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 comprehensive income, actuarial gains and losses. The scheme was closed to future accrual in 2010.

Share-based payments
Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Dividends on shares presented within total equity
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Segmental reporting
The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are entirely based in the UK, and receives financial information for the UK as a whole. As a consequence the Group has one reportable segment which is UK housebuilding.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numeric disclosures are necessary.

Additional information on average selling prices and unit sales has been included in the Strategic report. The Board does not, however, consider these categories to be separate reportable segments as they review the entire operations as a whole when assessing performance and making decisions about the allocation of resources.

Impact of standards and interpretations in issue but not yet effective
The following adopted IFRSs have been issued but have not been applied to these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

– IFRS 9 Financial Instruments
– IFRS 15 Revenue from contracts with customers
– IFRS 16 Leases

2. Operating profit
Operating profit is stated after charging/(crediting) the following:

	2015 £m	2014 £m
Depreciation	**0.1**	0.1
Operating lease rentals		
– land and buildings	**1.3**	1.2
– other	**1.2**	1.2
Exceptional items:		
Writeback of land and work in progress	**–**	(3.9)

The exceptional writeback reflects the partial release of provisions made in earlier years to writedown land and work in progress to its estimated net realisable value.

	2015 £000	2014 £000
Auditor's remuneration:		
Audit of the Group's financial statements	**5**	5
Audit of financial statements of subsidiaries pursuant to legislation	**90**	90
Other services relating to taxation	**30**	24
All other services	**81**	–

3. Staff numbers and costs

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

	2015 Number	2014 Number
Production	**258**	249
Sales	**97**	99
Administration	**329**	290
	684	638

The aggregate payroll costs of these persons were as follows:

	2015 £m	2014 £m
Wages and salaries	**36.2**	30.7
Social security costs	**4.0**	3.2
Pension costs	**2.2**	2.2
	42.4	36.1

4. Remuneration of key management

Key management comprises the six members of the Board listed on pages 32 and 33 as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Retirement benefits are accruing to six (2014: six) members of key management under money purchase schemes. Key management remuneration, including directors, comprised:

	2015 £m	2014 £m
Salary and other benefits	**1.5**	1.3
Annual bonus	**1.4**	1.1
Other pension costs	**0.2**	0.2
	3.1	2.6

In respect of the directors who held office during the year, directors' remuneration comprised:

	2015 £m	2014 £m
Salary and other benefits	**0.8**	0.6
Annual bonus	**0.8**	0.7
Other pension costs	**0.1**	0.1
	1.7	1.4

Retirement benefits are accruing to the three (2014: three) directors under money purchase schemes.

The aggregate of emoluments, bonus and amounts receivable under long-term incentive schemes of the highest paid director was £870,000 (2014: £659,000) and contributions were paid by the Group to his money purchase pension scheme of £74,000 (2014: £54,000).

The Group operates a long term incentive scheme which rewards directors for performance over a period of greater than one year. Performance conditions are aligned to the growth in value of the Group. At the year end the estimated value of the expected entitlement was £383,000 (2014: £nil). There is uncertainty over when this amount will ultimately be paid, which, in the opinion of the directors will be in the region of three years from the balance sheet date. Directors also participate in an annual bonus scheme. Amounts payable in respect of the annual scheme are shown with directors emoluments. Amounts derived from plans that are longer term in nature are shown within long term incentive schemes.

5. Finance costs

	2015 £m	2014 £m
Interest payable on bank loans and overdrafts	**13.3**	1.5
Interest payable on amounts owed to fellow subsidiary companies	**1.5**	10.4
Imputed interest on land payable on deferred terms	**2.9**	2.7
Finance costs related to employee benefit obligations	**1.1**	0.5
	18.8	15.1

6. Finance income

	2015 £m	2014 £m
Imputed interest on available for sale financial assets	**2.4**	3.1

7. Income taxes

	2015 £m	2014 £m
Current tax credit:		
Total current tax	**0.2**	–
Deferred tax (charge)/credit:		
Origination and reversal of temporary differences	**(10.6)**	(0.3)
Recognition of tax losses in current year	**–**	12.3
Impact of reduction in tax rate	**(2.7)**	–
Total deferred tax (note 12)	**(13.3)**	12.0
Tax (charge)/credit for the year	**(13.1)**	12.0

Reconciliation of effective tax rate:

