Miller Homes Holdings Limited

Directors' Report and Financial Statements

For the year ended 31 December 2011
Registered Number SC255430

Contents

Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 2011.

Principal activity

The principal activity of the group is housebuilding with these accounts reflecting the Miller Group's combined housing interests.

Business review

Refinancing

In February 2012, The Miller Group *(Miller Homes Holdings Limited's ultimate parent company)* completed a refinancing that will equip it with additional investment capital and a significantly strengthened balance sheet. The transaction provides:

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

The debt restructuring resulted in the waiver and conversion of £264m of existing debt for ordinary shares. New Group lending facilities of £238m have been made available for the period through to February 2017. In addition, a consortium led by GSO Capital Partners International has injected £160m of new equity share capital. These events have transformed the Miller Group's financial standing.

As part of the group refinancing, amounts due to the Miller Group from Miller Homes Holdings Limited and its subsidiaries of £348.4m were waived. Below is a pro-forma Balance Sheet at 31 December 2011 of Miller Homes Holdings Limited taking account of these transactions as if they had taken place as of that date:

Pro-forma balance sheet extracted from the audited accounts	**£000**
Fixed assets	**3,470**
Current assets	
Stock and work in progress	343,831
Debtors:	
Due within one year	19,140
Due after more than one year	114,893
Cash at bank and in hand	200
	478,064
Creditors: amounts falling due within one year	**(185,657)**
Net current assets	**292,407**
Total assets less current liabilities	**295,877**
Creditors: amounts falling due after one year	(178,887)
Deferred Income	(4,752)
Net assets	**112,238**

The pro-forma takes no account of trading performance since 31 December 2011.

Directors' Report *(continued)*

Business review *(continued)*

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 'bounceback' after the summer holiday season was better than 2010 albeit not as pronounced as historic norms. We finished the year with a strong fourth quarter again improving on 2010. Sales prices as a whole were flat across 2011 with there being 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 224 to 133. 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.

Performance

Turnover fell by £49m to £271m (2010: £320m). 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 square foot 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 land bank has an embedded margin of 13%. This will increase further as we run off legacy land and replace with new sites, the majority emanating from our strategic land bank, 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.

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.

Directors' Report *(continued)*

Business review *(continued)*

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% (2010: 97%) of respondents stated that they would recommend Miller Homes to their best friend.

We have an enviable record on build quality and one which firmly puts us 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 3 site managers achieving regional success and Bill Hughes in our North West region collecting the Supreme Winner award for a record 5th time. Our congratulations go to Bill for what is a superb achievement.

Looking 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 recent years and that 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 the efforts of 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 three months of 2012, trading has been ahead of expectations with reservations on a like for like basis, being 10% ahead of 2011.

Result for the year

The results for the year are set out in the profit and loss account on page 7. The loss for the year to 31 December 2011 is £54,811,000 (2010 – loss of £126,956,000) after exceptional items. No dividends were paid during the year (2010: £nil).

Going concern

As noted in the Business Review above, in February 2012 The Miller Group Limited 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 Group directors have prepared detailed cash flow forecasts for the Group and associated subsidiaries including Miller Homes Holdings Limited for the period through to December 2016. 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 Group directors have taken account of the unusual 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 Group directors cannot envisage all possible circumstances that may impact the Group in the future, the Group 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.

Directors' Report *(continued)*

Going concern *(continued)*

The directors of The Miller Group Limited have indicated to the directors of Miller Homes Holdings Limited that The Miller Group Limited will continue to provide the company and its subsidiaries with such funds as are necessary to enable them to continue to trade and to meet their liabilities as they fall due and that it will not seek repayment of the amounts currently made available. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors who held office during the year and to the date of this report were as follows:

Keith M Miller	
John S Richards	
Chris Endsor	(appointed 3 February 2012)
Ian Murdoch	(appointed 29 March 2011)
Julie M Jackson	
Pamela J Smyth	
Timothy Hough	(resigned 29 March 2011)
Ewan T Anderson	(resigned 29 March 2011)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company'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 company'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

Pamela J Smyth
Secretary
21 March 2012

Miller House
2 Lochside View
Edinburgh
EH12 9DH

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

Independent Auditor's Report to the Members of Miller Homes Holdings Limited

We have audited the financial statements of Miller Homes Holdings Limited for the year ended 31 December 2011 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 web-site 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 of 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.

