miller

Building on strong foundations

Annual Report 2011

The foundation of our success is, and always has been, down to the great people we employ.

With our new investment and long term finance facilities, I believe we have the right formula to deliver successful returns for our shareholders and to exceed our customers' expectations.

Keith M Miller CBE
Group Chief Executive

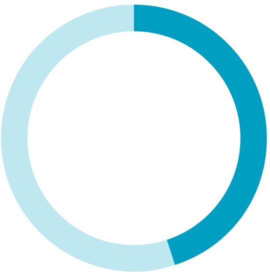
The Group at a Glance

The Miller Group is an award winning Housebuilding, Property Development and Construction business.

Our business
Our Group is well diversified, with four core businesses: Homes, Construction, Developments and Mining.

Our mission
Our mission is to deliver world-class levels of service to our customers, outstanding levels of performance for our shareholders, and to be the sector's best partner, employer and sustainable developer.

Miller Homes is the eighth largest volume housebuilder in the UK, operating from eight geographic regions across the country. We have a reputation for award-winning innovation and customer focus.



Turnover
£271m
46%

Key achievements in 2011:

- 1,632 sales.
- 20% increase in visitor levels.
- 12,000 strategic land plots with either outline consent or allocated in local plans.
- 97% of respondents would recommend Miller Homes to their best friend.

To find out more go to page 4

Miller Construction is a multi-disciplinary construction business providing end-to-end property solutions through long term relationships with clients.

Turnover
£239m
41%

Key achievements in 2011:

- Operating profit of £7.4m.
- Seven national Considerate Constructors awards won.
- Major framework agreements with NHS Procure 21+, North of Scotland Area hub, and Improvement and Efficiency South East.
- Preferred bidder on Avon and Somerset Police Accommodation PFI project.

To find out more go to page 8

Our performance in 2011
All four businesses made a positive contribution to Group profit at operating profit level.

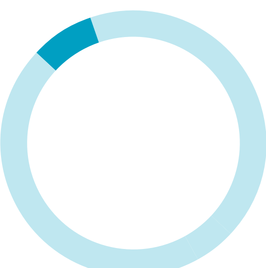
Group turnover
£588m

New equity investment
£160m

Profit before interest*
£20.8m

*pre exceptional items

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

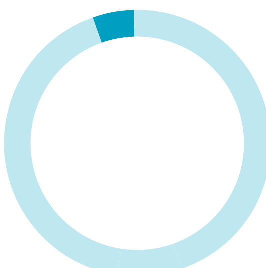


Turnover
£46m
8%

Key achievements in 2011:
- 200,000 sqft of new lettings concluded.
- 1.8m sqft of built property which is 87% let.
- Planning permission granted on 105 acre mixed use site at Fort William with forward sale to Tesco.
- Investment sales of £66m including joint ventures.

To find out more go to page 12

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



Turnover
£32m
5%

Key achievements in 2011:
- 25% increase in coal sales to 987,000 tonnes.
- New contracts concluded with RWE, Tata and Fergusson Coal.

To find out more go to page 16

What's inside our Annual Report 2011

Building on strong foundations:
Our people have worked tirelessly over the past 12 months to contribute to our culture, our bottom line and our future success. Throughout this year's annual report we've highlighted their efforts in laying the strong foundations upon which our business is built.

Find out more by reading the case studies listed on the right.

Funding:
Throughout 2011 we've worked hard to restructure the finances of the Group. This culminated in securing £160m of new equity investment and a five year bank facility of £238m that will primarily fund the working capital requirements of our Housing business.

Find out more in the Group Finance Director's Review on page 19.

Performance:
All four businesses made a positive contribution to the Group result at operating profit level.

Find out more in the Business Review from page 4.

Contents

Group Chief Executive's Business Review

Group strategy

We operate a diverse business model with two asset based businesses, Homes and Developments, complemented by a strong UK wide Construction business and a successful Mining joint venture in Wales.

Key to delivery of our strategy has been our ability to attract new investment and to complete a major refinancing that will equip us with additional investment capital and a significantly strengthened balance sheet. On 29 February 2012 we completed the restructuring of existing debt facilities and the introduction of £160m of new equity principally from GSO Capital Partners, a division of one of the world's leading investment and advisory firms, The Blackstone Group. The transaction provides:

- a significantly strengthened balance sheet with substantial net assets
- refinancing of the existing lender debt to provide five year committed facilities
- the platform to develop further the existing business
- support from a long term investor group.

Award winning people and projects

Building on strong foundations

"2011 was an incredible year for The Miller Group. We had record numbers of teams and individuals, across the length and breadth of the country, receiving national accolades for their work."

Keith M Miller CBE, Group Chief Executive

This year our people, buildings and developments have been recognised with the following awards:

- Considerate Constructors Scheme
- Local Authority Building Control (LABC) Awards
- RICS South West Awards
- Celebrating Construction in South Yorkshire
- RIBA Northern Network Awards
- SCALA
- First Time Buyer Reader Awards
- Housing Excellence Awards
- Scottish Home Awards
- NHBC Pride in the Job Awards
- The Herald Property Awards for Scotland
- Estates Gazette Regional Awards
- BCO Office Awards

For a detailed list of all awards look at the inside back cover.

The debt restructuring resulted in the waiver and conversion of £264m of existing debt in exchange for ordinary shares. New Group lending facilities of £238m have been made available for the period through to February 2017.

These events have transformed the Group's financial strength. Below is a pro forma Balance Sheet at 31 December 2011 taking account of these transactions as if they had taken place as of that date:

Pro forma Balance Sheet extracted from the audited accounts	**£m**
Fixed assets	**67.7**
Current assets	
Stock and work in progress	371.1
Debtors:	
Due within one year	65.9
Due after more than one year	117.2
Cash at bank and in hand	71.1
	625.3
Creditors: amounts falling due within one year	**(192.9)**
Net current assets	**432.4**
Total assets less current liabilities	**500.1**
Creditors: amounts falling due after more than one year	**(257.8)**
Net pension deficit	**(11.3)**
Net assets	**231.0**

Operational review

We are pleased to report another year of significant progress across all of our operations. We delivered ahead of plan in all businesses against a background of slowly improving market conditions.

In Homes we completed 1,632 units during the year (2010: 1,915). The volume reduction was mainly attributable to a decrease in the number of active sites to 74 (2010: 81). Our gross margin improved significantly to 11% (2010: 5%). Visitor levels increased by 20% and cancellation rates reduced slightly to 16% (2010: 17%).

In Construction we secured £232m (2010: £178m) of new workload and have a future order book, including preferred bidder awards, of £592m. This excludes anticipated future workload from our existing framework agreements.

In Developments we completed the sale of retail and office developments in Edinburgh, Nottingham, Aberdeen and a residential development at Islington. We purchased new developments at Altrincham, Orpington and Linwood.

Mining achieved record output with sales of 987,000 tonnes of coal (2010: 787,000 tonnes). A number of new contracts was won through a combination of supplemental contracts from existing customers and the addition of new business.

Pictured: Our NHBC Pride in the Job Award Winners (from left to right): Bill Hughes, Scott Brown and Patrick Malyn.

Group Chief Executive's Business Review
Housing

Key highlights:

- 1,632 sales.
- 20% increase in visitor levels.
- 12,000 strategic land plots with either outline consent or allocated in local plans.
- 97% of respondents would recommend Miller Homes to their best friend.

Market overview

After a weak fourth quarter in 2010, we saw a return to stronger trading levels from the start of 2011 which continued throughout the first half of the year. The usual autumn 'bounce back' after the summer holiday season was better than 2010, albeit not as pronounced as historical norms. We finished the year with a strong fourth quarter, again improving on 2010. Sales prices as a whole were flat across 2011 with no significant regional variations.

Our total number of housing completions was 1,632 (2010: 1,915), representing a 15% reduction. This reflected both a decrease in the average number of live sales outlets from 81 to 74 and a fall in the number of affordable units from 233 to 133. However, the average number of sales per site, per week increased to 0.42 (2010: 0.37). Cancellation rates at 16% were slightly lower than 2010 and were generally stable across the year in contrast to 2010 which witnessed higher cancellation rates of 23% in the second half of the year.

Innovative ways to drive sales

Building on strong foundations

"Being a CRM superuser has enabled me to ensure our customers' experience with us is the best it can be – every time. We are continuing to invest in further improvements to our system and staff training is ongoing to make sure they are the best in the business."

Susan Burdett, CRM Manager, Midlands and South

Performance

Turnover reduced by £51m to £271m (2010: £322m). This was the result of a reduction in active sites and also a 4% reduction in the average selling price to £161,000 (2010: £168,000). Our product mix and selling price per sqft were both similar to 2010, with the fall in average selling price being due to a higher weighting of sales from our Northern England regions which, historically, have lower selling prices.

The level of sales which required the assistance of shared equity was down at 32% (2010: 40%). We continue to actively participate in the Government-backed shared equity schemes and we were successful in obtaining new facilities through the HCA's Firstbuy scheme.

Our gross margin increased to 11% (2010: 5%) and our remaining landbank has an embedded margin of 13%. This will increase further as we run off legacy land and replace with new sites, the majority drawn from our strategic landbank, which has superior margins.

We were awarded our third contract, McInerney, to manage out developments on behalf of Royal Bank of Scotland and Lloyds Banking Group. In total, we earned management fees on 113 completions and expect this to increase in 2012 and beyond.

01


03


02


CRM… Some call it Customer Relationship Management; we call it Customers Really Matter. We want our customers to enjoy the experience of buying a Miller home and we aim to offer them a service tailor-made to their needs.

Customers need information. 2011 saw a substantial review of – and significant investment in – our CRM system, designed to make sure that the information they request is immediately accessible using convenient modern communication channels such as SMS texting, email and the Miller Homes website.

A team of specialist 'superusers' spent 12 months improving our sector-leading new system and training staff in its use.

01.
Woodilee, Lenzie

02.
Miller Homes Online TV channel

03.
Cobblers Hall, Newton Aycliffe

Group Chief Executive's Business Review
Housing continued

Landbank
At 31 December 2011, we had 5,200 plots (2010: 6,300 plots) in our owned landbank, representing approximately three years' supply at current output levels. We are planning to acquire 25 sites in 2012.

We have strict controls in place for land purchases in relation to financial hurdle rates, location and product type. A key focus is improving our return on capital employed and, with this in mind, we also sold 120 plots from larger sites which would ordinarily have delivered completions in four to five years' time. Land trading will become an increasing part of the business in light of the excellent prospects of our strategic land portfolio which includes some large developments.

We are confident of pulling through around 50 sites (18,000 plots) from our strategic land portfolio. These have a gross development value of £3.6bn and gross margin of £0.8bn.

Outstanding customer service

Building on strong foundations

At Miller, we understand customer service. It is built in to everything we do. It starts during the construction phase, long before customers pick up the keys to their new home, and continues long into their ownership.

Our UK-wide customer care teams offer unrivalled levels of pre-sale and after-care back-up.

Whatever customers may need help with – the colour and make of the tiles in their bathroom, for example, or technical support with central heating systems – one call to the customer care team delivers the answers. We want our customers' experience with us to be the best it can be.

Customer care

The combined enthusiasm and commitment of our employees is a key differentiator of Miller Homes. This is evidenced in many ways, not least in our approach to customer care and our build quality.

In customer care, 97% of respondents stated that they would recommend Miller Homes to their best friend and we achieved a five star rating for customer satisfaction in the HBF New Home Customer Satisfaction Survey.

We have an enviable record on build quality and one which puts us firmly at the top of the industry. During 2011, 26 of our site managers achieved recognition from the NHBC through the Pride in the Job awards scheme, with three site managers achieving regional success and Bill Hughes in our North West region collecting the Supreme Winner award for a record fifth time. Our congratulations go to Bill for what is a superb achievement.