	2015 £m	2014 £m
Profit before tax	**62.0**	36.4
Tax using the UK corporate tax rate (see below)	**(12.5)**	(7.8)
Effects of:		
Impact of change in tax rate	**(2.6)**	0.5
Recognition of previously unrecognised deferred tax	**–**	19.9
Permanent differences	**(0.9)**	–
Current year losses for which no deferred tax asset is recognised	**–**	(0.7)
Adjustments in respect of prior years	**2.8**	–
Adjustments in respect of joint ventures	**0.1**	0.1
Total (charge)/credit for the year	**(13.1)**	12.0

Current tax has been charged at 20.25% (2014: 21.5%) in the reconciliation above. The corporate tax rate reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. It will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020.

The future corporate tax rate of 19% (2014: 20%) is applied to deferred tax, except for temporary differences expected to reverse before this rate becomes effective.

8. Dividends

There were no distributions to equity shareholders in the year ended 31 December 2015 (2014: £nil).

9. Property, plant and equipment

Cost	Plant and equipment £m
At 31 December 2013	1.3
Additions	0.1
At 31 December 2014	1.4
Additions	0.1
At 31 December 2015	**1.5**

Accumulated depreciation	£m
At 31 December 2013	1.1
Charge for the year	0.1
At 31 December 2014	1.2
Charge for the year	0.1
At 31 December 2015	**1.3**

Net book value	
At 31 December 2014	0.2
At 31 December 2015	**0.2**

10. Investments

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Investment in joint ventures	**14.3**	4.6	**13.1**	3.5
Investment in subsidiaries	**–**	–	**350.1**	350.1
	14.3	4.6	**363.2**	353.6

	2015 £m	2014 £m	**2015 £m**	2014 £m
Joint ventures:				
At beginning of year	**4.6**	4.6	**3.5**	3.8
Share of profits	**0.5**	0.3	**–**	–
Movement in shareholder loans	**9.2**	(0.3)	**9.6**	(0.3)
At end of year	**14.3**	4.6	**13.1**	3.5

	Company	
Subsidiaries	**2015 £m**	2014 £m
At beginning of year	**350.1**	215.4
Additions	**–**	138.7
Disposals	**–**	(4.0)
At end of year	**350.1**	350.1

The total of the Group's profit before taxation from interests in joint ventures and associates is £0.6m (2014: £0.6m).

The Group has an interest in three active joint ventures, St Andrews Brae Limited, Miller Wates (Didcot) Limited and Miller Wates (Southwater) Limited. It holds 50% of the ordinary share capital of each and all are incorporated in the UK and engage in a principal activity of residential housebuilding.

The Group's share of assets and liabilities of joint ventures is shown below:

	Group	
	2015 £m	2014 £m
Current assets	**23.2**	4.7
Current liabilities	**(23.5)**	(5.5)
Loans provided to joint ventures	**14.6**	5.4
	14.3	4.6

The Group's share of the joint venture's income and expenses during the year is shown below:

	2015 £m	2014 £m
Income	**4.8**	4.4
Expenses	**(4.2)**	(4.1)
	0.6	0.3

The subsidiary undertakings that are significant to the Group and traded during the year are set out below:

	Nature of business
Subsidiary undertakings:	
Miller Homes Limited	Residential housebuilding
Miller (Telford South) Limited	Residential housebuilding
Miller Maidenhead Limited	Residential housebuilding
Miller Framwellgate Limited	Residential housebuilding
Miller East Kilbride Limited	Residential housebuilding
Miller Cambuslang Limited	Residential housebuilding
Miller Homes St Neots Limited	Residential housebuilding

Each subsidiary undertaking listed above is incorporated in the UK and is 100% owned.

Details of all Group companies are given in note 28.

11. Available for sale financial assets

	Group 2015 £m	Group 2014 £m
At start of year	**41.5**	43.1
Redemptions	**(9.7)**	(4.1)
Change in fair value taken through other comprehensive income	**–**	(0.6)
Imputed interest	**2.4**	3.1
At end of year	**34.2**	41.5

Available for sale financial assets comprise loans which were granted as part of sales transactions under the Group's Miway scheme and the HCA HomeBuy Direct and FirstBuy shared equity schemes. They are secured by way of a second ranking legal charge on the related property. The assets are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The fair value of anticipated cash receipts takes into account the directors' view of future house price movements, the expected timing of receipts, and the likelihood that a purchaser defaults on repayment. The directors review the future anticipated receipts from the assets at the end of each financial year. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income (see note 6), with the financial asset increasing to its full expected cash settlement value on the receipt date. Credit risk, which the directors currently consider to be mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The directors review the financial assets for impairment at each balance sheet date. There were no indicators of impairment at 31 December 2015 (2014: nil). None of the financial assets are past their due dates (2014: nil) and the directors expect an average maturity profile of between 5 and 10 years from the balance sheet date.

