Miller Homes Holdings Limited

Directors' Report and Financial Statements

For the year ended 31 December 2012
Registered Number SC255430

Contents

Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 2012.

Principal activity

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

Business review

Market

The housing market remained stable during 2012.

Private reservations per site per week at 0.46 were 10% ahead of 2011. The increase in sales rates followed a fairly consistent pattern across the year with the exception of the third quarter which was impacted negatively by the Olympics. Sales prices were static and cancellation rates of 13% (2011: 17%) remain at historic lows.

Including management contracts, our total number of housing completions was 1,831 (2011: 1,745). Completions from our owned landbank were 1,517 (2011: 1,632), reflecting a fall in the average number of live outlets from 74 to 63. This trend should reverse in 2013 with the increased investment in our landbank beginning to bear fruit.

Performance

Turnover for the year was £266m (2011: £271m). This reduction from 2011 was due to higher land sales in the previous year. The reduction in housing completions from our owned landbank in 2012 was offset by a 6% increase in the average selling price to £170,000 (2011: £161,000). The increase in average selling price is a reflection of a higher proportion of family product being sold in 2012 in more desirable locations. This trend will continue in 2013 as the proportion of family homes increases.

The level of shared equity driven sales continues to fall. 22% (2011: 32%) of sales required the assistance of shared equity, just under 75% of which were from Government-backed schemes. The downward trend in shared equity usage should continue in 2013, helped in part by an increase in the number of 95% mortgages. Newbuy and MiNewHome accounted for 9% of our reservations in the second half of 2012. The return of 95% mortgages in the new build sector is an important step for the industry and allows a large number of people to enter the property market who would otherwise be excluded.

Our gross margin increased to 16% (2011: 11%). This reflects an increased proportion of sales deriving from recently acquired land rather than legacy land. In addition, margins benefitted from a small number of land sales where we exited sites which did not meet our new land acquisition criteria.

Overheads were slightly lower than 2011 as a result of a number of cost saving measures implemented during the year.

Landbank

At 31 December 2012, we had 5,203 plots (2011: 5,189 plots) in our owned landbank and a further 2,884 consented plots under option within our strategic land portfolio (2011: 2,871 plots). The quality of our owned landbank has improved with an embedded margin at the end of 2012 of 15.6% (2011: 13.1%) as we work out the legacy land and replace this with higher margin new sites.

Directors' Report *(continued)*

Business review *(continued)*

We continue to maintain a selective and disciplined approach to land purchasing with a particular emphasis on good quality suburban developments with traditional layouts and a product mix which is appropriate for the given location. We have strengthened our regional land teams during the year and they are also supported by our strategic land team which operates across all our regional businesses.

During 2012, we made significant progress with our strategic landbank. We control 10,641 plots of strategic land which are allocated in local plans. These have a gross development value of £1.8bn. We anticipate receiving planning consent for this land over the next three years.

Refinancing

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

- a significantly strengthened balance sheet
- refinancing of 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 conversion and waiver of £264m of existing bank debt for ordinary shares. New Group lending facilities of £238m have been made available to the Group 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 into The Miller Group Limited. These events have transformed the Miller Group's financial standing.

As part of the wider refinancing an exercise was undertaken in order to restructure the balance sheet of this group. As a result, The Miller Group Limited waived an intercompany loan due to it from the group of £348.4m (company: £135m) for nil consideration.

Corporate and social responsibility

Corporate and social responsibility is engrained in our business processes. The over-riding aims are to provide a safe environment for our employees, to ensure that we build the best quality product and in so doing enhance our customers' experience of Miller Homes and to use sustainable materials and recycle where appropriate.

We remain focussed on improving our key safety, customer satisfaction and recycling metrics. 2012 was a year where we delivered on our targets. In health and safety, our reportable accidents fell by 54%.

During 2012, 27 of our site managers achieved recognition through the NHBC's Pride in the Job scheme. This is a testament to our build quality and represents over 40% of our site managers achieving an award which is amongst the highest in the industry.