Look forward

We are cautiously optimistic for the future, buoyed in part by the significant benefits accruing to the business from the wider Group reinvestment and refinancing. The housing market will clearly be affected by wider macro-economic factors in the UK and overseas which are outwith our control and difficult to predict both in terms of timing and impact. However, it is evident that the UK housing market is resilient as demonstrated by the stability of prices over the past two years. The structural supply issues which affected the industry and the country prior to the downturn still remain.

Unblocking the mortgage supply issue is a key step to a return to higher output levels and, in this regard, we fully support and will participate with the Government, the Council for Mortgage Lenders and the industry bodies in delivering a 95% mortgage product during 2012.

Our opening business in hand for 2012 is 335 units which is comparable to last year (2010: 347 units). In the first two and a half months of 2012, trading has been ahead of expectations, with reservations on a like for like basis, being 10% ahead of 2011.

01.
Littleton Green, Cannock

02.
Newton Park, Cambuslang

03.
Northcote, Erdington

"We pride ourselves on the customer care we provide, making sure all our customers have a first-class experience. Our customers know there is always help and advice available no matter what their query may be."

Neil Reaney, Associate Director, Customer Care, North Area

Sales analysis

	Scotland	North	Midlands and South	Total
2011	25%	35%	40%	£270.6m
2010	23%	30%	47%	£321.6m
2009	22%	33%	45%	£331.3m

Key: Scotland North Midlands and South

Group Chief Executive's Business Review
Construction

Key highlights:

- Operating profit of £7.4m.
- 7 national Considerate Constructors awards won.
- Major framework agreements with NHS Procure 21+, North of Scotland Area hub, and Improvement and Efficiency South East.
- Preferred bidder on Avon and Somerset Police Accommodation PFI project.

Market

The construction industry has faced, and will continue to face, challenging market conditions. Planned cuts in Government investment will depress the flow of public sector projects, while the weak pace of economic growth will limit the recovery of general private sector work.

Whilst the Government has brought forward a number of additional construction projects to stimulate growth, the majority of this additional expenditure will not feed through until 2013. In addition, there remains considerable uncertainty in the market as evidenced by the delay in the Ministry of Defence's procurement of its Next Generation contracts.

There has been a gradual recovery in the private sector with a modest increase in new commercial and industrial project starts. We have increasing visibility of industrial investment as well as more clarity on the construction opportunities in the energy market.

The low volume of opportunities in the market continues to lead to fierce competition for the work available, putting significant pressure on both cost and margin. We have minimised our exposure to these pressures by building strategic relationships with a number of clients at regional and national level, with sustainable programmes of works.

Performance

The business produced a strong financial performance for the year. Despite turnover falling to £239m (2010: £293m), our operating profit, before exceptionals, of £7.4m (2010: £9.9m) was ahead of expectations. We continue to be selective in the opportunities we pursue and the consistency of our profit delivery is a major strength of the business.

Being the industry's best partner

Building on strong foundations

Being the best partner in the industry is not just about the relationships that we have with our clients, it's about our staff, our supply chain and everything that we do.

Throughout 2011 and in line with our strategy, we established a number of lasting relationships across the business and focused on programmes of work with repeat clients. This approach has seen us secure our position on a number of frameworks which are key to the construction market in the mid to long term: Royal Mail, IESE, Procure 21+, North hub and the Aberdeenshire Framework.

In addition, our commitment to securing programmes of work has seen us continuing work with a number of strategic clients with whom we are enjoying on-going mutual benefits. Our approach to being the industry's best partner means open and honest relationships for all with a common goal of best value.

Strategy

Our strategy is to work in long term partnerships with clients, providing 'end-to-end' property solutions supporting the whole life development and management of their assets. To deliver this we have broadened our product range beyond our core construction activities to include: professional and technical consultancy, asset management services, and investment and project funding.

We focus on nine separate markets. Four of these – commercial, education, health and retail, are markets where we have developed considerable skill and experience over the past 20 years. These account for over 70% of our annual turnover. To diversify our business we are developing a further five markets – community regeneration, defence, energy, rail, and science and technology.

We are constantly refining our front end, work winning approach with a clear focus on client management, corporate responsibility, knowledge management and supply chain collaboration.

Success will come from focusing on areas that give us true competitive advantage. We also look to maximise the synergies of the Group to give a truly integrated offer to our markets.

Risk management

Management of risk is integral to all of our activities. We will not accept risk on a project where this cannot be managed or priced. The key risks to the business are pricing, contract terms and the technical delivery of any project. The business operates a risk register which sets out each of the key business risks together with the strategy to mitigate and manage each risk. This is reviewed and debated by the Construction Board on a regular basis and updated together with planned activities to improve our risk control.

The business has long term relationships with strategic subcontractors and suppliers. We work together from pre-bid stage on every project to achieve best value for our clients. Risk is allocated throughout the supply chain to where it can be best managed. Given this relationship, the risk of insolvency of our supply chain is a key business risk. Before we first engage with a subcontractor the risk of insolvency is assessed. Where such a risk is identified, the potential impact is acknowledged and mitigated by way of a risk management action plan.

Key management performance indicators are set out in the business plans for each business unit. These are measured and reviewed at monthly meetings between business unit management and the executive.

Health and safety

Safety remains our top priority. We recorded an improvement in our safety record during the period. Our commitment to providing a safe working environment for our employees, our supply chain and our clients remains of paramount importance. We target 'Zero incidents every day' for all our sites and workplaces. This message and ethos are managed through a variety of training and site induction initiatives.

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

01

"Over my 30 years with Miller, I have seen the growth in our approach to working in partnership. The mutual benefits it brings to all involved and the quality projects that result are clear for all to see."

Phil McVey, Associate Director

02

01.
Robert Gordon University, Aberdeen

02.
Scottish Centre for Regenerative Medicine

Group Chief Executive's Business Review
Construction continued

01

02

01.
Harton Staithes

02.
Topping Out Ceremony, Rushey Mead School, Leicester BSF Programme

Corporate responsibility (CR)

Supporting and enhancing the communities in which we work is embodied into our way of doing business. We integrate responsible business practice into everything we do and utilise our resources to improve our impact on society and the environment.

During 2011 we received four gold and three silver awards under the Considerate Constructors Scheme. In addition, the site team from Hartlepool College of Further Education collected the accolade of Runner Up to the Most Considerate Site, ranking it in the top 0.2% of all construction sites in the UK registered with the scheme.

In the last quarter of 2011, we registered our CR activity with the BiTC (Business in the Community) CR Index, the UK's leading voluntary benchmark for corporate responsibility. We anticipate being accredited during the first quarter of 2012.

Strengthening our order book

We seek long term collaboration with clients who have an identified programme of works. Client identification, selection and management are critical to our future growth and we have developed client account plans for all key accounts.

We were appointed one of eight contractors on the Improvement and Efficiency South East (IESE) framework. The IESE framework covers most of the local authorities in South East England as well as numerous London boroughs and is expected to deliver over £1.5bn of work over the next four years. Although the framework is still in its infancy, we have already been appointed contractor for the extension and refurbishment of four primary schools.

Despite a slower than anticipated pipeline of opportunities to date, we are well placed to maximise the opportunities flowing from our position on both the NHS ProCure 21+ and Royal Mail Construction frameworks. In addition, we anticipate a significant increase in revenues through the North hub Territory project.

Leicester 'Building Schools for the Future' programme continues apace. In total, 18 schools and more than £190m of construction work have now been formally approved for delivery over the next four years. We commenced work on Rushey Mead School during the year, with City of Leicester College and Crownhills Community College starting on site in March 2012.

Other education projects won during the year include the provision of a new campus for Robert Gordon University and repeat orders from both Durham University and the University of Leeds. These contracts

Leading approach to health and safety

Building on strong foundations

Nothing is so important that we can't take the time to do it safely.

The health and safety of staff, clients, other stakeholders and the public is our No 1 priority. Regular reviews of our procedures ensure maximum compliance with accident prevention measures, and we are constantly seeking improvement in our performance.

Our average Considerate Constructors Scheme (CCS) score in 2011 was 35 – some 6% above the national average.

In 2011, our commitment to health and safety led to Miller being instrumental in the UKCG Working Consultation Forum which produced an industry-wide benchmark for health and safety protocol in the construction industry. Staff annually attend IEMA (Institute of Environmental Management and Assessment) training and are accredited as BREEAM Assessors.

Average Considerate Constructors Scheme (CCS) score in 2011

+6%
above the national average

further reinforce our established reputation for quality and excellence in this area. We continue to monitor, and believe we will have a strong offering for, the Priority Schools Building Programme.

In consortium with Bilfinger Berger Project Investments, we have been named as preferred bidder for the £129m Avon and Somerset Police Accommodation PFI Project. In addition to supplying project investment, we have been appointed principal contractor, a role which will provide £68m of turnover over the next three years.

In the commercial market, repeat orders were received from Prudential Assurance Company for projects at Purley Way, Croydon and Wessington Square, Washington and from S. Harrison Developments for a new hotel at Toft Green, York.

Look forward

We have a combined order book and preferred bidder positions of over £600m, an increase of 30% on 2010. In addition, there are considerable unrecorded orders which we anticipate from our framework arrangements. This platform and a growing client base with long term capex plans provide confidence for growth in 2012 and beyond.

"Teamwork is vital to maintaining safety. This year, we have empowered supply chain personnel to stop operations on site as necessary to ensure all working areas are as safe as possible. This step is reflected in an improvement in the KPI scores we jointly set ourselves and our supply chain partners."

Garry Hope, Operations Director

Group Chief Executive's Business Review
Developments

Key highlights:

- 200,000 sqft of new lettings concluded.
- 1.8m sqft of built property which is 87% let.
- Planning permission granted on a 105 acre mixed use site at Fort William with forward sale to Tesco.
- Investment sales of £66m including joint ventures.

Market

Following the welcome return to stability last year, 2011 displayed similar trends. There was high demand for quality prime property, with a particular focus on London. Demand has continued to be led by institutions and overseas investors.

The market for secondary property has continued to weaken. There remains an absence of willing buyer/willing seller transactions and the lack of bank funding for secondary property continues to put downward pressure on values.

There have been more forced sales as some of the major UK banks have reduced their exposure to the property market. We purchased two assets out of administration: the first, a 120 acre former car tyre factory at Linwood near Glasgow Airport with residential potential; and the second, a shopping centre redevelopment with an attached office building in Altrincham near Manchester. Both projects are forecast to make significant returns due to their low base cost. We would expect this pattern to continue in 2012 and present more opportunities for investment.

Occupational demand has remained a challenge. However, the UK is faring better than some of our European markets. We have achieved over 200,000 sqft of lettings during the year despite market conditions. A more sustained and broad based recovery in occupational markets is key to growth in both values and the volume of transactions.

Always delivering high quality

Building on strong foundations

Quality in everything we do is central to the Miller culture. We were awarded the prestigious accolade, 'Property Company of the Year' by Estates Gazette, in both Scotland and the East Midlands with our joint venture partner, Miller Birch. To be recognised in not just one but two of our regions, highlights our ability to consistently deliver quality projects across the country. We value our joint venture partnerships and realise the significant contributions such partnerships can make to our business.

We have highly motivated and qualified teams committed to creating exciting opportunities for our clients and ultimately the investor market. By retaining our focus on quality we have successfully pre-let and forward sold a number of developments in a challenging market.

Through continuously delivering high quality projects for our customers we ensure that we are adding value through innovative design solutions and delivering quality in everything we do.

Performance

We made an operating profit before exceptionals of £10.2m (2010: £11.2m) whilst also managing to reduce debt.

Asset write-downs totalling £19m have been provided for in the results as exceptional costs relating to the carrying value of six SPVs which were transferred to their existing lenders as part of the Group refinancing transaction concluded in February 2012. There was an equivalent write down in Group debt.

Risk management

A strong risk management culture and strategy is firmly embedded in our approach to business. Many of our development activities are either pre-let, undertaken in joint venture or forward sold. Where external funding is available, we continue to use non-recourse arrangements to maximise the efficiency of our equity.