12. Deferred tax

The following are the deferred tax assets recognised by the Group and the movements thereon during the year:

	Group				
	Trading losses £m	Retirement benefit obligations £m	Capital allowances £m	Other temporary differences £m	Total £m
At 31 December 2013	58.7	–	0.5	0.8	60.0
Transfer from fellow subsidiary	–	4.7	–	–	4.7
Other comprehensive income credit	–	1.4	–	–	1.4
Income statement credit/(charge)	12.3	–	0.1	(0.4)	12.0
At 31 December 2014	71.0	6.1	0.6	0.4	78.1
Other comprehensive income credit	–	0.2	–	–	0.2
Income statement charge	(12.5)	(0.6)	(0.2)	–	(13.3)
At 31 December 2015	**58.5**	**5.7**	**0.4**	**0.4**	**65.0**

A deferred tax asset has been recognised in respect of the tax amount of trading losses, retirement benefit obligations, capital allowances and other temporary differences. The directors consider that based on future profit projections, it is probable that the deferred tax asset will be utilised.

13. Inventories

	Group 2015 £m	Group 2014 £m
Land	**265.4**	229.8
Work in progress	**164.1**	166.1
Part exchange properties	**8.5**	7.4
Land option costs	**3.8**	3.1
At end of year	**441.8**	406.4

Land and work in progress recognised as cost of sales in the year to 31 December 2015 amounted to £380.0m (2014: £303.3m). The write-down of stocks to net realisable value in the year amounted to £0.6m (2014: £2.4m). The reversal of write-downs in the year amounted to £0.3m (2014: £6.3m). The write-down and reversal are included in cost of sales.

14. Trade and other receivables: current

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables	**2.8**	2.3	**–**	–
Amounts recoverable on contracts	**7.2**	6.4	**–**	–
Amounts owed by fellow subsidiary companies	**9.9**	0.3	**–**	–
Other receivables	**6.2**	6.5	**–**	0.1
Prepayments and accrued income	**1.6**	1.5	**–**	–
	27.7	17.0	**–**	0.1

15. Trade and other payables: current

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade payables	**47.4**	47.5	**–**	–
Amounts owed to fellow subsidiary companies	**–**	–	**211.3**	194.8
Other payables	**8.8**	8.5	**–**	–
Land payables (see below)	**47.8**	37.0	**–**	–
Accruals and deferred income	**25.2**	24.1	**–**	0.1
	129.2	117.1	**211.3**	194.9

Trade and other payables: non-current

	Group	
	2015 £m	2013 £m
Land payables (see below)	**12.5**	22.3

Land payables

The Group undertakes land purchases on deferred terms. In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', the deferred creditor is recorded at fair value being the price paid for the land discounted to the present day. The difference between the nominal value and the initial fair value is amortised over the deferred period to finance costs, increasing the land creditor to its full cash settlement value on the payment date.

The interest rate used for each deferred payment is an equivalent loan rate available on the date of land purchase, as applicable to a loan lasting for a comparable period of time to that deferment.

The maturity profile of the total contracted cash payments in respect of land creditors at the balance sheet date is as follows:

	Balance £m	Total contracted cash payment £m	Due less than 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m
As at 31 December 2014	59.3	63.1	37.0	21.3	4.8
As at 31 December 2015	**60.3**	**63.5**	**47.8**	**14.0**	**1.7**

16. Interest bearing loans and other borrowings: current

	Group	
	2015 £m	2014 £m
Bank loans (secured)	**–**	28.8

Interest bearing loans and other borrowings: non-current

	Group	
	2015 £m	2014 £m
Bank loans (secured)	**117.0**	148.3
Long term borrowings	**31.8**	10.3
	148.8	158.6

Bank loans

The contractual, undiscounted maturity profile of the Group's secured bank loans are as follows:

	2015 £m	2014 £m
Analysis of debt:		
Bank loans due within 1 year	**–**	28.8
Bank loans due 1-2 years	**5.0**	7.5
Bank loans due 2-5 years	**112.0**	140.8
	117.0	177.1

Long term borrowings

Long term borrowings relate to the Group's interest in Telford NHT (2011) LLP, an entity established to provide residential property for rental purposes and loan notes ultimately provided by certain shareholders of The Miller Group (UK) Limited. The full amount is payable in 2-5 years.