21 March 2012

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

Consolidated Profit and Loss Account

for the year ended 31 December 2011

	Note	Before exceptional items £000	Exceptional items £000	2011 Total £000	Before exceptional items £000	Exceptional items £000	2010 Total £000
Turnover: Group and share of joint ventures	*1*	**270,603**	**-**	**270,603**	320,357	-	320,357
Less: Share of joint ventures' turnover		**-**	**-**	**-**	(292)	-	(292)
Group turnover		**270,603**	**-**	**270,603**	320,065	-	320,065
Cost of sales		**(240,181)**	**(34,570)**	**(274,751)**	(305,754)	(81,542)	(387,296)
Gross profit/(loss)		**30,422**	**(34,570)**	**(4,148)**	14,311	(81,542)	(67,231)
Administrative expenses		**(29,451)**	**(778)**	**(30,229)**	(30,915)	(450)	(31,365)
Group operating profit/(loss)		**971**	**(35,348)**	**(34,377)**	(16,604)	(81,992)	(98,596)
Share of loss in joint ventures		**(953)**	**-**	**(953)**	(117)	-	(117)
Operating profit/(loss)		**18**	**(35,348)**	**(35,330)**	(16,721)	(81,992)	(98,713)
Interest payable and similar charges	*5*	**(36,493)**	**-**	**(36,493)**	(36,345)	-	(36,345)
Interest receivable and similar income	*6*	**12**	**-**	**12**	137	-	137
Loss on ordinary activities before taxation	*2*	**(36,463)**	**(35,348)**	**(71,811)**	(52,929)	(81,992)	(134,921)
Tax on loss on ordinary activities	*7*	**17,000**	**-**	**17,000**	7,965	-	7,965
Loss for the financial year	*17*	**(19,463)**	**(35,348)**	**(54,811)**	(44,964)	(81,992)	(126,956)

There are no recognised gains or losses other than those disclosed above.

The results for the financial year have been derived from continuing activities.

The notes on pages 10 to 23 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Tangible assets	8		**306**		262
Investment in joint ventures:	9				
Share of gross assets		**4,400**		1,975	
Share of gross liabilities		**(8,606)**		(5,228)	
Loans to joint ventures		**7,393**		4,416	
			3,187		1,163
Investment in associates	9		**(23)**		(9)
			3,470		1,416
Current assets					
Stocks and work in progress	10	**343,831**		453,688	
Debtors: due within one year	11	**19,140**		8,652	
Cash at bank and in hand		**200**		334	
		363,171		462,674	
Debtors: due after more than one year	12	**114,893**		88,954	
		478,064		551,628	
Creditors: amounts falling due within one year	13	**(315,657)**		(301,098)	
Net current assets			**162,407**		250,530
Total assets less current liabilities			**165,877**		251,946
Creditors: amounts falling due after more than one year	14		**(397,238)**		(423,926)
Deferred income	15		**(4,752)**		(9,322)
Net liabilities			**(236,113)**		(181,302)
Capital and reserves					
Called up share capital	16		**25,000**		25,000
Profit and loss account	17		**(261,113)**		(206,302)
Deficit in shareholders' funds	18		**(236,113)**		(181,302)

The notes on pages 10 to 23 form part of these financial statements.

These accounts were approved by the board of Directors on 21 March 2012 and were signed on its behalf by:

Ian Murdoch
Director

Company Balance Sheet
As at 31 December 2011

	Note	2011 £000	2010 £000
Fixed assets			
Investments	*9*	**17,460**	160,245
Current assets			
Debtors: due within one year	*11*	**210,713**	291,913
Creditors: amounts falling due within one year	*13*	**(51,343)**	(257,365)
Net current assets		**159,370**	34,548
Total assets less current liabilities		**176,830**	194,793
Creditors: amounts falling due after more than one year	*14*	**(250,000)**	(250,000)
Net liabilities		**(73,170)**	(55,207)
Capital and reserves			
Called up share capital	*16*	**25,000**	25,000
Profit and loss account	*17*	**(98,170)**	(80,207)
Deficit in shareholders' funds	*18*	**(73,170)**	(55,207)

The notes on pages 10 to 23 form part of these financial statements.