Managing our portfolio

Our strategy is to maintain a cross sector commercial property business with a focus on property development and planning-led change of use, both high margin activities. We adopt a highly entrepreneurial approach to generate value across all sectors. Our continuing focus is to actively asset-manage current projects with a view to ensuring that lettings, income and cash flow are maximised.

Our portfolio including joint ventures comprises over 30 projects capable of delivering 14m sqft of accommodation. We have a mixed portfolio comprising long term, major development projects and shorter term opportunities that allow us to trade within a two to three year timescale.

In relation to our existing portfolio of completed properties, our focus remains on tight asset management to maximise the cash and exit value. Much has been done over the past three years to add value to the existing portfolio which is now around 87% let.

On our long term development sites, attention has been focused on extending and improving planning consents and conditions to allow these sites to be developed profitably over the next 5-10 years.

We have been actively investing in new projects. Attractive opportunities exist at present in this market and we are starting to see an increase in the number of opportunities presenting themselves from a variety of sources (banks, joint venture partners, industry contacts, receivers). The refinancing of the Group has strengthened our balance sheet and ensures we are equipped to react to these opportunities.

Residential and mixed use are presenting the most interesting opportunities. Following on from the successful sale of the final part of our residential site in Islington, where we obtained planning for approximately 300 residential units, and our investment in a new site with residential potential at Linwood, we are seeing increased opportunities. Our role is to take on a calculated planning risk before selling these sites on to residential housebuilders, complete with residential planning permissions. We see this as an increasingly important part of the business going forward and one that can generate higher margins.

01.
The Grafton Centre, Altrincham

02.
Speedo International Headquarters, ng², Nottingham

01

“The quality of our partnerships and product is evident in our JV project, Freedom House in Aberdeen. Within one month of completion the four-storey building was let in its entirety to Aker Solutions Limited, one of the fastest growing companies in Aberdeen. We already had an excellent relationship with Aker, having previously let Admiral Court to them. This is a great example of our dedication to quality and partnerships where our track record meant we delivered repeat business for one of our customers.”

Pamela Grant, Development Director and Chairwoman of BCO Scotland

02

Group Chief Executive's Business Review
Developments continued

UK
Although occupational markets remained subdued, we achieved over 200,000 sqft of new lettings during 2011. This included 20,000 sqft to Aker Solutions Limited in Aberdeen and 83,000 sqft let to Paragon, a food packaging manufacturer in Lincolnshire.

We also took advantage of a more stable investment market, selling the 34,000 sqft Cirrus office building in Nottingham, the 32,000 sqft Freedom House office building in Aberdeen and a 24,000 sqft retail shed let to B&Q in Edinburgh.

Other highlights included the construction of an 83,000 sqft industrial unit let to Paragon, which was forward sold to an investment fund during the summer. We also continued to benefit from profits generated by our 105,000 sqft office pre-let to E.ON in Nottingham which was forward sold in 2010.

Finally, good progress was made with Blar Mhor, our land holding in Fort William. We signed a conditional contract with Tesco to sell land to build a 60,000 sqft supermarket.

Europe
Whilst economic conditions have remained challenging across all markets, our European retail projects have continued to show progress with new lettings at our factory outlet schemes at Ringsted near Copenhagen to McDonalds and ASICS, and at Budapest to a number of local retail businesses including Marc Shoes and Skiny.

Our German portfolio remains fully let and strongly cash generative whilst in Romania, we continue to work closely with our tenants in a difficult market, enabling us to maintain satisfactory occupancy levels.

Look forward
We have a stable team, a good portfolio of assets and high visibility of attractive opportunities. With a new increased investment allocation from the Group following the refinancing, we are excited and confident about the future.

Setting the standard in sustainability

Building on strong foundations

The principles behind sustainable development are well understood in Miller.

One of our JV companies, Miller Birch, is developing Nottingham's greenest ever office building for energy company, E.ON.

The new 105,000 sqft scheme will set new standards in sustainability and energy efficiency with unrivalled green credentials, a BREEAM 'Excellent' rating and EPC 'A' certificate.

Designed to take advantage of the district heating scheme utilising photovoltaics and the latest energy management systems, E.ON is making this new development the most efficient building in its portfolio.

Once complete, the building will accommodate a call centre as well as administration and management functions for the retail division of E.ON, which has signed a 15 year lease.

"Green credentials are only one part of this development. This will act as a catalyst for the regeneration of this important city centre site, leading to the creation of a dynamic new business quarter."

Andrew Sutherland, Joint Managing Director

01.
E.ON, Nottingham

02.
Cirrus Building,
Nottingham

03.
Example of a Tesco
Environmental Store,
Blar Mhor,
Fort William

Group Chief Executive's Business Review
Mining

Key highlights:
- 25% increase in coal sales to 987,000 tonnes.
- New contracts concluded with RWE, Tata and Fergusson Coal.

The Ffos-y-fran Land Reclamation Scheme had a record year with coal sales of 987,000 tonnes, a 25% increase on 2010. The 1,000 acre project is reclaiming derelict and unstable land, whilst at the same time recovering over 11m tonnes of coal reserves using open cast methods. It is being carried out in joint venture with Argent Group plc.

To date, we have completed 36% of the overburden extraction task and recovered around 25% of anticipated coal reserves. We benefited from high spot coal prices during the year. As a result, the project has entered an extremely cash generative phase, producing an operating cashflow of over £30m during the year.

Our major customer is RWE npower to whom we supply coal for use at Aberthaw Power Station (APS). Aberthaw has been specifically designed to burn Welsh dry steam coal and, significantly, has been fitted with the latest flue gas desulphurisation technology, designed to reduce sulphur dioxide emissions by over 90%. APS supplies South Wales with over 42% of its electricity supply.

Helping our local communities

Building on strong foundations

"Our role in Merthyr is not just about the reclamation of this land. It's also about the training facilities we are offering and the community benefits we are delivering, both of which will leave a lasting legacy in the community."

Kylie Jones, Environmental Officer, Miller Argent

01


Our increasing output has enabled us to agree a number of supplementary contracts with RWE and to further expand our customer base. During the year we supplied both Tata and Fergusson and have recently agreed a supply contract with Lafarge Cement.

Amongst the major benefits provided by the scheme is the removal and treatment of three potentially hazardous waste tips. This has relieved the local community of Merthyr Tydfil of a major liability. The scheme directly provides employment for over 200 people, the majority of whom reside locally. The joint venture continues to work closely with the local Council to maximise the economic and amenity benefits for the wider area.

02


03


01.
Plant at work, Ffos-y-fran

02.
Michael Portillo visits Ffos-y-Fran on his 'Great British Railway Journeys' programme for BBC2

03.
Community Minibus

Wherever Miller operates, we are committed to bringing social and economic benefits to local communities.

At Ffos-y-fran, for example, in addition to reclaiming 1,000 acres of dangerous and derelict land for the lasting benefit of the Merthyr Tydfil community in South Wales, Miller Argent provides two free-to-travel community minibuses for the use of local groups.

In 2011, the buses (one of which has wheelchair access) were used by over 90 local groups ranging from dance schools to luncheon clubs.

Over £985,000 was paid into the local Community Benefit Fund which is being built up with royalty payments as the scheme progresses.

Miller Argent was also instrumental in delivering 'Bronte the Dinosaur' from the Dan-yr-Ogof Show Caves to his new home at Ysgol Santes Tydful. The school had no means of transporting the 30ft long and 2.5 tonne model Brontosaurus, now the focal point of the school's nature garden. Miller Argent was more than happy to lend a helping hand.

Group Chief Executive's Business Review
continued

Asset values

The Directors have reviewed our housing landbank against the backdrop of a difficult economic environment and, in particular, the continued tight supply of mortgages. These factors led us to write-down the value of our housing landbank by £35m.

In addition, as a result of the refinancing, the economic interest in certain Developments' assets will be transferred to their existing lenders. We have, therefore, written off £19m of remaining equity in these vehicles.

These adjustments have been shown as exceptional items within the accounts.

Board

The Group Board has been restructured to reflect the requirements of our new principal shareholder, GSO Capital Partners.

Our thanks go to Sir Brian Stewart and the other Non-Executive Directors, Tim Bowdler, Andrew Huntley, Brian Wallace and Tim Redburn for their contribution to the Group and especially their commitment during the past 15 months where many additional Board meetings were required to complete the debt restructuring and the introduction of new equity capital.

Sir Brian's wise counsel and calm approach, particularly over the past 15 months, have been of immense value to the Board. Being able to handle all the many constituent parties over what turned out to be a very extended process in a measured and even handed manner was admirable and often above and beyond the call of duty. The Company and the family are deeply appreciative of the vital role he played in finalising this transaction. A successor to Brian will be appointed in due course.

The Executive Management Board, will control the strategic direction and day to day operational performance of the Group.

People

We have outstanding teams in The Miller Group. Tribute is paid to the members of the senior management team who over the past 15 months, have worked tirelessly on delivering the refinancing. They committed significant effort, time and energy over an extended period that ended in the right result for our business, our employees and all of our stakeholders.

Operationally, we had an outstanding year and due to the quality of our teams and individuals, we collected an increased number of awards in 2011.

The Board thanks everyone for their hard work and loyalty throughout the year. It is heartening to know that we have teams of highly committed and professional individuals all pulling in the same direction with the desire to improve the way we operate. It is only through this relentless drive for improvement in everything we do that we will continue to attract and retain the best and most able team players.

Look forward

Each of our businesses is poised for further growth in a marketplace which is showing some positive signs of improvement. With our balance sheet strengthened, committed debt facilities for a five year period and new shareholders with substantial resources, we are well positioned to grow our business and capitalise on the many opportunities available to us. More importantly, we have highly motivated teams who are capable of delivering innovative solutions and results for all our stakeholders.

Whilst there will be challenges ahead, we have every reason to be confident that we will deliver ahead of expectations.

Keith. M. Miller

Keith M Miller CBE
Group Chief Executive

Group Finance Director's Review

Trading performance

Group turnover of £588m was, as expected, 11% down on 2010. This was primarily the result of reduced activity both in Housing and Construction which we had assumed in our budgets.

Group Profit Before Interest and Exceptional Items of £20.8m is underpinned by a strong performance from Mining and a recovery in Housing. We incurred exceptional charges of £62m (2010: £103m) representing adjustments to asset values in our Housing and Property businesses and the expensing of costs associated with the refinancing of the Group. Both debt and interest charges are in line with 2010.

Balance sheet

Capital Employed reduced by 15% to £523m due to land and working capital management.

Deferred tax

The Group has considered carefully the extent to which future taxable profits will be available against which carried forward tax losses can be utilised. The Group's forecasts show a return to profitability in the short term and consequently we have recognised a deferred tax asset of £60m in relation to an element of past losses. We have an unrecognised deferred tax asset at current rates of around £40m.

Financing

The Group had committed facilities of £648m. These facilities were restructured on 29 February 2012 as explained in the Group Chief Executive's Review. From that date we have a new five year committed facility of £238m provided by Lloyds Banking Group, Royal Bank of Scotland and National Australia Bank, secured by a fixed and floating charge across the Group's assets.

The primary purpose of these facilities is to finance the working capital requirements of our Housing business. A proportion is also allocated to our Property business for use as equity capital for the many single asset and joint venture vehicles they manage.

In addition, there are project-specific loans of around £80m which fund a small number of housing and commercial development projects. These loans have no recourse to the core facility.

The Group also has interests in a number of joint venture facilities which support commercial development and PPP projects. They have no recourse to the Group.

Hedging

We currently have £145m of core borrowings hedged at a weighted cost of funds of 2.6%. There are individual swaps which mature at various stages over the next three years. Interest on our remaining borrowings is at floating rates.

Whilst the Group has overseas operations in Europe, our foreign currency exposure is minimal. Hedging is in place to cover our Euro investment in overseas subsidiaries and joint ventures through the use of a Euro loan facility.