17. Provisions and deferred income

	Group			Company
	Property £m	Other £m	Total £m	Other £m
At start of year	1.2	0.2	1.4	–
Released during the year	–	(0.1)	(0.1)	–
Created in year	1.4	2.5	3.9	0.8
At end of year	**2.6**	**2.6**	**5.2**	**0.8**

The opening balances held within provisions have been re-allocated from accruals and other payables, which the directors consider to be a more accurate reflection of the nature of the balances held.

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

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

18. Share capital

	2015 £m	2014 £m
Allotted, called up and fully paid		
125,000,000 (2014: 125,000,000) ordinary shares of £1 each	**125.0**	125.0

19. Financial instruments

The Group's financial instruments comprise cash, bank loans and overdrafts, trade and other receivables, other financial assets and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations.

Measurement of fair values

The fair value of the Group's financial assets and liabilities is set out in the table below. There is no difference between the fair value and carrying value of any financial assets and financial liabilities.

	2015 £m	2014 £m
Financial assets measured at fair value:		
Available for sale financial assets	**34.2**	41.5
Financial assets not measured at fair value:		
Trade and other receivables	**27.7**	17.0
Cash and cash equivalents	**8.6**	29.5
Financial liabilities not measured at fair value:		
Trade and other payables (excluding land payables)	**81.4**	80.1
Land payables	**60.3**	59.3
Bank and other loans	**148.8**	187.4

The following table provides an analysis of financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets to identical assets;
Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset/liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Available for sale financial assets				
As at 31 December 2014	–	–	41.5	41.5
As at 31 December 2015	**–**	**–**	**34.2**	**34.2**

Valuation technique for available for sale financial assets

The fair value is determined by considering the expected payment profile using the discounted present value of expected future cash flows. The major unobservable inputs include the expected timing of redemption payments, management's estimates of the estimated market value of the properties and the estimate of the appropriate risk adjusted discount rate to determine present value of the cash flows. The estimated fair value would increase if the risk adjusted discount rate was reduced, and the fair value would also be impacted by any change in the estimate of the timing of redemption receipts. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of the available for sale financial assets.

Financial risk

The main risks associated with the Group's financial instruments are credit risk, liquidity risk, market risk and interest rate risk. The Board is responsible for managing these risks and the policies adopted are set out below.

(i) Credit risk

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance housing association revenues or land sales where management considers that the ratings of these various debtors are good and therefore credit risk is low.

The Group has £34.2m (2014: £41.5m) of available for sale financial assets which exposes it to credit risk although this asset is spread over a large number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure to credit risk at 31 December 2015 is represented by the carrying amount of each financial asset.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The day to day working capital requirements of the Group are provided through bank borrowings. The Group manages its funding requirements by monitoring cash flows against forecast requirements on a weekly basis.

19. Financial instruments (continued)

Financial risk (continued)

(iii) Market risk

The Group is affected by movements in UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning.

Whilst it is not possible for the Group to fully mitigate market risk on a national macroeconomic basis, the Group does continually monitor its geographical spread within the UK, seeking to balance investment in areas offering the best immediate returns with a long-term spread of its operations throughout the UK to minimise the effect of local microeconomic fluctuations.

(iv) Interest rate risk

Interest rate risk reflects the Group's exposure to interest rates in the market. The Group's secured bank loans are subject to floating interest rates based on LIBOR. The Group has reduced its exposure to interest rate movements through the use of interest rate swaps. In total £75m of debt is hedged at a cost of funds of 5.0%.

For the 12 months ended 31 December 2015 it is estimated that an increase of 1% in interest rates would increase the Group's net finance costs by £1.0m (2014: £2.3m).

The maturity of the financial liabilities has been disclosed in note 16.