These accounts were approved by the board of Directors on 21 March 2012 and were signed on its behalf by:

Ian Murdoch
Director

Notes

(forming part of the financial statements)

1. Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The financial statements have been prepared on the going concern basis, notwithstanding the consolidated loss of £54.8m incurred for the financial year and net liabilities of £236.1m at the financial year end, which the directors believe to be appropriate for the following reasons. Miller Homes Holdings Limited ("MHHL") and its subsidiaries is the housing division of The Miller Group Limited. The day to day working capital requirements of MHHL and its subsidiaries are provided through a combination of funds provided by the ultimate parent undertaking, The Miller Group Limited, and property specific term loan facilities provided to individual subsidiaries and secured on the specific developments to which they relate. As noted in the Business Review on pages 1 to 3, in February 2012 The Miller Group Limited 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 and the waiver and conversion to equity of £264m of external bank debt. Pursuant to this financial restructuring the directors of The Miller Group Limited agreed to waive for nil consideration £348.4m of inter-company borrowings due by the company to The Miller Group Limited. The directors of The Miller Group Limited have indicated to the directors of the company that The Miller Group Limited will continue to provide the company and its subsidiaries with such funds as are necessary to enable them to continue to trade and to meet their liabilities as they fall due and that it will not seek repayment of the amounts currently made available to the company net of amounts subsequently waived.

Based upon subsequent financial restructuring of the group and the undertaking of financial support outlined above, and after making appropriate enquiries, the directors have a reasonable expectation the company and its subsidiaries 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 financial statements.

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

The group is exempt from the requirement of Financial Reporting Standard 1, to prepare a cash flow statement, as it is a wholly owned subsidiary of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 22.

Basis of consolidation

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 date 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.

Notes *(continued)*

Goodwill

Goodwill, representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired, is capitalised in the balance sheet and amortised in equal annual instalments over its useful economic life. On disposal of a previously acquired business, the goodwill previously written-off to reserves is included in determining the profit or loss on disposal. Provision is made for any impairment when identified.

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.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of new houses, build contracts and land. Turnover from house sales represents the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash. The incentives offered to customers affect the recognition of 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 by the group. This loan is repayable either on the subsequent sale of the property or on a specific 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. Turnover from build contracts is recognised in line with the stage of completion. Turnover from land sales is recognised on legal completion.

Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets concerned. The useful lives are as follows:

Plant and equipment: 3 to 10 years
Freehold land and buildings: 50 years

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.

Notes *(continued)*

Leasing

Expenditure on operating leases is charged to the profit and loss account on a straight-line basis over the lease period.

Taxation

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

Pensions

The company and its subsidiaries participate in The Miller Group Limited Group Personal Pension Plan: a group wide defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company and its subsidiaries also participates in The Miller Group Pension Scheme: a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The scheme was closed to future accrual in 2010.

Dividends on shares presented within shareholders' funds

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

Deferred income

Deferred income represents grant income received from the Homes and Communities Agency under the Kickstart Initiative. This is credited to the profit and loss account as the respective developments to which the grants relate are completed and as the conditions relating to the grants are fulfilled.

Notes *(continued)*

2. Loss on ordinary activities before taxation

This is stated after charging the following:			**2011** **£000**	2010 £000
Depreciation			**132**	238
Operating lease rentals	-	land and buildings	**1,705**	1,640
	-	other	**1,163**	1,311
Auditor's remuneration:				
Audit of these financial statements			**3**	3
Amounts receivable by auditors and their associates in respect of:				
Audit of financial statements of subsidiaries pursuant to legislation			**90**	84
Other services relating to taxation			**25**	25
Exceptional charges:				
Land and work in progress writedowns			**34,570**	81,542
Redundancy costs			**778**	450

3. 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
Construction	**224**	222
Administration	**286**	296
Sales	**120**	127
	630	645

The aggregate payroll costs of these persons were as follows:	**2011** **£000**	2010 £000
Wages and salaries	**24,806**	27,141
Social security costs	**2,282**	2,392
Other pension costs	**1,651**	1,898
	28,739	31,431

Notes *(continued)*

4. Remuneration of directors

	2011	2010
	£000	£000
Emoluments	**1,004**	621
Amounts receivable under long-term incentive schemes	**25**	130
Company contributions to money purchase pension schemes	**62**	114
	1,091	865

The number of directors in office at the year end who were members of pension schemes was as follows:	**2011 Number**	2010 Number
Money purchase schemes	**2**	3
Defined benefit schemes	**3**	3
	5	6

The aggregate of emoluments, bonus and amounts receivable under long-term incentive schemes of the highest paid director was £563,312 (2010: £407,175) and contributions were paid by the group to his defined contribution pension scheme of £16,400 (2010: £65,600) during the year.