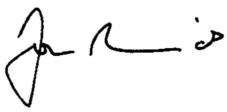
Accounting policies

Profit recognition

The Group continues to adopt a prudent approach to income and profit recognition. In Property and Housing, turnover is recognised following both legal completion and receipt of cash. Cost and income appraisals are performed monthly with prudent assumptions made regarding both future costs and revenues. In Construction, similar prudent policies are followed, with profits recognised in line with the completion of the project to the extent the ultimate out-turn is foreseeable. Profit out-turns reflect conservative assumptions as regards future costs and only income which has been certified is recognised.

Investments and Joint Ventures

All joint ventures and limited partnerships are accounted for in accordance with the gross equity method of accounting in line with FRS 9. Profit recognition policies are consistent with our wholly owned subsidiaries. PFI/PPP special purpose companies are accounted for as investments. Our financial exposure to these investments is restricted to the capital initially invested. Bid costs for prospective projects are written off as incurred in accordance with UITF Abstract 34 and subsequent costs are only capitalised on the attainment of preferred bidder status.



John Richards
Group Finance Director

Principal Risks and Uncertainties

As part of its normal operating procedure, The Miller Group Board is committed to identifying, evaluating and managing the principal risks and uncertainties facing the Group at any given time.

The following are the principal risks and uncertainties that impact on the Group. Further information on risk is given in the divisional sections of the Chief Executive's Business Review and in the Group Finance Director's Review.

Market related

General macro-economic conditions have a direct bearing on the levels of demand for homes and commercial property space, at the same time influencing the spending patterns of public and private sector clients. We monitor a variety of key economic performance indicators to determine our future output levels, adjusting order books, landbanks and property investment levels accordingly.

Financial

The Group requires access to adequate financial resources in order to deliver its objectives in both housebuilding and property and to manage cash across the Group. Cash is managed by a combination of short and medium term forecasts. We have a committed five year facility through to February 2017 with three of the UK's major banks together with project finance supplied by a number of other UK clearing and overseas banks.

Business process risks

General approach

Throughout all parts of the Group, strict adherence to the principle that we only accept risks that can be fully identified and priced is a fundamental aspect of the Miller approach to business. Ultimately, this principle determines the type of business that we accept and how it is evaluated.

The identification and management of risk is constantly evolving. The Group and each of its divisions have a risk score card which is updated regularly throughout the year and fully reviewed at meetings of the Audit Committee.

These identify the most significant risks affecting each division and evaluate existing control techniques for effectiveness. The risks are rigorously examined and re-evaluated. We frequently use third party experts to facilitate this process.

An established Group reporting framework and management information system dictate how each business operates. All major risks are considered against a comprehensive system of management and control processes.

An important characteristic of the Group-wide risk control procedure is the range of delegated authority levels set for land and contract procurement. Using a mix of criteria, these identify large and/or unusual projects which will require additional senior management approvals.

The major risks that could have an adverse impact on our business are:

Corporate risks

People

People are the Group's most important asset. It is imperative that we attract and retain the best people. Training opportunities and personal development plans are key areas of focus and are kept constantly under review to ensure our processes are in line with best practice. We have an established succession plan for middle and senior management which helps identify tomorrow's leaders.

Health and safety

Health and safety is at the forefront of risk management with proactive policies and procedures regularly tested to ensure compliance. This protects our staff, supply chain personnel and the public.

Information technology

Like any modern business, we are heavily reliant on the integrity and reliability of our IT network and applications. Centralised back-up is completed each evening and a regularly tested, comprehensive disaster recovery plan is in place that would restore all of our systems as quickly as possible in the event of failure.

Insurance

The Group has a comprehensive insurance programme which is renewed annually. This protects our staff, customers, supply chain personnel, members of the public and, of course, our physical assets. We retain a modest level of self insurance and anticipate limited change in our approach on renewal.

Pensions

The Group has two pension schemes – a defined contribution Group Personal Pension Scheme and a Defined Benefit Scheme. The latter was closed to new entrants in 1997 and to future accrual for existing members in July 2010. We closely monitor our funding obligations in relation to our Defined Benefit Scheme. On an FRS 17 basis, there was a deficit of £11m at 31 December 2011.

Housing

Market and land values

Housing is the largest business within the Group. We manage market risk by regularly reviewing sales prices and incentives. As required by accounting standards, our landbank and housing stock is held at the lower of cost and net realisable value. At the year end, we performed a detailed review of all our residential land and work in progress on a site-by-site basis and have recorded provisions for future losses where appropriate.

Land acquisition

All proposed land acquisitions are subject to a strict evaluation process involving key personnel from our sales, technical, build and cost control teams. Independent, external substantiation of major assumptions is regularly sought especially when we are assessing complex brownfield sites. Strict approval controls are in place for land purchases. Led by the Divisional Chief Executive, these include detailed technical commercial investigations and market research into the local demographics, selling prices and affordability levels. The Divisional Chief Executive personally visits and approves every land transaction. The Group Chief Executive also reviews all acquisitions.

Property

Market and asset values

Every year, we expect to trade a proportion of our portfolio. If the market changes, we respond by reviewing overall budgets, and adjusting rent and yield expectations. Similar to Housing, our assets are held at the lower of cost and net realisable value and in normal market conditions will deliver margins in line with Group hurdle rates. We have re-evaluated the carrying values of our property portfolio based on current rents and yields and recorded an impairment in value where appropriate.

Property acquisition and development

Property acquisition follows a rigorous process where divisional management, with the assistance of external property agents and technical experts, challenge and check all planning, revenue and cost assumptions. The Divisional Chief Executive and Group Chief Executive approve all acquisitions.

Development risk is controlled by commencing the majority of projects only when there is a substantial pre-let or pre-sale agreement. Joint ventures are frequently entered into in order to share risk or to import expertise. Rigorous partner approval criteria are applied before we legally conclude any arrangements.

Construction

Contract procurement and build risk

Our policy is to work only with clients who recognise the value which a partnering-led building contractor can bring to projects. This is the primary procurement filter. Thereafter, we assess projects after due consideration of technical and build risks, our resource capability and covenant strength. Tiered authority levels are in place with the Group Chief Executive approving all new work over £25m and a Group Board Committee approving all projects with a value exceeding £35m or where contract conditions are onerous or unusual.

Build risks are controlled and monitored by our teams who rely heavily on our established management information systems. Tight discipline is maintained, all projects are reviewed each month with a focus on current progress and forecast out-turn compared with the original programme and budget cost.

Mining

In line with Group practice, the Ffos-y-fran land reclamation scheme (a joint venture) adopts the same risk management processes and approach as the rest of the Company. The principal risk is sales, therefore, prior to commencement of mining we secured a five year contract with RWE npower to supply its power station at Aberthaw. Our mine plan is fully costed and regularly reviewed and includes appropriate allowances for contingencies such as adverse weather. The most significant cost is fuel and we hedge the majority of our medium term fuel requirements.

Corporate Responsibility

"Surround yourself with the best people; they may prove more challenging to manage, but the rewards are immeasurable."

Keith M Miller CBE, Group Chief Executive

A focus on people and communities

People lie at the heart of everything we do within The Miller Group. It is people – our own dedicated and highly trained staff members – who successfully complete our projects and, of course, we carry out our work for people. During 2011, we continued to review our CR programme to ensure that the resources available became more focused than ever on people. We were delighted to achieve silver accreditation from Investors in People (2010) across our businesses and we are looking to both maintain and improve our position as an employer of choice.

We aim to be considerate in everything we do, from the construction of buildings, homes and developments we create to the employment opportunities we extend to our staff, and the care and support we offer the communities where we work. By combining these elements in all our projects, we hope to demonstrate our credentials as a good employer and a good neighbour.


01


02

01.
RSNO Musical Programme at Rachel House

02.
Considerate Constructors Scheme Award Winners 2011

03.
Milly – Miller Group sponsored Guide Dog

04.
2011 Graduates

05.
NHBC Pride in the Job Award Winners 2011

The Miller team: committed to success

Our people are at the very foundation of our success and we have some of the best in the industry. To attract and retain the highest calibre of people, we strive to offer sector-leading benefits and, at the same time, to create a working environment which encourages personal growth and development. Constant benchmarking against our competitors ensures that we provide competitive staff packages incorporating salary, performance incentives, training opportunities and other benefits which lead the industry.

Our employment policies and practices deliver the best possible working environment for our employees – from family friendly policies such as child care vouchers, enhanced paternity/maternity leave and flexible working to the quality of our office and site-based accommodation.

Our employees' skills and competencies are of the highest order, however, we recognise that there is always a desire to do things better. That's why we invest in our people through a wide range of training initiatives designed to help individuals to enhance their capabilities and, therefore, their contribution to the success of our business.

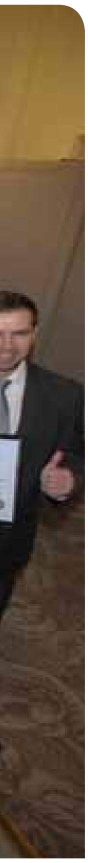
Improved skills training starts at the top in all of the Miller businesses. Over the last two years, the entire senior executive team has participated in extensive management development activities organised by IDDAS International, a recognised executive development and management effectiveness organisation. A Talent Development Initiative Programme has been established as a result of the training which is being rolled out across senior managers within the business.

At the sharp end of our business activities on-site, vocational training is vital to ensure that employees maintain and advance their skills to meet changing standards in construction and housebuilding. During 2011, over 2,668 training days were delivered, an average of two training days per head. This illustrates, particularly during difficult economic times, how committed The Miller Group is to investing in training and development.

Health and safety is of paramount importance within our business and is a vital factor in sustaining positive working environments for all our staff. In 2011, the Group delivered in excess of 1,152 health and safety training days.

We support employees who wish to undertake further studies through day release, evening classes and distance learning as a fundamental part of our culture. We encourage our staff to enhance their professional qualifications through further education and National Vocational Qualifications (NVQs).

The Miller Group recognises the benefits that apprentice schemes can bring to those studying for qualifications while looking for industry experience. During 2010/2011, Miller Homes took on 19 apprentices across the division's portfolio, providing them with the opportunity to learn about the housebuilding industry whilst developing their skills and knowledge. Similarly, Miller Construction regularly gives apprentices studying for a variety of NVQs the opportunity to enhance their skills through involvement in the construction of new developments. This gives each apprentice the opportunity to transfer the skills learned in the classroom to a live construction site, enhancing their educational experience.



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Corporate Responsibility
continued

2011 also saw the reintroduction of our successful Graduate Framework, a two year programme which enables graduates to experience all aspects of The Miller Group. Five graduates have joined the framework and we will be seeking to recruit another six in the coming year.

Awards aren't everything. However, to highlight the quality and calibre of the people that we employ, you just need to look at our award winning staff and what they have achieved in the last 12 months.

Miller Construction was awarded seven accolades at the national Considerate Constructors Scheme (CCS) awards, securing four gold and three silver awards. This also included Runner Up to The Most Considerate Site.

At the CIOB Construction Manager of the Year awards 2010, four Miller Group site managers were recognised for their judgement, integrity and commitment to excellence, highlighting that our staff are some of the very best in the country.

Miller Homes enjoyed huge success at the 2011 Scottish Home Awards, securing the 'Large Housebuilder of the Year' award and the award for 'Private Developer of the Year' at the First Time Buyer Reader Awards, underlining the dedication and professionalism of our staff.

At the 2011 NHBC Pride in the Job awards, 26 of our staff were named as Quality Award winners, a testament to the quality and high calibre of our teams across the country.

Miller Developments was named Property Company of the Year in the Estates Gazette Regional Awards, whilst its joint venture company, Miller Birch, claimed the same title in the East Midlands region.

A giving environment

The Miller Group's CR focus on people also extends to our charitable donations where we aim to help a range of deserving causes each year. In 2011, the Group re-aligned its charitable giving strategy and enjoyed a record year of staff initiatives lending help and support to our communities.

In 2011 we continued our relationship with The Royal Scottish National Orchestra (RSNO) enabling them to continue a musical residency for the next two years at Rachel House, a hospice for children, young people and families run by Children's Hospice Association Scotland (CHAS). The musicians interact with the children, young people and their families in musical activities which have proven positive effects on the well-being of individuals, family groups, volunteers and staff alike.