Capital management

The Board's policy is to maintain a strong balance sheet so as to promote shareholder, customer and creditor confidence and to sustain the future development of the business. The Group is currently financed by a combination of equity share capital and bank borrowings.

Management of cash and cash equivalents and net debt

The management of cash and net debt remains a principal focus of the directors, together with the monitoring of compliance with loan covenants, and the opportunity to service and repay debt. The directors have considered the forecasts of future profitability and cash generation and consider that these forecasts support the going concern assertion.

20. Reconciliation of net cash flow to net debt

	2015 £m	2014 £m
Decrease in net cash and cash equivalents	**(20.9)**	(3.3)
Decrease/(increase) in bank loans	**60.1**	(155.5)
Increase in long term borrowings	**(21.5)**	–
Decrease in loans from fellow subsidiary companies as a result of cash movements	**–**	191.0
Decrease in loans from fellow subsidiary companies as a result of non cash movements	**–**	100.0
Movement in net debt in year	**17.7**	132.2
Net debt at beginning of year	**(157.9)**	(290.1)
Net debt at end of year	**(140.2)**	(157.9)

Non cash items in 2014 refer to intercompany loan waivers by the Parent Company in the form of an increase in share capital.

21. Analysis of net debt

	31 Dec 2014 £m	Cash flow £m	**31 Dec 2015 £m**
Cash and cash equivalents	29.5	(20.9)	**8.6**
Bank loans	(177.1)	60.1	**(117.0)**
Long term borrowings	(10.3)	(21.5)	**(31.8)**
Net debt	(157.9)	17.7	**(140.2)**

22. Commitments

At the year end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2015		31 December 2014	
	Land & Buildings £m	**Other £m**	Land & Buildings £m	Other £m
Lease expiring:				
Within one year	**1.1**	**1.1**	1.0	1.1
Between two and five years	**3.3**	**1.7**	3.2	1.1
Greater than five years	**1.8**	**–**	2.3	–

23. Contingent liabilities

The Company and associated subsidiaries have 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.

The Group's bank has a floating charge over the assets of the Company and certain of its principal subsidiaries and a first ranking charge over certain assets of the Group.

24. Accounting estimates and judgements

Carrying value of inventories

Inventories of land and development work in progress are stated at the lower of cost and net realisable value. Due to the nature of development activity and in particular, the length of the development cycle, the Group has to allocate site wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. These estimates are reflected in the margin recognised on developments where unsold plots remain, and in the carrying value of land and work in progress. There is a degree of uncertainty in making such estimates.

The Group has established internal controls that are designed to ensure an effective assessment is made of inventory carrying values and the costs to complete developments. The Group reviews carrying value of its inventories on a quarterly basis with these reviews performed on a site by site basis using forecast sales prices and anticipated costs to complete based on a combination of the specific trading conditions of each site in addition to future anticipated general market conditions.

Recognition of deferred tax asset

As at 31 December 2015, the Group has recognised a deferred tax asset of £65.0m, of which £58.5m relates to trading losses that are available to offset trading profits in future years. The judgement to recognise the deferred tax asset is dependent upon an assessment made by the directors in relation to the future profitability of the Group and hence recovery of the asset. The future profitability of the Group is dependent upon a variety of factors, some of which are influenced by macroeconomic conditions.

Carrying value of available for sale assets

The Group holds available for sale assets representing loans provided to customers under the Group's MiWay or governmental HomeBuy Direct and FirstBuy shared equity schemes. The repayment profile of these loans varies from a maximum of 10 years in the case of the Group's MiWay shared equity scheme to 25 years in the case of governmental shared equity schemes HomeBuy Direct and FirstBuy. The loans are held at the present value of the expected future cashflows taking into a number of factors, namely the expected market value of the property at the time of loan repayment, the likely date of repayment and default rates. Accordingly, there are a number of uncertainties which would impact the carrying value of this asset class.

25. Related party transactions

Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' are given in note 4.