5. Interest payable and similar charges

	2011	2010
	£000	£000
Interest payable:		
On bank loans and overdrafts	**2,823**	3,464
On amounts owed to immediate parent undertaking	**33,670**	32,854
Other	**-**	13
	36,493	36,331
Associates and joint ventures:		
Associates – bank loan and overdraft interest	**-**	14
	36,493	36,345

6. Interest receivable and similar income

	2011	2010
	£000	£000
Bank and other interest receivable	**12**	102
Joint ventures - bank interest receivable	**-**	35
	12	137

Notes *(continued)*

7. Tax on loss on ordinary activities

	2011	2010
	£000	£000
Corporation tax:		
Share of joint ventures' and associates' tax	**-**	35
Total current tax charge/(credit)	**-**	35
Deferred tax (note 12)	**(17,000)**	(8,000)
Tax on loss on ordinary activities	**(17,000)**	(7,965)

Factors affecting the tax charge for the current year:

The current tax credit for the year is lower than (2010: lower than) the standard rate of corporation tax in the UK of 26.25% (2010: 28%). The differences are explained below:

	2011	2010
	£000	£000
Loss on ordinary activities before taxation	**(71,811)**	(134,921)
Current tax at 26.25% (2010: 28%)	**(18,851)**	(37,778)
Effect of:		
Expenditure not deductible for tax purposes	**64**	196
Timing differences in respect of which deferred tax is not provided	**6,097**	29,555
Timing differences for which deferred tax is provided	**12,440**	8,000
Adjustment in respect of joint ventures	**250**	62
Total current tax charge	**-**	35

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010, a reduction to 26% was substantively enacted on 29 March 2011, effective from 1 April 2011 and a further reduction to 25% was substantively enacted on 5 July 2011 and will be effective from 1 April 2012. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the group's deferred tax assets accordingly.

Notes *(continued)*

8. Tangible fixed assets

	Freehold land and buildings £000	**Plant and equipment £000**	**Group Total £000**
Cost:			
At start of year	26	2,335	2,361
Additions	-	197	197
Disposals	(21)	(1,323)	(1,344)
At end of year	5	1,209	1,214
Depreciation:			
At start of year	-	2,099	2,099
Charge for the year	-	132	132
Disposals	-	(1,323)	(1,323)
At end of year	-	908	908
Net book value			
At 31 December 2011	**5**	**301**	**306**
At 31 December 2010	26	236	262

9. Investments

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Investment in subsidiaries	**-**	-	**14,695**	159,144
Investment in joint ventures	**3,187**	1,163	**2,788**	1,110
Investment in associates	**(23)**	(9)	**(23)**	(9)
	3,164	1,154	**17,460**	160,245

	Company £000
Investments in subsidiaries:	
At start of the year	159,144
Dividends received	(144,329)
Investments written down	(120)
At end of the year	14,695

During the year, an exercise was undertaken to reduce the capital investment held in several dormant subsidiaries. As a result, dividends were received by the parent company and the associated amounts due to and from fellow subsidiaries were reduced accordingly.

Notes *(continued)*

9. Investments *(continued)*

Following an impairment review during 2008, the residual goodwill balance held by the company was fully provided against. In total, goodwill of £25,831,000 has been fully provided for and written off to group reserves.

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Joint ventures:				
At beginning of year	**1,163**	(392)	**1,110**	613
Share of profits less losses	**(953)**	(117)	**-**	-
Dividends received	**-**	(227)	**-**	-
Movement in shareholder loans	**2,977**	1,899	**1,678**	497
At end of year	**3,187**	1,163	**2,788**	1,110

The total of the group's loss before taxation from interests in joint ventures and associates is £953,000 (2010: loss of £82,000).