Working with Macmillan Cancer Support, we sponsored its annual Edinburgh Macmillan Art Show, which raised £46,500. The money raised from the show will fund Macmillan's vital cancer services, including specialist cancer nurses and grants for cancer sufferers experiencing financial problems.

We actively encourage our employees to nominate charities which they believe deserve to receive a donation through our employee-nominated charities initiative. In 2011, the charities chosen by our employees were The Anthony Nolan Trust, BLISS and Guide Dogs for the Blind Association.

Being the industry's employer of choice

Building on strong foundations

"Being on the Graduate Programme gave me exposure to the main Group Board at a young age, further fuelling my drive and ambition. Miller recognises and encourages the talents of individuals and empowers them to realise that the only barriers to their own professional progression are ones that they create themselves."

Ben Massey, Associate Land Director, Miller Homes

The Miller Group takes pride in its ability to recognise staff potential and nurture the talents of individuals. Ben Massey joined the Miller Graduate Programme in 2002 as a Graduate Land Buyer, after achieving a first class BSc honours in Residential Development.

Through the Graduate Scheme, Ben went on to complete a Masters Degree in Property Investment and Management at Nottingham Trent University and is now an Associate Director.

Ben has undergone further in-house training and development and been guided through his career by his Senior Management Team. His choice upon graduation to join Miller came down

The Miller Group operates a match funding scheme, matching employees' individual efforts to raise funds for well deserving causes. In the community as a whole, the number of events our staff volunteer for are too numerous to mention. During 2011, we matched employee fundraising efforts and made further charitable donations totalling £25,000.

The Miller Group is a community of committed individuals who work together and bring added value not just for the business, but for themselves, for each other and for the community at large. This has been made possible through the working environment that we have created and continually strive to improve. At The Miller Group, it is not just what we do that is important, but the way in which we do it.

The Miller Group is proud of all of its staff and all that they do in the communities where they live and work.

to the Company values and reputation for quality. Ben was influenced by the Company's consistent performance and felt that it was not a faceless organisation; The Miller Group has maintained its private company status whilst holding its own against Plc competition.

Board of Directors

Michael Whitman
Chairman (40)
Mike is a Senior Managing Director of The Blackstone Group and Head of the European Business of GSO Capital Partners. He focuses on private and public investment opportunities and is a member of GSO Capital Partners' Investment Committee.

Keith Miller CBE
Group Chief Executive (62)
Joined the Group in 1975. He was appointed a Director in 1976 and Group Chief Executive in 1994.

John Richards
Group Finance Director (54)
Joined the Group in 1987 and was appointed to the Board in 1994 as Group Finance Director. Prior to this appointment he was a Director of Miller Homes and Miller Developments. He is a Non-Executive Director of Aberforth Geared Income Trust plc.

Mark Brown
Director (35)
Mark is a Principal at GSO Capital Partners. Before joining GSO Capital Partners in 2007 Mark worked with Deutsche Bank. He is a Board member of Alcontrol Holdings.


Michael Whitman


John Richards


Keith Miller CBE


Mark Brown

Sir Brian Stewart, P H Miller, C Webster, T Bowdler, A S Huntley, B Wallace and T Redburn resigned as Directors on 29 February 2012.

Executive Management Board

Keith Miller CBE
Group Chief Executive (62)

John Richards
Group Finance Director (54)

Phil Miller
Chief Executive, Miller Developments (55)
Joined the Group in 1989 and was appointed a Director in 1997. Phil is a past Chairman of the Scottish Property Federation.

Chris Webster
Chief Executive, Miller Construction (53)
Joined the Group in 2010. Formerly Chief Operating Officer and Main Board Director at Amey plc, where he spent almost 20 years. He is a Chartered Engineer, a Member of the Institution of Civil Engineers, and a Fellow of the Institution of Highways and Transportation.

Chris Endsor
Chief Executive, Miller Homes (50)
Chris was appointed Chief Executive in December 2011 and has been with the Group for 12 years. He was Managing Director of Birch Homes which the Group acquired in 2000. He takes an active role in the HomeBuilders Federation.

Pamela Smyth
Company Secretary and Group Legal Director (46)
Joined the Group in 1989. Appointed Company Secretary in 2002, she is also the Group Legal Director responsible for all legal and company secretarial matters within the Group.

Stephen Dunn
Group Human Resources Director (52)
Joined the Group in 2008. Stephen joined the Company from Scottish Power where he was Corporate Services Director, and was involved in Scottish Power's largest mergers and acquisitions. He is responsible for all human resources and communications matters within the Group.

From left to right:
Phil Miller
Pamela Smyth
Chris Endsor
Keith Miller CBE
Chris Webster
John Richards
Stephen Dunn

Project Gallery
A selection of other significant projects from 2011

01


02

03


04


05


06

01.
The Rock,
Bury

02.
Premier Inn,
Edinburgh Park

03.
B&Q, Edinburgh

04.
The Willows,
West Midlands, Stone

05.
Hartlepool College
of Further Education

06.
8teenthirty8,
Maidenhead,
Kings Quarter

Accounts

Corporate Governance Report

The maintenance of effective corporate governance is a key priority for the Board. The statement below describes how the principles of the Combined Code on Corporate Governance, as amended in June 2008 (‘the Code’), have been adopted and implemented by the Group.

Board of Directors

The Board is collectively responsible for corporate governance and for establishing the policies and strategies of the Group. It is supplied with information of appropriate form and quality in a timely manner. The directors are listed on page 26. The senior independent director during the financial year was Mr T Bowdler. The Board had seven scheduled meetings during the year and there was full attendance except that Mr B Wallace was absent for one meeting. There are three standing Board Committees: Nominations, Remuneration and Audit.

The Board uses the information contained within the Annual Report to present a balanced and understandable assessment of the Group’s position and prospects. The Board has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities. Matters reserved for the Board include approval of the annual and interim results, dividend policy, major acquisitions and monitoring of risk.

All directors have access to the advice and services of the Company Secretary and may seek independent professional advice and training, at the Company’s expense, if required to carry out their duties. The Company has appropriate insurance cover in the event of legal action against any director.

Nominations Committee

During the financial year the Nominations Committee was chaired by Sir Brian Stewart and comprised the Group Chief Executive and the non-executive directors. The Committee has written terms of reference and recommends all new appointments to the Board. The Committee met once during the year.

Remuneration Committee

During the financial year the Remuneration Committee was chaired by Mr T Bowdler and comprised the non-executive directors. The Committee met four times during the year and there was full attendance except that Mr A S Huntley was absent for one meeting. The Committee has written terms of reference and determines the remuneration of the executive directors and assists in the formulation of remuneration policy for other senior executives.

Further details of the remuneration policy are set out in the Remuneration Report. Where executive directors serve as a non-executive director elsewhere any fees earned are retained by the Group.

Accountability and audit

The Group has an Audit Committee which was chaired by Mr B Wallace and comprised the non-executive directors. It has written terms of reference which include the review of the interim and annual accounts, review of the internal and external audit plans and the consideration of any matters raised by the internal and external auditors. During the year the Committee met on one occasion at which there was full attendance.

The Audit Committee reviews and monitors the external auditors’ independence and objectivity. During the year the external auditors provided tax compliance, tax advisory and corporate finance services. In the view of the Committee this did not compromise the auditors’ independence as, where appropriate, teams from offices separate from the audit team were used. The external auditors operate their own procedures to safeguard against their independence being compromised.

The Group has a whistle-blowing procedure in place which is publicised in the staff handbook and as part of the new employee induction programme. All employees are reminded periodically that they may raise concerns about malpractice, improper or illegal behaviour, in confidence, without concern about victimisation or disciplinary action.

Internal control

The Board is ultimately responsible for the Group’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place for the year under review and up to the date of approval of the Annual Report and accounts, and that this process is regularly reviewed by the Board. The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

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

Management provide regular updates of significant risks affecting their businesses to the Board together with details of key internal controls and risk management initiatives. This process is facilitated by internal audit who also provide assurance as to the operation and validity of the system of internal control and review corrective action plans. Management report regularly on their review of risks and how they are managed to the Audit Committee who review, on behalf of the Board, the key risks inherent in the business and the system of control necessary to manage such risks, and present their findings to the Board. Internal audit independently review the risk identification procedures and control processes implemented by management, and report to the Audit Committee on a half yearly basis. The Audit Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board.

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

Statement of compliance

The Board has reviewed its governance arrangements against the Combined Code on Corporate Governance and complies with the principles and provisions set out.

Going concern

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

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

Remuneration Report

Remuneration Committee

The remuneration of the executive directors is determined by the Remuneration Committee (the 'Committee') within a framework set by the Board on its behalf. Its role is to make recommendations to the Board on all aspects of the remuneration, benefits and employment conditions of the executive directors and other senior management. It has access to independent advice where it considers it appropriate. During the year the Group Human Resources Director provided the Committee with regular benchmarking information obtained from external sources.

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

Remuneration policy

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

Bonus is geared towards the achievement of short-term annual budget targets. It is paid annually.

Non-executive directors receive an annual fee and do not participate in the annual bonus scheme or any of the Company's LTIPs or pension schemes.

Basic salary

The Committee reviews the basic salaries of executive directors annually and whenever an individual changes position or responsibility. Basic salaries were last reviewed in June 2011 and there were no consequent changes.

Bonus and incentive arrangements

The Group operates a non-pensionable annual performance-related bonus scheme for executive directors. In setting the bonus parameters, the Committee takes into account the internal budgets and strategic growth and performance objectives for the Group as a whole and each of the respective businesses. The annual bonus is principally related to Group Profit before Tax as recorded in the management accounts. However, it also recognises the importance of divisional profit before interest and profit before tax. These 'performance conditions' are considered appropriate as they are the key drivers of enhanced shareholder value. The 2011 scheme provides for a maximum of 100% of salary for performance above budget. Of the bonus earned half is mandatorily deferred for a period of three years. The deferred element receives 25% matching from the company.

The performance targets for Mr K M Miller and Mr J S Richards were geared solely to Group performance, whereas those for Mr P H Miller and Mr C Webster were based on the performance of the divisions for which they are directly responsible. For the year ended 31 December 2011 no bonuses are payable (2010: £395,000).

Other benefits

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the report of the Directors and accounts in accordance with applicable law and regulations. Company law requires the directors to prepare accounts for each financial year. Under that law they have elected to prepare the accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the parent company and Group and of the Group's profit or loss for that period. In preparing each of the Group and parent company accounts, the directors are required to:

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

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

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

Directors' Report

The directors have pleasure in presenting their report and the audited accounts for the year ended 31 December 2011.

Principal activities

The business conducted by the Group consists of Housing, Property Development, Construction and Mining.

Business review

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

Results and dividends

The Group loss after taxation for the financial year amounted to £75.7m (2010: £149.8m). No dividend will be paid. The Group recorded £53.6m of exceptional write-downs in the period to the carrying value of Homes and Developments Work in Progress and £8.8m of exceptional restructuring costs.

Going concern

As noted in the Group Chief Executive's Business Review, in February 2012 the Group secured £160m of new equity investment and restructured its existing banking facilities with new Group lending facilities of £238m being made available through to February 2017. The directors have prepared detailed cash flow forecasts for the Group and Company for the period through to December 2017. The Group's banking facilities are subject to compliance with certain covenants relating to interest cover, asset coverage and net asset value. These covenants and conditions are sensitive to changes in the key assumptions. In preparing their sensitivity analyses, the directors have taken account of the circumstances prevailing in the property market at the current time and recognise that the current difficult economic climate creates uncertainty over the timing and amount of ultimate realisation of the Group's cash flows. Whilst the directors cannot envisage all possible circumstances that may impact the Group in the future, the directors believe that, taking account of reasonably possible adverse movements in housing volumes and selling prices; rental yields and the quantum and timing of commercial property transactions; and construction volumes and price, the Group has sufficient resources available to it to ensure continued compliance with relevant covenants and conditions.