	2015 £m	2014 £m
Amounts owed by joint ventures in respect of outstanding loans and other outstanding payables	**14.6**	5.4
Amounts owed by associates in respect of loans and other outstanding payables	**0.3**	0.3
Amounts owed to TMGL Holdings Limited in respect of outstanding loans	**(21.4)**	–
Amounts owed by TMGL Holdings Limited in respect of outstanding loans	**10.0**	–
Amounts owed to TMGL Holdings Limited in respect of outstanding payables	**(0.1)**	0.3
Transactions between the Group and Miller Group Holdings (UK) Limited in respect of interest charges on loans repayable	**–**	10.4
Transactions between the Group and fellow subsidiary undertakings of The Miller Group (UK) Limited in respect of rent and office management	**0.6**	0.3
Services provided by the Group to fellow subsidiary undertakings of The Miller Group (UK) Limited in respect of administrative services	**0.3**	0.2

During the year a director of the Company, S Lynes purchased a residential property for its full market value of £680,000.

26. Ultimate parent company

At 31 December 2015, the Company was a subsidiary undertaking of The Miller Group (UK) Limited, which is the ultimate Parent Company registered in Scotland and incorporated in the United Kingdom.

The largest group in which the results of this Company are consolidated is that headed by The Miller Group (UK) Limited. The consolidated financial statements of this Group are available to the public and may be obtained from the Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay, 139 Fountainbridge, Edinburgh, EH3 9FF.

At the date of approval of these financial statements, the Company was ultimately controlled by GSO Capital Partners LP, a division of the Blackstone Group LP.

27. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

	2015 £m	2014 £m
Contributions during the year		
Group defined contribution schemes consolidated income statement charge	**2.2**	2.2

Defined benefit scheme

Under a deed of participation, substitution, amendment and apportionment, Miller Homes Limited, the Group's main subsidiary, became the principal employer of The Miller Group Limited pension scheme on 9 July 2014. This is a defined benefit scheme which is closed to future accrual.

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

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

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

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

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

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

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

Assumptions	Change in assumption	Movement in scheme liabilities
Discount rate	Decrease by 0.1% Increase by 0.1%	£2.3m (1.7%) increase £2.2m (1.6%) decrease
Rate of inflation	Increase by 0.1% Decrease by 0.1%	£1.5m (1.0%) increase £1.4m (1.0%) decrease
Life expectancy	Minus one year age adjustment	£4.4m (3.1%) increase

The amounts recognised in the consolidated income statement were as follows:

	2015 £m	2014 £m
Interest cost	**5.3**	3.0
Interest income	**(4.2)**	(2.5)
Total pension cost recognised in finance costs in the consolidated income statement	**1.1**	0.5
Total pension cost recognised in the consolidated income statement	**1.1**	0.5

The amounts recognised in the Group statement of comprehensive income were as follows:

	2015 £m	2014 £m
Return on scheme assets excluding interest income	**3.3**	(4.9)
Actuarial (gain)/loss arising from changes in the assumptions underlying the present value of benefit obligations	**(2.4)**	11.4
Total pension cost recognised in the consolidated statement of comprehensive income	**0.9**	6.5

The amount included in the consolidated statement of financial position arising from obligations in respect of the scheme is as follows:

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

	2015 £m	2014 £m
Liability for defined benefit obligations at start of year	**30.7**	–
Transfer of scheme	**–**	23.7
Contributions	**(3.0)**	–
Expense recognised in the consolidated income statement	**1.1**	0.5
Amounts recognised in the Group statement of comprehensive income	**0.9**	6.5
Liability for defined benefit obligations at end of year	**29.7**	30.7

A deferred tax asset of £5.7m (2014: £6.1m) has been recognised in relation to the pension liability (note 12).

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

	2015 £m	2014 £m
Present value of defined benefit obligations at start of year	**147.7**	–
Transfer of scheme	**–**	136.0
Interest cost	**5.3**	3.0
Actuarial (gain)/loss	**(2.4)**	11.4
Benefits paid from scheme	**(7.3)**	(2.7)
Present value of defined benefit obligations at end of year	**143.3**	147.7

27. Retirement benefit obligations (continued)

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

	2015 £m	2014 £m
Fair value of scheme assets at start of year	**117.0**	–
Transfer of scheme	**–**	112.3
Contributions	**3.0**	–
Interest income	**4.2**	2.5
Actuarial (loss)/gain on scheme assets	**(3.3)**	4.9
Benefits paid from scheme	**(7.3)**	(2.7)
Fair value of scheme assets at end of year	**113.6**	117.0

The analysis of scheme assets at the balance sheet date were as follows:

	Percentage of scheme assets
Equity type investments	49.2%
Debt securities	50.5%
Other	0.3%
Total	100.0%

Funding

The scheme is subject to the funding legislation outlined in the Pensions Act 2004. This, together with the documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions used in the financial statements. The latest full actuarial valuation, carried out at 30 June 2013, by a qualified independent actuary, showed a deficit of £29.5m.