Our performance in customer care continues to be well above industry averages. 97% (2011: 97%) of customers surveyed stated that they would recommend Miller Homes to their best friend. In addition, we achieved a five star rating for customer satisfaction in the HBF New Home Customer Satisfaction survey.

Finally, we retained our third position as one of the industry's most sustainable housebuilders as measured by the Next Generation benchmark. This assessment is the only one of its kind that ranks the performance and commitment of the UK's top 25 house builders in delivering sustainable homes and communities every year as well as their general performance as a company in relation to sustainability.

Directors' Report *(continued)*

Outlook

The general economic position is clearly important for an industry whose well-being is underpinned by consumer confidence and sentiment. We have seen some improvements in mortgage availability and it is to be hoped that this trend continues. The positive intervention of the UK Government, in the form of NewBuy and FirstBuy mortgage support and new planning legislation, together with the under-supply issues which still prevail, provides us with confidence that we will continue to rebuild and grow our output. We see the forthcoming year as being another challenging one, but remain confident that our growth plans can be delivered.

Result for the year

The results for the year are set out in the profit and loss account on page 6. The loss for the year to 31 December 2012 is £9,257,000 (2011: £54,811,000). No dividends were paid during the year (2011: £nil).

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 13 August 2012)
Ian Murdoch	
Julie M Jackson	
Pamela J Smyth	(resigned 16 May 2012)

02

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 auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

Oh behalf of the Board

Julie M Jackson
Director
28 March 2013

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 2012 set out on pages 6 to 22. 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 4, 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/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 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.

02 April 2013

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 2012

	Note	2012 Total £000	Before exceptional items £000	Exceptional items £000	2011 Total £000
Turnover: Group and share of joint ventures	*1*	**265,699**	270,603	-	270,603
Less: Share of joint ventures' turnover		**(535)**	-	-	-
Group turnover		**265,164**	270,603	-	270,603
Cost of sales		**(223,043)**	(240,181)	(34,570)	(274,751)
Gross profit/(loss)		**42,121**	30,422	(34,570)	(4,148)
Administrative expenses		**(29,848)**	(29,451)	(778)	(30,229)
Group operating profit/(loss)		**12,273**	971	(35,348)	(34,377)
Share of profit/(loss) in joint ventures		**1,199**	(952)	-	(952)
Share of loss in associates		**(158)**	(1)	-	(1)
Operating profit/(loss)		**13,314**	18	(35,348)	(35,330)
Interest payable and similar charges	*5*	**(22,720)**	(36,493)	-	(36,493)
Interest receivable and similar income	*6*	**149**	12	-	12
Loss on ordinary activities before taxation	*2*	**(9,257)**	(36,493)	(35,348)	(71,811)
Tax on loss on ordinary activities	*7*	**-**	17,000	-	17,000
Loss for the financial year	*17*	**(9,257)**	(19,463)	(35,348)	(54,811)

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 9 to 22 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2012

	Note	**2012 £000**	**2012 £000**	2011 £000	2011 £000
Fixed assets					
Tangible assets	*8*		**213**		306
Investment in joint ventures:	*9*				
Share of gross assets		**8,820**		4,400	
Share of gross liabilities		**(11,914)**		(8,606)	
Loans to joint ventures		**8,106**		7,393	
			5,012		3,187
Investment in associates	*9*		**(193)**		(23)
			5,032		3,470
Current assets					
Stocks and work in progress	*10*	**334,518**		343,831	
Debtors: due within one year	*11*	**16,792**		19,140	
Cash at bank and in hand		**11,177**		200	
		362,487		363,171	
Debtors: due after more than one year	*12*	**117,004**		114,893	
		479,491		478,064	
Creditors: amounts falling due within one year	*13*	**(331,147)**		(315,657)	
Net current assets			**148,344**		162,407
Total assets less current liabilities			**153,376**		165,877
Creditors: amounts falling due after more than one year	*14*		**(49,326)**		(397,238)
Deferred income	*15*		**(1,062)**		(4,752)
Net assets/(liabilities)			**102,988**		(236,113)
Capital and reserves					
Called up share capital	*16*		**25,000**		25,000
Profit and loss account	*17*		**77,988**		(261,113)
Shareholders' funds/(deficit)	*18*		**102,988**		(236,113)

The notes on pages 9 to 22 form part of these financial statements.