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

Directors

The directors at the date of this report are shown on page 26.

Employees

Applications for employment of disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability. It is Group policy to keep employees informed regarding the achievements and prospects of the Group. In particular, team briefing is in operation and a newsletter is issued at regular intervals.

Supplier payment policy

Each business is responsible for agreeing the terms and conditions, including terms of payment, relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. While payment terms within the Group vary, the Company's average supplier payment period at 31 December 2011 was 18 days (*2010: 37 days*).

Contributions

The total of charitable donations made by the Group was £90,000 (2010: £63,000).

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

By order of the Board
P J Smyth
Secretary
13 March 2012

Independent Auditor's Report to the Members of The Miller Group Limited

We have audited the financial statements of The Miller Group Limited for the year ended 31 December 2011 set out on pages 35 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express our opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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
13 March 2012

Group Profit and Loss Account
for the year ended 31 December 2011

	Note	2011 Before exceptional items £m	2011 Exceptional items (note 7) £m	2011 Total £m	2010 Before exceptional items £m	2010 Exceptional items (note 7) £m	2010 Total £m
Turnover: Group and share of joint ventures	2	**587.6**	**–**	**587.6**	662.9	–	662.9
Less share of joint ventures		**(51.4)**	**–**	**(51.4)**	(34.5)	–	(34.5)
Group turnover		**536.2**	**–**	**536.2**	628.4	–	628.4
Cost of sales		**(477.8)**	**(53.6)**	**(531.4)**	(581.3)	(96.3)	(677.6)
Gross profit/(loss)		**58.4**	**(53.6)**	**4.8**	47.1	(96.3)	(49.2)
Administrative expenses		**(52.4)**	**(8.8)**	**(61.2)**	(48.1)	(0.8)	(48.9)
Group operating profit/(loss)		**6.0**	**(62.4)**	**(56.4)**	(1.0)	(97.1)	(98.1)
Share of operating profit/(loss) in joint ventures		**12.5**	**–**	**12.5**	3.4	(5.9)	(2.5)
Gain on disposal of fixed assets		**2.3**	**–**	**2.3**	–	–	–
Profit/(loss) before interest		**20.8**	**(62.4)**	**(41.6)**	2.4	(103.0)	(100.6)
Net interest expense	3	**(51.2)**	**–**	**(51.2)**	(58.2)	–	(58.2)
Loss on ordinary activities before tax	6	**(30.4)**	**(62.4)**	**(92.8)**	(55.8)	(103.0)	(158.8)
Tax	9			**17.1**			9.0
Loss after tax for the financial year				**(75.7)**			(149.8)

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2011

	2011 £m	2010 £m
Loss after tax for the financial year		
Group	**(83.2)**	(145.4)
Joint ventures and associates	**7.5**	(4.4)
	(75.7)	(149.8)
Actuarial loss on pension scheme	**(11.3)**	(1.6)
Exchange gain/(loss)	**0.4**	(1.2)
Total gains and losses recognised relating to the financial year	**(86.6)**	(152.6)

Balance Sheet
at 31 December 2011

	Note	Group Pro forma (note 10) 2011 £m	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Fixed assets						
Tangible assets	11	**12.0**	**12.0**	12.0	**–**	–
Investments in joint ventures:					**3.9**	8.8
Share of gross assets		**133.2**	**133.2**	154.2	**–**	–
Share of gross liabilities		**(145.0)**	**(145.0)**	(174.9)	**–**	–
Loans to joint ventures		**59.7**	**59.7**	62.0	**–**	–
	12	**47.9**	**47.9**	41.3	**3.9**	8.8
Other investments	12	**7.8**	**7.8**	9.1	**40.0**	15.9
		67.7	**67.7**	62.4	**43.9**	24.7
Current assets						
Stocks and work in progress	13	**371.1**	**460.2**	597.6	**–**	–
Debtors:						
Due within one year	14	**65.9**	**65.9**	64.8	**0.6**	0.7
Due after more than one year	14	**117.2**	**117.2**	91.2	**649.1**	658.6
Cash at bank and in hand		**71.1**	**6.3**	6.0	**–**	–
		625.3	**649.6**	759.6	**649.7**	659.3
Creditors: amounts falling due within one year	15	**(192.9)**	**(823.8)**	(813.6)	**(647.3)**	(643.6)
Net current assets/(liabilities)		**432.4**	**(174.2)**	(54.0)	**2.4**	15.7
Total assets less current liabilities		**500.1**	**(106.5)**	8.4	**46.3**	40.4
Creditors: amounts falling due after more than one year	16	**(257.8)**	**(65.7)**	(105.3)	**–**	–
Net pension deficit	5	**(11.3)**	**(11.3)**	–	**–**	–
Net assets/(liabilities)		**231.0**	**(183.5)**	(96.9)	**46.3**	40.4
Capital and reserves						
Called up share capital	17	**2.7**	**2.0**	2.0	**2.0**	2.0
Share premium account	18	**368.4**	**3.5**	3.5	**3.5**	3.5
Capital redemption reserve	18	**0.5**	**0.5**	0.5	**0.5**	0.5
Profit and loss account	18	**(140.6)**	**(189.5)**	(102.9)	**40.3**	34.4
Shareholders' funds/(deficit)		**231.0**	**(183.5)**	(96.9)	**46.3**	40.4

These financial statements were approved by the board of directors on 13 March 2012 and were signed on its behalf by:

Keith Miller Group Chief Executive
John Richards Group Finance Director

Group Cash Flow Statement
for the year ended 31 December 2011

Reconciliation of operating loss to net cash flow from operating activities

	2011 £m	2010 £m
Operating loss	**(56.4)**	(98.1)
Depreciation	**0.2**	0.4
Gain on disposal of subsidiary	**–**	(1.5)
Decrease in stocks and work in progress	**136.2**	206.3
Increase in debtors	**(12.0)**	(20.3)
(Decrease)/increase in creditors and provisions	**(25.7)**	7.1
Net cash inflow from operating activities	**42.3**	93.9

Consolidated cash flow statement

	Note	2011 £m	2010 £m
Net cash inflow from operating activities		**42.3**	93.9
Dividends received from joint ventures and associated undertakings		**2.3**	7.6
Returns on investments and servicing of finance	23	**(41.8)**	(51.2)
Corporation tax received		**1.5**	0.7
Capital expenditure and financial investment	23	**3.4**	(0.2)
Acquisitions and disposals	23	**(1.1)**	24.9
Net cash inflow before financing		**6.6**	75.7
Financing	23	**(6.3)**	(73.2)
Increase in cash		**0.3**	2.5

Reconciliation of net cash flow to movement in net debt

	Note	2011 £m	2010 £m
Increase in cash		**0.3**	2.5
Cash flow from decrease in debt		**6.3**	73.3
Debt in subsidiary at date of disposal		**–**	93.9
Movement in debt in year		**6.6**	169.7
Net debt at beginning of year		**(713.2)**	(882.9)
Net debt at end of year	24	**(706.6)**	(713.2)

Notes
Forming part of the Financial Statements

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

Basis of accounting
The accounts are prepared under the historical cost basis of accounting and in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

Basis of preparation
The consolidated accounts include the accounts of the parent company and all its subsidiary undertakings made up to 31 December each year. The results of subsidiary undertakings acquired or disposed of during the year are included in the accounts from or to the effective dates of acquisition or disposal. As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented.

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

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

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

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

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

Freehold properties	2 per cent
Vehicles	25 per cent
Computer hardware	33-100 per cent
Office equipment, furniture and fittings	10-20 per cent
Freehold land is not depreciated	

Share-based payments
The Company's share option programmes allow eligible employees to acquire shares. The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to them. The fair value of the awards granted is measured using an option pricing model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.

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

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

1 Accounting policies (continued)

Taxation

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

Foreign currencies

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

Leased assets

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

Deferred income

Deferred income represents grant income received by the Group from the Housing and Communities Agency ('HCA') under the Government's Kickstart Initiative. This will be credited to the Profit and Loss account as the developments to which the relevant grants relate are completed and as conditions relating to the grants are fulfilled.

Pensions

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

The parent is a member of the scheme but as its share of the underlying assets and liabilities of the scheme are not separately identifiable on a consistent and reasonable basis it accounts for the scheme, as required by FRS 17, as if it were a defined contribution scheme. As a result the amount charged to the parent's profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The scheme is closed to future accrual. The Group also operates defined contribution schemes. The assets of such schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Investments in subsidiary companies

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

2 Segmental analysis

Turnover	**2011 £m**	2010 £m
Housing	**270.6**	321.6
Property	**46.6**	30.1
Construction	**238.6**	293.4
Mining	**31.8**	17.8
	587.6	662.9

Notes
Forming part of the Financial Statements continued

2 Segmental analysis (continued)

Profit/(loss) before interest	Before exceptional items £m	Exceptional items £m	2011 Total £m	Before exceptional items £m	Exceptional items £m	2010 Total £m
Housing	**0.9**	**(36.0)**	**(35.1)**	(16.8)	(80.8)	(97.6)
Property	**10.2**	**(19.0)**	**(8.8)**	11.2	(21.8)	(10.6)
Construction	**7.4**	**(0.6)**	**6.8**	9.9	(0.4)	9.5
Mining	**7.5**	**–**	**7.5**	0.5	–	0.5
Group	**(5.2)**	**(6.8)**	**(12.0)**	(2.4)	–	(2.4)
	20.8	**(62.4)**	**(41.6)**	2.4	(103.0)	(100.6)
Net interest payable			**(51.2)**			(58.2)
Loss before tax			**(92.8)**			(158.8)

Share of turnover and operating profit/(loss) of joint ventures and associates included in the above:

	Turnover		Operating profit/(loss)	
	2011 £m	2010 £m	2011 £m	2010 £m
Housing	**–**	0.3	**(1.0)**	(0.1)
Property	**19.7**	16.5	**5.7**	(3.1)
Mining	**31.7**	17.7	**7.8**	0.7
	51.4	34.5	**12.5**	(2.5)

Turnover above is external. Inter-segmental turnover amounted to £1.0m (*2010: £1.1m*) in Property and £4.1m (*2010: £3.9m*) in Construction, a total of £5.1m (*2010: £5.0m*).

	2011 £m	2010 £m
Net assets/(liabilities)		
Housing	**416.5**	481.1
Property	**139.4**	168.0
Construction	**(24.8)**	(37.2)
Mining	**23.1**	19.9
Group	**(31.1)**	(15.5)
	523.1	616.3
Net debt	**(706.6)**	(713.2)
	(183.5)	(96.9)

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

Housing	**3.2**	1.2
Property	**20.2**	20.2
Construction	**0.6**	–
Mining	**23.9**	19.9
	47.9	41.3

3 Net interest expense

	2011 £m	2010 £m
Interest payable on bank loans and overdrafts	**(40.5)**	(49.1)
Amortisation of arrangement fees	**(8.5)**	(7.9)
Bank and other interest receivable	**1.4**	1.6
	(47.6)	(55.4)
Associates and joint ventures:		
Bank loan and overdraft interest	**(2.8)**	(2.3)
Other interest	**(0.8)**	(0.8)
Bank interest receivable	**–**	0.1
	(3.6)	(3.0)
Other finance income	**–**	0.2
Net interest expense	**(51.2)**	(58.2)

4 Staff numbers and costs

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

	2011 Number	2010 Number
Housing	**630**	642
Property	**42**	42
Construction	**377**	408
Other	**68**	70
	1,117	1,162

The aggregate payroll costs of these persons were as follows:

	2011 £m	2010 £m
Wages and salaries	**56.9**	56.5
Social security costs	**5.4**	5.3
Other pension costs	**3.7**	3.8
	66.0	65.6

5 Pensions

The Group operates a defined benefit pension scheme which is now closed to future accrual. A full actuarial valuation was carried out at 1 July 2010 and updated, for FRS 17 purposes, to 31 December 2011 by a qualified independent actuary. Membership data is set out below:

	2011 £m	2010 £m
Number of active members	**–**	–
Annual pensionable payroll of active members (£m)	**–**	–
Number of deferred members	**733**	787
Number of pensioner members (including dependents)	**457**	414
Annual pension payroll (£m)	**3.0**	3.0

Notes
Forming part of the Financial Statements continued

5 Pensions (continued)

The major assumptions used by the actuary were:

	2011	2010
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions in payment*	**2.7%**	3.4%
Rate of increase in deferred pensions	**1.9%**	2.65%
Discount rate	**5.0%**	5.6%
Inflation assumption	**2.9%**	3.4%

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

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

	Value at 31 December 2011 £m	Long term rate of return expected at 31 December 2011	Value at 31 December 2010 £m	Long term rate of return expected at 31 December 2010
Equities	**36.5**	**6.0%**	45.8	7.4%
Bonds	**60.3**	**4.9%**	53.9	5.3%
Other	**0.1**	**0.5%**	0.9	4.3%
	96.9	**5.1%**	100.6	6.2%

The assumed average expectation of life for a member currently aged 65 is 21.5 years (*2010: 18.5 years*) for a male and 24.1 years (*2010: 21.1 years*) for a female. In 2012 the Group expects to contribute £2.0m to the scheme.