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

	Group 2011 £000	Group 2010 £000
Share of assets:		
Share of current assets	**4,400**	1,975
Share of liabilities:		
Due within one year	**(8,606)**	(5,228)
	(4,206)	(3,253)
Loans provided to joint ventures	**7,393**	4,416
Share of net assets	**3,187**	1,163

Included within liabilities due within one year is interest due on shareholder loans of £491,000 (2010: £477,000) in relation to which there is a corresponding debtor balance within Other Debtors.

Notes *(continued)*

9. Investments *(continued)*

The principal investments of the company as at 31 December 2011 were:

	Country of registration	**Share capital %**
Subsidiary undertakings:		
Miller Homes Limited	Scotland	100
MF Development Company UK Limited	England	100
Miller Residential Development Services Limited	Scotland	100
Miller (Cobblers Hall) Limited	England	100
Miller Airdrie Limited	Scotland	100
Miller (Telford South) Limited	Scotland	100
Miller Maidenhead Limited	England	100
Miller Framwellgate Limited	England	100
Miller East Kilbride Limited	Scotland	100
Miller Cambuslang Limited	Scotland	100
Miller Homes Cambridge Limited	England	100
Miller Homes St Neots Limited	Scotland	100
Joint ventures:		
Canniesburn Limited	Scotland	50
St. Andrews Brae Developments Limited	Scotland	50
Associates:		
New Laurieston (Glasgow) Limited	Scotland	45

10. Stocks and work in progress

	Group 2011 £000	Group 2010 £000
Work in progress	**343,831**	449,943
Part exchange properties	**-**	3,745
	343,831	453,688

11. Debtors: due within one year

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Trade debtors	**1,929**	2,749	**-**	-
Amounts recoverable on contracts	**12,155**	2,172	**-**	-
Amounts owed by parent undertaking	**-**	-	**11,086**	10,938
Amounts owed by fellow subsidiary undertaking	**37**	21	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**199,627**	280,975
Prepayment and accrued income	**1,713**	1,242	**-**	-
Other debtors	**3,306**	2,468	**-**	-
	19,140	8,652	**210,713**	291,913

Notes *(continued)*

12. Debtors: due after more than one year

	Group 2011 £000	Group 2010 £000
Trade debtors	**56,993**	48,054
Deferred tax (see below)	**57,900**	40,900
	114,893	88,954

Trade debtors relate to loans provided under the group's Miway and the HCA's HomeBuy Direct and FirstBuy shared equity schemes. These loans are secured over the properties to which they relate and are likely to be recoverable after more than one year.

Deferred tax

	Group 2011 £000	Group 2010 £000
At beginning of year	**40,900**	32,900
Credit to profit and loss account (note 7)	**17,000**	8,000
At end of year	**57,900**	40,900

The elements of deferred tax balances are analysed below:

	Group 2011 £000	Group 2010 £000
Difference between accumulated depreciation and capital allowances	**570**	415
Other timing differences	**3,854**	1,874
Trading losses	**97,536**	79,844
	101,960	82,133
Deferred tax asset recognised	**(57,900)**	(40,900)
Unrecognised deferred tax asset	**44,060**	41,233

Whilst the directors believe the group will in due course be able to utilise the tax trading losses accumulated at 31 December 2011, not all the available deferred tax asset has been recognised. In addition, as the majority of the asset is likely to be recovered more than one year after the balance sheet date, the directors consider it appropriate to disclose the balance as being recoverable after more than one year.

Notes *(continued)*

13. Creditors: amounts falling due within one year

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Bank overdraft (unsecured)	**72,066**	51,382	**48,043**	29,396
Bank loans (secured)	**9,775**	-	**-**	-
Trade creditors	**31,376**	29,496	**-**	-
Payments on account	**651**	437	**-**	-
Amounts owed to parent undertaking	**177,205**	191,892	**-**	-
Amounts owed to fellow subsidiary undertakings	**3**	708	**3,296**	227,964
Other creditors	**2,400**	3,357	**-**	-
Land creditors	**4,498**	4,072	**-**	-
Accruals and deferred income	**17,683**	19,754	**4**	5
	315,657	301,098	**51,343**	257,365

14. Creditors: amounts falling due after more than one year

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Amounts owed to parent undertaking	**339,360**	339,360	**250,000**	250,000
Bank loans (secured)	**53,489**	78,389	**-**	-
Land creditors	**4,389**	6,177	**-**	-
	397,238	423,926	**250,000**	250,000

The secured bank loans, which bear interest at commercial rates, are held within special purpose subsidiary undertakings and are secured over the property developments to which they relate.