In line with the requirements noted above the actuarial valuation is agreed between the Group and the trustees and is calculated using prudent, as opposed to best estimate, actuarial assumptions. Following the completion of the triennial actuarial valuation, a revised schedule of contributions was put in place. Under this revised schedule, the Group will pay deficit contributions of £33m over the recovery period of 11 years. The expected employer contribution to the scheme in the year ending 31 December 2016 is £3.0m.

28. Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates and joint ventures and the effective percentage of equity owned as at 31 December 2015 are disclosed below. All companies are incorporated in the United Kingdom, engaged in housebuilding and associated activities and are owned directly by Miller Homes Holdings Limited unless indicated below:

Fully owned subsidiaries

Ballchart Limited
Belsco 1011 Limited
Belsco 1012 Limited
Birch Limited
Birch Commercial Limited [(i)]
Birch Homes Limited [(i)]
Arwinrise Limited
Cussins Homes (Yorks) Limited
Dinebrief Limited
Highfields Developments Limited
Emerald Shared Equity Limited
James Miller & Partners Limited
Lemmington Estates Limited
Miller (Barrow) Limited
Miller (Cobblers Hall) Limited
Miller (Telford North) Limited
Miller Airdrie Limited
Miller City Centre Limited
Miller East Kilbride Limited
Miller Framwellgate Limited
Miller Fullwood Limited
Miller Gadsby (Burton Albion) Limited
Miller Homes (East Midlands) Limited
Miller Homes (Moor Allerton) Limited
Miller Homes (North East) Limited
Miller Homes (North West) Limited
Miller Homes (Scotland East) Limited
Miller Homes (Scotland West) Limited
Miller Homes (St Helens) Limited
Miller Homes (West Midlands) Limited
Miller Homes (Yorkshire) Limited
Miller Homes Cambridge Limited
Miller Homes Cambuslang Limited
Miller Homes City Quay Limited
Miller Homes Limited
Miller Homes Northern Limited
Miller Homes Special Projects Portfolio Limited
Miller (Eccles) Limited [(ii)]
Miller (Telford South) Limited [(ii)]
Miller Homes St Neots Limited
Miller Homes Two Limited
Miller Maidenhead Limited
Miller Residential (Northern) Limited
Miller Shared Equity Limited
Miller Urban Redevelopments Limited
Fairclough Homes Limited
Viewton Properties Limited
MF Development Company UK Limited
MF Development Funding Company UK Limited [(iii)]
Miller Fairclough UK Limited [(iv)]
CDC2020 Limited [(v)]
Fairclough Homes Group Limited [(v)]
MF Homes Limited [(v)]
MF Homes UK Limited [(v)]
MF Strategic Land Limited [(v)]
Miller Fairclough Management Services Limited [(v)]
Alderview Homes (Carrickstone) Limited
Miller Belmont Limited
Miller Residential Development Services Limited
Brown's Developments (Hetton) Limited [(vi)]
Land & City Properties (Bollington) Limited

Joint ventures (all 50%)

College Street Residential Developments Limited [(vi)]
Croftport Homes Limited [(vi)]
Iliad Miller (No 2) Limited [(vi)]
Iliad Miller Limited [(vi)]
Mount Park Developments Limited [(vi)]
Perth Land and Estates Limited [(vi)]
Canniesburn Limited
Lancefield Quay Limited
Miller Applecross (Edinburgh Quay) Limited
Miller Gadsby (Castle Marina) Limited
Scotmid-Miller (Great Junction Street) Limited
St Andrews Brae Developments Limited
Miller Wates (Didcot) Limited
Miller Wates (Southwater) Limited

Associates (45%)

New Laurieston (Glasgow) Limited

Limited liability partnerships (33.33%)

Telford NHT 2011 LLP [(vii)]

(i) Held via Birch Limited
(ii) Held via Miller Homes Special Projects Portfolio Limited
(iii) Held via MF Development Company UK Limited
(iv) Held via MF Development Funding Company UK Limited
(v) Held via Miller Fairclough UK Limited
(vi) Held via Miller Residential Development Services Limited
(vii) Held via Miller Homes Limited

Reader’s notes

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