These accounts were approved by the board of Directors on 28 March 2013 and were signed on its behalf by:

Ian Murdoch
Director

Company Balance Sheet
As at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	*9*	**217,144**	17,460
Current assets			
Debtors: due within one year	*11*	**12,816**	210,713
Cash in bank and in hand		**52**	-
		12,868	210,713
Creditors: amounts falling due within one year	*13*	**(156,566)**	(51,343)
Net current (liabilities)/assets		**(143,698)**	159,370
Total assets less current liabilities		**73,446**	176,830
Creditors: amounts falling due after more than one year	*14*	**-**	(250,000)
Net assets/(liabilities)		**73,446**	(73,170)
Capital and reserves			
Called up share capital	*16*	**25,000**	25,000
Profit and loss account	*17*	**48,446**	(98,170)
Shareholders' funds/(deficit)	*18*	**73,446**	(73,170)

The notes on pages 9 to 22 form part of these financial statements.

These accounts were approved by the board of Directors on 28 March 2013 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. The day to day working capital requirements of Miller Homes Holdings Limited ("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. 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.

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 21.

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, a percentage 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:			**2012** **£000**	2011 £000
Depreciation			**169**	132
Operating lease rentals	-	land and buildings	**1,553**	1,705
	-	other	**1,120**	1,163
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			**85**	90
Other services relating to taxation			**26**	25
Exceptional charges:				
Land and work in progress writedowns			**-**	34,570
Redundancy costs			**-**	778

3. Staff numbers and costs

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

	2012 **Number**	2011 Number
Construction	**223**	224
Administration	**285**	286
Sales	**117**	120
	625	630

The aggregate payroll costs of these persons were as follows:	**2012** **£000**	2011 £000
Wages and salaries	**25,710**	24,806
Social security costs	**2,366**	2,282
Other pension costs	**1,704**	1,651
	29,780	28,739

Notes *(continued)*

4. Remuneration of directors

	2012	2011
	£000	£000
Emoluments	**623**	1,004
Amounts receivable under long-term incentive schemes	**197**	25
Company contributions to money purchase pension schemes	**91**	62
	911	1,091

The number of directors in office at the year end who were members of pension schemes was as follows:	**2012 Number**	2011 Number
Money purchase schemes	**3**	2
Defined benefit schemes	**-**	3
	3	5

The aggregate of emoluments, bonus and amounts receivable under long-term incentive schemes of the highest paid director was £503,741 (2011: £563,312) and contributions were paid by the group to his money purchase pension scheme of £46,250 (2011: £16,400) during the year.

5. Interest payable and similar charges

	2012	2011
	£000	£000
Interest payable:		
On bank loans and overdrafts	**2,525**	2,823
On amounts owed to immediate parent undertaking	**19,987**	33,670
Other	**105**	-
	22,617	36,493
Associates and joint ventures:		
Joint ventures – interest payable	**89**	-
Associates – interest payable	**14**	-
	22,720	36,493

6. Interest receivable and similar income

	2012	2011
	£000	£000
Bank and other interest receivable	**149**	12

Notes *(continued)*

7. Taxation

	2012 **£000**	2011 £000
UK Corporation tax:		
Share of joint ventures' and associates' tax	**-**	-
Total current tax charge	**-**	-
Deferred tax (note 12)	**-**	(17,000)
Tax on profit / (loss) on ordinary activities	**-**	(17,000)

Factors affecting the tax charge for the current year:

The current tax credit for the year is lower than (2011: lower than) the standard rate of corporation tax in the UK of 24.5% (2011: 26.25%). The differences are explained below:

	2012 **£000**	2011 £000
Loss on ordinary activities before taxation	**(9,257)**	(71,811)
Current tax at 24.5% (2011: 26.25%)	**(2,268)**	(18,851)
Effect of:		
Expenditure not deductible for tax purposes	**57**	64
Timing differences in respect of which deferred tax is not provided	**2,441**	6,097
Timing differences for which deferred tax is provided	**-**	12,440
Adjustment in respect of joint ventures	**(230)**	250
Total current tax charge	**-**	-

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the group's future current tax charge and deferred tax asset accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the group's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes *(continued)*

8. Tangible fixed assets

	Freehold land and buildings £000	**Plant and equipment £000**	**Group Total £000**
Cost:			
At start of year	5	1,209	1,214
Additions	-	78	78
Disposals	(2)	(90)	(92)
At end of year	3	1,197	1,200
Depreciation:			
At start of year	-	908	908
Charge for the year	-	169	169
Disposals	-	(90)	(90)
At end of year	-	987	987
Net book value			
At 31 December 2012	**3**	**210**	**213**
At 31 December 2011	5	301	306

9. Investments

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Investment in subsidiaries	**-**	-	**214,507**	14,695
Investment in joint ventures	**5,012**	3,187	**2,833**	2,788
Investment in associates	**(193)**	(23)	**(196)**	(23)
	4,819	3,164	**217,144**	17,460

Company only	**Cost £000**	**Provisions £000**	**Total £000**
Investment in subsidiaries			
At start of the year	39,695	(25,000)	14,695
Additions	175,000	-	175,000
Reversal of past impairment provisions	-	25,000	25,000
Impairment losses	-	(188)	(188)
At end of the year	214,695	(188)	214,507

Notes *(continued)*

9. Investments *(continued)*

During the year, as part of a corporate restructuring exercise, amounts owed by Miller Homes Limited amounting to £175m were capitalised in exchange for 175,000,000 £1 ordinary shares. In addition the previously written down investment value in Miller Homes Limited of £25m has been written back.

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 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Joint ventures:				
At beginning of year	**3,187**	1,163	**2,788**	1,110
Share of profits /(losses)	**1,110**	(953)	**(171)**	-
Movement in shareholder loans	**715**	2,977	**216**	1,678
At end of year	**5,012**	3,187	**2,833**	2,788

The total of the group's loss before taxation from interests in joint ventures and associates is £938,000 (2011: loss of £953,000).

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

	Group 2012 £000	Group 2011 £000
Share of assets:		
Share of current assets	**8,820**	4,400
Share of liabilities:		
Due within one year	**(11,914)**	(8,606)
	(3,094)	(4,206)
Loans provided to joint ventures	**8,106**	7,393
Share of net assets	**5,012**	3,187

Included within liabilities due within one year is interest due on shareholder loans of £336,000 (2011: £491,000) 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 2012 were:

	Country of registration	**Share capital %**
Subsidiary undertakings:		
Miller Homes Limited	Scotland	100
Miller Residential Development Services Limited	Scotland	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 St Neots Limited	Scotland	100
Joint ventures:		
St. Andrews Brae Developments Limited	England	50
Associates:		
New Laurieston (Glasgow) Limited	Scotland	45

10. Stocks and work in progress

	Group 2012 £000	Group 2011 £000
Work in progress	**333,116**	343,831
Part exchange properties	**1,402**	-
	334,518	343,831

11. Debtors: due within one year

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Trade debtors	**1,195**	1,929	**-**	-
Amounts recoverable on contracts	**11,234**	12,155	**-**	-
Amounts owed by parent undertaking	**-**	-	**-**	11,086
Amounts owed by fellow subsidiary undertaking	**273**	37	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**12,727**	199,627
Prepayment and accrued income	**1,533**	1,713	**-**	-
Other debtors	**2,557**	3,306	**89**	-
	16,792	19,140	**12,816**	210,713

Notes *(continued)*

12. Debtors: due after more than one year

	Group 2012 £000	Group 2011 £000
Trade debtors	**59,104**	56,993
Deferred tax (see below)	**57,900**	57,900
	117,004	114,893