15. Deferred income

	Group 2011 £000	Group 2010 £000
At start of year	**9,322**	5,825
Grants received during the year	**737**	8,135
Grants released to the profit and loss account during the year	**(5,307)**	(4,638)
At end of year	**4,752**	9,322

The group has been successful in obtaining grant funding from the Homes and Communities Agency under the Kickstart initiative. The purpose of this grant funding is to assist with the commencement of new, or the re-launch of stalled, developments. Repayment of the grant (either in part or in full) is possible under certain circumstances and in the event that any repayment appears likely, provision is made for the estimated liability.

Notes *(continued)*

16. Share capital

	Company 2011 £000	Company 2010 £000
Authorised:		
50,000,000 ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
25,000,000 ordinary shares of £1 each	**25,000**	25,000

17. Profit and loss account

	Group £000	Company £000
At start of year	**(206,302)**	(80,207)
Loss for the year	**(54,811)**	(17,963)
At end of year	**(261,113)**	(98,170)

18. Reconciliation of movement in deficit in shareholders' funds

	Group £000	Company £000
Opening deficit in shareholders' funds	**(181,302)**	(55,207)
Loss for the year	**(54,811)**	(17,963)
Closing deficit in shareholders' funds	**(236,113)**	(73,170)

19. Commitments

The group has commitments under non-cancellable operating leases to make payments in the year to 31 December 2012 as follows:

	Land and buildings £000	**Other £000**
Leases expiring:		
Within one year	-	46
Between two and five years	756	918
Greater than five years	954	-
	1,710	964

Notes *(continued)*

20. Pensions

The group participates in The Miller Group Pension Scheme, which provides benefits based on final pensionable pay. As the scheme is now closed to future accrual, on an FRS 17 basis, the liability on the group scheme is £11.3m at 31 December 2011. (2010: £nil)

The latest full actuarial valuation of the scheme was carried out on 1 July 2010 and updated for FRS 17 purposes at 31 December 2011 by a qualified independent actuary. The scheme was closed to future accrual in 2010 and therefore no charge against profits in the current accounting period was made (2010: £0.2m).

21. Contingent liabilities

The company and associated subsidiaries have contingent liabilities in relation to indemnities provided for performance bonds and guarantees of performance obligations. These relate to contracting or development agreements entered in the ordinary course of business.

The company has with certain other subsidiaries, jointly guaranteed the unsecured senior revolving credit, term loan and working capital facilities available to its ultimate parent company and certain of its subsidiaries.

Limited guarantees have been provided to certain banks in relation to property specific term loans provided to certain of the company's subsidiary undertakings.

22. Ultimate parent company

The company's ultimate parent company is The Miller Group Limited a company registered in Scotland and incorporated in Great Britain and its accounts can be obtained from the Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

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

Notes *(continued)*

23. Post balance sheet events

In February 2012 the Miller Group *(Miller Homes Holdings Limited's ultimate parent company)* completed a restructuring of its existing banking facilities and secured significant new third party investment. This restructuring has transformed Miller Homes Holdings Limited's financial position from that shown in the balance sheet as at 31 December 2011.

As part of the group refinancing, amounts due to the Miller Group from Miller Homes Holdings Limited and its subsidiaries of £348.4m were waived. Below is a pro-forma Balance Sheet at 31 December 2011 of Miller Homes Holdings Limited taking account of these transactions as if they had taken place as of that date:

	Proforma 2011 £000	**Reported 2011 £000**
Fixed assets	3,470	3,470
Current assets		
Stock and work in progress	343,831	343,831
Debtors:		
Due within one year	19,140	19,140
Due after more than one year	114,893	114,893
Cash at bank and in hand	200	200
	478,064	478,064
Creditors: amounts falling due within one year	(185,657)	(315,657)
Net current assets	292,407	162,407
Total assets less current liabilities	295,877	165,877
Creditors: amounts falling due after one year	(178,887)	(397,238)
Deferred Income	(4,752)	(4,752)
Net assets/(liabilities)	112,238	(236,113)

The pro-forma takes no account of trading performance since 31 December 2011.