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

	2011 £m	2010 £m
Total market value of assets	**96.9**	100.6
Present value of scheme liabilities	**(112.0)**	(95.0)
(Deficit)/surplus in the scheme	**(15.1)**	5.6
Effect of asset limit	**–**	(5.6)
Related deferred tax asset	**3.8**	–
Net pension liability	**(11.3)**	–

The scheme had a surplus at 31 December 2010, however, as it is closed to future accrual no economic benefit can be obtained and no surplus was recognised in the balance sheet.

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

	2011 £m	2010 £m
Opening pension scheme balance	**–**	0.2
Pension cost	**–**	–
Employer contributions	**–**	1.4
Total loss recognised in reserves	**(15.1)**	(1.6)
Closing pension scheme deficit	**(15.1)**	–

5 Pensions (continued)

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

	2011 £m	2010 £m
Current service cost	–	0.2
Past service cost	–	–
Charge to operating profit	–	0.2
Expected return on pension scheme assets	(6.1)	(5.8)
Interest on pension scheme liabilities	5.2	5.3
Effect of asset limit	0.9	0.3
Credit to financing	–	(0.2)
Charge to profit and loss account	–	–

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

	2011 £m	2010 £m
Expected return on scheme assets	6.1	5.8
(Loss)/gain on scheme assets	(4.8)	2.9
Actual return on scheme assets	1.3	8.7

The movement of scheme liabilities is set out below:

	2011 £m	2010 £m
Opening scheme liabilities	95.0	94.2
Service cost (excluding employee contributions)	–	0.5
Interest cost	5.2	5.3
Loss/(gain) on scheme liabilities	16.7	(0.8)
Actual benefit payments	(4.9)	(4.2)
Closing scheme liabilities	112.0	95.0

The movement of scheme assets is set out below:

	2011 £m	2010 £m
Opening scheme assets	100.6	94.4
Expected return on assets	6.1	5.8
(Loss)/gain on assets	(4.8)	2.9
Employer contributions	–	1.4
Employee contributions	–	0.3
Actual benefit payments	(5.0)	(4.2)
Closing scheme assets	96.9	100.6

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

	2011 £m	2010 £m
(Loss)/gain on pension scheme assets	(4.8)	2.9
(Loss)/gain on the present value of scheme liabilities	(16.7)	0.8
Effect of non-recoverable surplus	6.4	(5.3)
Total actuarial loss recognised	(15.1)	(1.6)
Cumulative gains and (losses) recognised	(35.5)	(20.4)

Notes
Forming part of the Financial Statements continued

5 Pensions (continued)

Historic information regarding the scheme is set out below:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Scheme liabilities	**(112.0)**	(95.0)	(94.2)	(97.2)	(107.8)
Assets	**96.9**	100.6	94.4	89.4	107.0
(Deficit)/surplus (before deferred tax and asset limit reduction)	**(15.1)**	5.6	0.2	(7.8)	(0.8)
Experience gains and (losses) on scheme assets	**(4.8)**	2.9	8.7	(24.6)	(0.3)
Experience gains and (losses) on scheme liabilities	**(6.9)**	0.5	1.9	(0.6)	(0.9)

6 Loss on ordinary activities before taxation

	2011 £m	2010 £m
This is stated after charging the following:		
Depreciation	**0.2**	0.4
Operating lease rentals	**5.9**	6.7

	£000	£000
Auditors' remuneration:		
Audit of these accounts	**39**	41
Other services:		
Audit of subsidiaries accounts	**180**	167
Other services relating to taxation	**127**	104
Services relating to corporate finance transactions	**198**	410
All other services	**–**	14
Audit of joint ventures and accounts of other investments	**42**	46
	586	782

7 Exceptional items

	2011 £m	2010 £m
Housing land and Property write-downs	**53.6**	96.3
Restructuring costs	**8.8**	0.8
Joint venture asset write-downs	**–**	5.9
	62.4	103.0

8 Remuneration of directors

	2011 £m	2010 £m
Directors' emoluments:		
Salary and other benefits	**2.7**	2.0
Annual bonus	**–**	0.4
	2.7	2.4

The aggregate of emoluments and amounts receivable under Long-Term Incentive Plans of the highest paid director was £624,000 (*2010: £730,000*). Retirement benefits accrued to no (*2010: two*) executive directors under the defined benefit scheme and three (*2010: two*) under defined contribution schemes. Contributions to defined contribution pension schemes amounted to £87,000 (*2010: £123,000*). The defined benefit scheme is now closed to future accrual.

9 Taxation

	2011 £m	2010 £m
Corporation tax:		
Current year	–	–
Prior years	**1.4**	(0.1)
Share of joint ventures tax	**(1.3)**	1.1
	0.1	1.0
Deferred tax (note 14)	**17.0**	8.0
	17.1	9.0

The corporation tax credit for the year of £0.1m (*2010: credit of £1.0m*) is less than the standard rate of corporation tax of 26¼% (*2010: 28%*). The differences are explained below:

	2011 £m	2010 £m
Current year tax reconciliation		
Loss on ordinary activities before tax	**(92.8)**	(158.8)
Current tax at 26½% (*2010: 28%*)	**24.6**	44.5
Effects of:		
Timing differences in respect of which deferred tax is not provided	**(25.8)**	(43.0)
Permanent differences	**(0.1)**	(0.4)
Adjustments to prior year corporation tax provision	**1.4**	(0.1)
Total corporation tax credit	**0.1**	1.0

A reduction in the UK corporation tax rate to 25% was substantively enacted on 5 July 2011 and will be effective from 1 April 2012. A further rate reduction of 1% has been announced which will reduce the Group's future current tax charge and deferred tax asset accordingly.

10 Post balance sheet event

In February 2012 the Group completed a restructuring of its existing banking facilities and secured significant new third party investment. This restructuring has transformed the Group's financial position from that shown in the balance sheet as at 31 December 2011, and would have increased group net assets at that date by £414.5m.

The financial restructuring comprised:

- the waiver and conversion of £264.5m of the Group's existing debt to ordinary shares;
- new Group lending facilities of £238m being made available for the period through to February 2017, on which basis £198.5m of the Group's current debt would have been classified as due in greater than one year;
- the injection of £160m by a consortium of investors led by GSO Capital Partners in exchange for new equity shares; and
- the control of certain development assets with a book value of £89.1m and equivalent debt being assumed by the Group's bankers resulting in the continuing risks and rewards of ownership of these assets no longer resting with the Group.

The impact of these changes is shown on the pro forma Group Balance Sheet presented on page 36.

Notes
Forming part of the Financial Statements continued

11 Tangible assets

Group

	Freehold land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost			
At beginning of year	14.7	5.2	19.9
Additions	–	0.3	0.3
Disposals	–	(1.9)	(1.9)
At end of year	14.7	3.6	18.3
Depreciation			
At beginning of year	3.1	4.8	7.9
Charge for year	–	0.2	0.2
Disposals	–	(1.8)	(1.8)
At end of year	3.1	3.2	6.3
Net book value			
At 31 December 2011	**11.6**	**0.4**	**12.0**
At 31 December 2010	11.6	0.4	12.0

12 Investments

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Investment in joint ventures	**47.9**	41.3	**3.9**	8.8
Other investments:				
Investments in subsidiaries	**–**	–	**40.0**	15.9
Loans	**7.8**	9.1	**–**	–
	7.8	9.1	**40.0**	15.9
Total investments	**55.7**	50.4	**43.9**	24.7

Joint ventures

	Group £m	Company £m
At beginning of year	41.3	8.8
Disposals	(1.0)	–
Share of profits less losses	7.5	(1.6)
Dividends received	(2.3)	–
Loans	2.1	(3.3)
Exchange movements	0.3	–
At end of year	**47.9**	**3.9**

The total of the Group's profit before taxation from interests in associates and joint ventures is £8.9m (*2010: £0.4m*).

12 Investments (continued)

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

	2011 £m	2010 £m
Share of assets:		
Share of fixed assets	**59.4**	59.6
Share of current assets	**73.8**	94.6
	133.2	154.2
Share of liabilities:		
Due within one year	**(104.0)**	(114.6)
Due after one year	**(41.0)**	(60.3)
	(145.0)	(174.9)
Loans provided to joint ventures	**59.7**	62.0
Share of net assets	**47.9**	41.3

Other investments

Group

	Loans £m
At beginning of year	9.1
Repayments	(1.3)
At end of year	**7.8**

Company

	Subsidiaries £m
At beginning of year	15.9
Release of provision against investment	25.0
Capital reduction	(0.9)
At end of year	**40.0**

13 Stocks and work in progress

Group

	2011 £m	2010 £m
Land and development work in progress:		
Residential developments	**343.0**	452.5
Commercial developments	**117.2**	145.1
	460.2	597.6

Notes
Forming part of the Financial Statements continued

14 Debtors
Due within one year

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Trade debtors	**2.8**	7.1	**–**	–
Amounts recoverable on contracts	**34.3**	41.8	**–**	–
Amounts owed by associates and joint ventures	**6.8**	7.5	**–**	–
Other debtors	**15.8**	2.8	**0.4**	0.7
Prepayments and accrued income	**6.0**	5.6	**–**	–
Corporation tax recoverable	**0.2**	–	**0.2**	–
	65.9	64.8	**0.6**	0.7

Due after more than one year

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Trade debtors	**57.2**	48.2	**–**	–
Deferred tax (see below)	**60.0**	43.0	**0.4**	0.4
Amounts owed by subsidiary undertakings	**–**	–	**648.7**	658.2
	117.2	91.2	**649.1**	658.6

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

Deferred tax

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
At beginning of year	**43.0**	35.0	**0.4**	0.4
Credit to profit and loss account	**17.0**	8.0	**–**	–
At end of year	**60.0**	43.0	**0.4**	0.4

The elements of the deferred tax balance calculated at 25% (*2010: 27%*) are as follows:

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Difference between accumulated depreciation and capital allowances	**0.6**	0.4	**0.1**	0.1
Trading losses	**100.6**	84.4	**–**	–
Other timing differences	**5.4**	2.8	**0.3**	0.3
	106.6	87.6	**0.4**	0.4
Less amount recognised	**(60.0)**	(43.0)	**(0.4)**	(0.4)
Unrecognised deferred tax	**46.6**	44.6	**–**	–

The directors believe the Group will in due course be able to utilise the majority of the tax losses accumulated at 31 December 2011. However, they have adopted a prudent approach and only partially recognised all available Deferred tax assets.

Amounts owed by subsidiary undertakings
Given the deficit in consolidated shareholders' funds as at 31 December 2011 the directors have carefully considered the carrying value of amounts due in more than one year from subsidiary undertakings. The directors have used financial forecasts prepared at the balance sheet date in order to assess these assets. Following this review the directors remain confident that the long term debtors are recoverable in due course.