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 2012 £000	Group 2011 £000
At beginning of year	**57,900**	40,900
Credit to profit and loss account (note 7)	**-**	17,000
At end of year	**57,900**	57,900

The elements of deferred tax balances are analysed below:

	Group 2012 £000	Group 2011 £000
Difference between accumulated depreciation and capital allowances	**538**	570
Other timing differences	**1,000**	3,854
Trading losses	**91,432**	97,536
	92,970	101,960
Deferred tax asset recognised	**(57,900)**	(57,900)
Unrecognised deferred tax asset	**35,070**	44,060

The directors believe the group will in due course be able to utilise the tax trading losses accumulated at 31 December 2012. Forecasts show profitability going forward and consequently a deferred tax asset of £57.9m has been recognised. The group has an unrecognised deferred tax asset of £35.1m.

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 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Bank overdraft (unsecured)	**-**	72,066	**-**	48,043
Bank loans (secured)	**-**	9,775	**-**	-
Trade creditors	**32,342**	31,376	**-**	-
Payments on account	**38**	651	**-**	-
Amounts owed to parent undertaking	**267,797**	177,205	**153,268**	-
Amounts owed to fellow subsidiary undertakings	**2**	3	**3,295**	3,296
Other creditors	**2,451**	2,400	**-**	-
Land creditors	**11,911**	4,498	**-**	-
Accruals and deferred income	**16,606**	17,683	**3**	4
	331,147	315,657	**156,566**	51,343

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

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Amounts owed to parent undertaking	**-**	339,360	**-**	250,000
Bank loans (secured)	**41,288**	53,489	**-**	-
Land creditors	**8,038**	4,389	**-**	-
	49,326	397,238	**-**	250,000

	Group 2012 £000	Group 2011 £000
Analysis of debt:		
Bank loans due 1-2 years (secured)	**3,211**	16,937
Bank loans due 2-5 years (secured)	**38,077**	36,552
At end of year	**41,288**	53,489

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.

Notes *(continued)*

15. Deferred income

	Group 2012 £000	Group 2011 £000
At start of year	**4,752**	9,322
Grants received during the year	**-**	737
Grant repaid during the year	**(1,066)**	-
Grants released to the profit and loss account during the year	**(2,624)**	(5,307)
At end of year	**1,062**	4,752

The purpose of the grant funding received from the Home and Communities Agency is to assist with the commencement of new, or the re-launch of stalled, developments. Repayment of the grants (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.

16. Share capital

	Company 2012 £000	Company 2011 £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	**(261,113)**	(98,170)
(Loss)/profit for the year	**(9,257)**	11,616
Capital contribution	**348,358**	135,000
At end of year	**77,988**	48,446

The capital contribution relates to a waiver of intercompany loans by The Miller Group Limited as referred to in the Directors Report on page 2.

Notes *(continued)*

18. Reconciliation of movement in shareholders' funds

	Group £000	Company £000
Opening deficit in shareholders' funds	**(236,113)**	(73,170)
Loss/(profit) for the year	**(9,257)**	11,616
Capital contribution	**348,358**	135,000
Closing shareholders' funds	**102,988**	73,446

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	-	56
Between two and five years	702	1,148
Greater than five years	955	-
	1,657	1,204

20. 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.

In February 2012, The Miller Group Limited completed a restructuring of its existing bank facilities and secured significant new third party investment. The company, along with certain fellow subsidiaries is a joint guarantor of the new bank facilities.

The group's banks have security by way of a debenture over the whole assets and undertakings of the company.

Notes *(continued)*

21 . Ultimate parent company

At 31 December 2012, the company was a subsidiary undertaking of The Miller Group Limited, which is the ultimate parent company registered in Scotland and incorporated in the United Kingdom.

The largest and the smallest group in which the results of this company are consolidated in that headed by The Miller Group Limited. The consolidated financial statement of this group are available to the public and may 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 ultimately controlled by GSO Capital Partners LP, a division of the Blackstone Group LP.