In early 2012, as part of the financial restructuring, the directors have availed themselves of the opportunity to significantly alter the inter-group funding arrangements in place. This exercise, which has been undertaken in order to improve the balance sheet strength of the principal subsidiaries rather than in response to concerns that amounts are not recoverable, has resulted in a number of inter-company balances being waived for no consideration. This restructuring process resulted in intercompany debt receivable by the parent company amounting to £435m being waived. The impact of this was offset by the new equity injection and debt conversion totalling £425m.

15 Creditors: amounts falling due within one year

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Bank loans (secured)	**114.6**	118.5	**–**	–
Working capital facility (unsecured)	**–**	13.2	**10.6**	70.7
Bank loans (unsecured)	**539.5**	490.3	**541.5**	473.1
Payments received on account	**8.2**	22.7	**–**	–
Trade creditors	**98.3**	102.9	**0.6**	0.6
Land creditors	**4.5**	4.1	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**73.2**	74.7
Other taxes and social security	**2.1**	1.9	**2.1**	3.6
Other creditors	**12.7**	12.0	**6.3**	4.7
Corporation tax	**–**	–	**–**	0.3
Accruals and deferred income	**43.9**	48.0	**13.0**	15.9
	823.8	813.6	**647.3**	643.6

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Bank loans (secured)	**56.5**	86.4	**–**	–
Accruals and deferred income	**4.8**	12.7	**–**	–
Land creditors	**4.4**	6.2	**–**	–
	65.7	105.3	**–**	–
Analysis of debt:				
Debt secured against specific assets:				
In one year or less	**114.6**	118.5	**–**	–
Between one and two years	**17.0**	11.2	**–**	–
Between two and five years	**39.5**	70.7	**–**	–
Greater than five years	**–**	4.5	**–**	–
	171.1	204.9	**–**	–
Unsecured debt:				
In one year or less	**541.8**	514.3	**554.4**	554.6
Unamortised finance costs	**(2.3)**	(10.8)	**(2.3)**	(10.8)
	539.5	503.5	**552.1**	543.8
Total debt	**710.6**	708.4	**552.1**	543.8

17 Share capital

	2011 £m	2010 £m
Authorised		
47,500,000 Ordinary shares of 10p each	**4.7**	4.7
Allotted, called up and fully paid		
20,250,000 Ordinary shares of 10p each	**2.0**	2.0

Notes
Forming part of the Financial Statements continued

18 Reserves

Group

	Share premium £m	Capital redemption reserve £m	Profit and loss account £m
At beginning of year	3.5	0.5	(102.9)
Loss for year	–	–	(75.7)
Actuarial loss on pension scheme	–	–	(11.3)
Exchange gain	–	–	0.4
At end of year	**3.5**	**0.5**	**(189.5)**

Company

	Share premium £m	Capital redemption reserve £m	Profit and loss account £m
At beginning of year	3.5	0.5	34.4
Profit for year	–	–	5.9
At end of year	**3.5**	**0.5**	**40.3**

The Company's Employee Benefit Trust holds 2,560,000 (*2010: 2,566,000*) ordinary shares of the Company. These shares were acquired in order to satisfy obligations under the Group's share award schemes. The purchase of these shares was funded by bank borrowings. The borrowings are included in the Group and Company balance sheets, and are guaranteed by The Miller Group Limited and major subsidiary companies. All costs of administering the Trust have been charged to the profit and loss account as they arise.

19 Reconciliation of movement in shareholders' funds

	Group £m	Company £m
(Loss)/profit after taxation for the financial year	(75.7)	5.9
Actuarial loss on pension scheme	(11.3)	–
Exchange gain	0.4	–
Net (decrease)/increase in shareholders' funds	(86.6)	5.9
Opening shareholders' funds	(96.9)	40.4
Closing shareholders' funds	**(183.5)**	**46.3**

20 Contingent liabilities

The Group and Company 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 by Group and joint venture companies. A small number of interest shortfall guarantees have been given by the Group in relation to bank finance provided to joint ventures and subsidiaries. No guarantees have been called during the year (*2010: none*).

21 Commitments

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

	2011 Land and buildings £m	**2011 Other £m**	2010 Land and buildings £m	2010 Other £m
Leases expiring:				
Within one year	**0.2**	**0.1**	0.2	0.4
Between two and five years	**1.2**	**1.8**	1.5	0.9
Outwith five years	**1.4**	**–**	1.3	–
	2.8	**1.9**	3.0	1.3

22 Share-based payments

Details of provisional awards outstanding at the year end under the Group's share schemes are given below:

	Number '000	Exercise price	Weighted average remaining contractual life	Maximum term
Savings related share option schemes	205	£1.60-£16.50	21 months	5 years

The number and weighted average exercise price of share options and other awards are as follows:

	Number (000)		Weighted average exercise price	
	2011	2010	**2011**	2010
At beginning of year	**294**	617	**£3.68**	£3.32
Granted	**–**	99	**–**	£1.80
Forfeited	**(46)**	(18)	**£7.17**	£nil
Lapsed	**(42)**	(373)	**£nil**	£3.07
Exercised	**–**	(31)	**–**	£nil
At end of year	**206**	294	**£3.65**	£3.68
Exercisable at end of year	**–**	9		

The fair value of these awards at the grant date was calculated using the Black-Scholes model. The key assumptions made in the model are as follows:

Date of grant	2010
Share price at date of grant	£1.80
Exercise price	£1.80
Risk free interest rate	1.5%
Expected volatility	39%
Term of the option (months)	36 or 60
Expected dividend growth	0%
Fair value of option	50-65p

The expected volatility is based on historical volatility of the Company's share price over the last three to five years. The total charge recognised in respect of share-based payment transactions was £nil (*2010: £nil*).

Notes
Forming part of the Financial Statements continued

23 Notes to the cash flow statement

	2011 £m	2010 £m
Returns on investments and servicing of finance		
Interest received	**1.4**	1.3
Interest paid	**(43.2)**	(52.5)
Net cash outflow from returns on investments and servicing of finance	**(41.8)**	(51.2)
Capital expenditure and financial investment		
Purchase of fixed assets	**(0.2)**	(0.2)
Sale of fixed assets	**3.6**	–
Net cash inflow/(outflow) from capital expenditure and financial investment	**3.4**	(0.2)
Acquisitions and disposals		
Net investment in joint ventures and associates	**(1.1)**	24.9
Net cash (outflow)/inflow from acquisitions and disposals	**(1.1)**	24.9
Financing		
Sale of own shares	**–**	0.1
Repayment of loans and overdrafts	**(66.3)**	(76.7)
New loans received	**60.0**	3.4
Net cash outflow from financing	**(6.3)**	(73.2)

24 Analysis of changes in net debt

	At beginning of year £m	Cash flows £m	Non-cash movements £m	At end of year £m
Cash at bank and in hand	6.0	0.3	–	**6.3**
Overdrafts	(13.2)	13.2	–	**–**
	(7.2)	13.5	–	**6.3**
Debt due within one year	(619.6)	(6.9)	(29.9)	**(656.4)**
Debt due after one year	(86.4)	–	29.9	**(56.5)**
	(713.2)	6.6	–	**(706.6)**

25 Related party transactions

	2011 £m	2010 £m
Sales and management fees to joint ventures and associated undertakings on normal trading terms	**2.8**	0.1

Details of balances outstanding with joint ventures and associates at the year end are given in note 14.

26 Investments

	Principal Activities	Country of Registration	Share capital %
Subsidiary undertakings:			
Miller Homes Holdings Limited	Residential Development	Scotland	100
Miller Homes Limited	Residential Development	Scotland	100
Miller Developments Holdings Limited	Property Development	England	100
Miller Holdings International Limited	Property Development	Scotland	100
Miller Developments Limited	Property Development	Scotland	100
Miller Corporate Holdings Limited	Construction	Scotland	100
Miller Construction (UK) Limited	Construction	Scotland	100
Joint ventures:			
New Edinburgh Limited	Property Development	Scotland	50
Ringsted Outlet Centre P/S	Property Development	Denmark	50
Omega Warrington Limited	Property Development	England	50
New Outlet Centre KFT	Property Development	Hungary	50
Miller Birch partnership	Property Development	England	50
City Road Basin Limited	Property Development	England	51
Arena Central Developments LLP	Property Development	England	50
Alverca	Property Development	Portugal	50
Ffos-y-fran Limited partnership	Mining	England	50
Investments:			
Barking & Havering LIFT Holdings Limited	Healthcare Services Provider	England	30
Leeds LIFT Limited	Healthcare Services Provider	England	30
Emblem Schools Holdings Limited	Education Services Provider	Scotland	30
Leicester BSF Holdings Company Ltd	Education Services Provider	England	40

Banks and Advisers

Principal Bankers

Lloyds Banking Group plc
Head Office
The Mound
Edinburgh
EH1 1YZ

Royal Bank of Scotland plc
Head Office
36 St Andrew Square
Edinburgh
EH2 2YB

National Australia Bank
Festival Square
50 Lothian Road
Edinburgh
EH3 9AN

Financial Advisers

Noble Grossart Limited
48 Queen Street
Edinburgh
EH2 3NR

Greenhill & Co International LLP
Lansdowne House
57 Berkeley Square
London
W1J 6ER

Principal Solicitors

Dickson Minto WS
16 Charlotte Square
Edinburgh
EH2 4DF

McGrigors LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

Shepherd + Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

Addleshaw Goddard LLP
100 Barbirolli Square
Manchester
M2 3AB

Auditors

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Insurance Brokers

JLT Risk Solutions Limited
6 Crutched Friars
London
EC3N 2PH

Principal Bonders

HCC International Insurance
Company Plc
Talbot Road
Stretford
Manchester
M32 0FP

Travelers Casualty and Surety
Company of Europe Limited
Exchequer Court
33 St Mary Axe
London
EC3A 8AG

Euler Hermes Guarantee Plc
Surety House
Lyons Crescent
Tonbridge
Kent
TN9 1EN

Pension Advisers and Actuaries

PriceWaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Mercer
Hobart House
80 Hanover Street
Edinburgh
EH2 1EL

Notes

Notes

Awards

Considerate Constructor Scheme

- Runner Up to Most Considerate Site – Hartlepool College of Further Education
- Gold – Barnsley College, Scottish Centre For Regenerative Medicine, Clydeview Academy, Hartlepool College of Further Education
- Silver – Stoke-On-Trent Sixth Form College, Woodloes and Ridgeway School, Hartlepool Sixth Forth

Local Authority Building Control (LABC) Awards

- Best Commercial Building over £1m – North Tyneside Area Command Headquarters
- Best Sustainable Project – North Tyneside Area Command Headquarters
- Commendation ‘Best Education Development’ – Sixth Form Centre, Isle of Wight

RICS South West Awards

- Highly Commended – Broad Quay

Celebrating Construction in South Yorkshire

- Project of The Year – Barnsley College

RIBA Northern Network Awards

- Gold – North Tyneside Area Command Headquarters

SCALA

- Education Building of The Year – Hartlepool Sixth Form College

First Time Buyer Reader Awards

- Private Developer of The Year
- Most Imaginative Online Marketing Campaign

Housing Excellence Awards

- Best New Affordable Housing Scheme

Scottish Home Awards

- Large House Builder of The Year
- Luxury House of The Year

NHBC Pride in the Job Awards 2011

- 26 Quality Awards, 10 seals of Excellence, 3 Regional Winners, 1 Supreme Winner

The Herald Property Awards For Scotland

- Best Show Home
- Commendation for Innovation for Millers Homes TV

Estates Gazette Regional Awards

- 2011 Property Company of The Year – Scotland
- 2011 Property Company of The Year – East Midlands

BCO Scottish Regional Awards

- Projects up to 2,000m^2 – Alba Business Pavilions

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www.millerdevelopments.co.uk

Head Office
The Miller Group Limited
Miller House
2 Lochside View
Edinburgh Park
Edinburgh
EH12 9DH

Company Registration Number
SCO18135

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