Miller Homes Holdings Limited

Annual report and financial statements

For the year ended 31 December 2013
Registered number SC255430

Contents

Strategic report

The directors present their annual report and audited accounts for the year ended 31 December 2013.

Principal activity

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

Business review

Market overview

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

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

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

Performance

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

Turnover increased by 25% to £330m (2012: £264m). This was driven by an additional 190 completions from our owned landbank, together with a 6.5% increase in the average selling price to £181,000 (2012: £170,000) and higher land sales due to the sale of excess strategic landholdings. The increase in average selling price reflects a higher proportion of family product being sold in 2013 in better locations aided by modest price growth. Through a combination of product size and location of our new developments, our average selling price will increase further in 2014 as the impact of recently acquired land feeds through into completions. The price growth has in the main been generated by lower incentives rather than top-line house price inflation, although we do expect to see some house price inflation in 2014.

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

An increased proportion of sales were generated from recently acquired land. This accounted for 33% (2012: 20%) of completions and underpinned a 79% increase in operating profit to £22.9m (2012: £12.8m). The proportion of sales from new land is expected to increase to over 50% in 2014.

Strategic report *(continued)*

Landbank

Our land buying programme increased in 2013 with £92m (2012: £56m) being committed. This enabled our owned landbank to grow by 10% to 5,743 plots (2012: 5,203 plots). We have a further 2,988 consented plots (2012: 2,884 plots) taking our controlled landbank to 8,731 plots, which is equivalent to five years' supply. The land reinvestment programme is also improving our embedded margin, which at the end of 2013 is 20.0%, significantly ahead of the prior year figure of 18.1%.

Land buying conditions remain favourable in all our areas of operation due mainly to smaller regional builders having limited access to funding. We have a targeted land acquisition strategy which is location driven with the key financial hurdles being margin and return on capital.

Our strategic land pipeline is significant and will fuel our future growth. In this regard, the introduction of the National Planning Policy Framework ("NPPF") and in particular the emphasis on local authorities having a robust five year land supply, has accelerated the planning prospects for some of our key strategic sites.

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

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

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

Corporate responsibility

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

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

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

Our build quality statistics continue to impress both by historic levels and with comparison to our peers. During 2013, 23 of our site managers achieved recognition through the NHBC's Pride in the Job scheme, with one receiving the ultimate accolade, the Supreme Award, in the multi-storey category. In relative terms, this is industry leading. In customer care, 97% (2012: 97%) of respondents stated that they would recommend Miller Homes to their best friend and we retained our 5 star rating for customer satisfaction in the HBF New Home Customer Satisfaction survey.

Strategic report *(continued)*

Looking forward

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

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

Principal risks and uncertainties

Risk	**Mitigation**
Economic and market risk Macro-economic conditions have a direct bearing on the levels of demand for homes. Weaker consumer confidence and pessimism about employment prospects will inevitably impact on demand. Economic and market conditions have improved over the last 12 months. The UK economy has returned to growth and both inflation and unemployment have fallen. Interest rates remain low. Despite this generally improving climate there remain structural risks associated with the economy.	We monitor a variety of key economic performance indicators to determine our future output levels. We track housing sales rates, prices and incentives on a weekly basis to monitor current trading and trends. The Miller Group is robustly financed and this provides protection against market risk. Financial forecasts and business plans are updated regularly and sensitivity analysis undertaken.
Mortgage availability The last 5 years in particular has shown the importance of mortgage availability and pricing on UK housing demand.	2013 saw Government intervention in the form of Help to Buy along with an increase in the number of high LTV mortgages. We maintain excellent relationships with the relevant government agencies and lenders to ensure we are involved in all key initiatives and schemes. Our land-buying strategy is aimed at more family housing to reduce our share of first-time buyers where higher LTV mortgages are more critical.
Land acquisition This is the risk associated with our ability to acquire sufficient land in the right locations at the requisite hurdle rates and hence achieve our strategic growth aspirations.	We have a clearly defined land strategy and have strengthened our land teams. All land required to deliver our 2014 targets is owned with full planning. A significant proportion of our new land will be satisfied from our strategic landholdings which provides some assurance on security of supply. All proposed land acquisitions are subject to a strict evaluation process including detailed technical and commercial investigations and market research. Strict approval controls are in place.

Strategic report *(continued)*

Risk	Mitigation
Funding The group requires access to adequate financial resources in order to deliver its investment objectives and to manage working capital requirements.	Cash is managed by a combination of short and medium term forecasts. Business plans are updated regularly and sensitivity analysis performed on cash flows.
Planning and regulatory This is the risk of obtaining planning and technical consents associated with the purchase of new sites. This is a key risk in the context of our significant strategic landholdings and manifests itself either through delayed site purchases or planning gain costs which impact site viabilities.	We have a dedicated team which monitors planning policy at a local and national level. Particular attention is paid to emerging policy which could impact our strategic landbank. The NPPF has generally enhanced the planning prospects of our strategic landholdings, however the timescales to achieve a full planning consent together with the necessary technical consents still requires careful monitoring and timely programming.
Construction This risk relates to our ability to build on time the requisite volume of houses within cost budgets. The rise in industry housing volumes over the past year has led to the late delivery of certain materials (eg bricks and blocks). In addition, we have seen in some regions, shortages in skilled trades leading to above inflation cost increases.	National supply agreements covering all key material supplies are in place. Solus arrangements are only considered for materials after evaluating the risks/rewards involved. In relation to labour, multiple suppliers are used to minimise dependence on any one firm. Where cost increases are incurred, we will look to mitigate the overall impact through build efficiencies, in respect of which a number of initiatives are planned in 2014.
People Our employees are the group's most important asset and it is therefore imperative that we attract and retain the best people. Effective, performance management, talent management, recruitment and retention are key to success, with the overall risk that inadequate management of these elements may have an adverse impact on group performance.	We have a fully integrated HR strategy that addresses all aspects of reward, retention and talent, as well as performance management. Training opportunities and personal development plans are key areas of focus and are kept constantly under review to ensure our processes are in line with best practice. We have an established succession plan for middle and senior management.

Strategic report *(continued)*

Risk	Mitigation
Safety, Health and Environment (SHE) This is the risk associated with breaches of SHE legislation resulting in work place injuries, environmental damage or physical damage to sites. This could result in financial penalties, reputational damage and suspension of site activities.	Health and safety is at the forefront of operations with proactive policies and procedures regularly tested to ensure compliance. We have an approved SHE strategy and progress against targets is reported regularly. Key performance indicators are in place and site operations are subject to regular audits and inspections. Initiatives such as 'Zero Incidents Every Day' and Behavioural Safety campaigns reinforce a zero tolerance approach to safety breaches.
Pensions Although the Miller Group's Defined Benefit Pension Scheme was closed to new entrants in 1997 and to future accrual for existing members in July 2010, there remain financial risks relating to the funding of the scheme. In particular, increased longevity assumptions or reduced bond yields could lead to a higher funding requirement.	A de-risking plan to manage pension liabilities risk has been agreed. A pro-active joint investment strategy has been agreed with the Trustees to the Pension Scheme to deliver real returns on a proportion of the assets within the Scheme. A joint investment committee comprising management and trustees monitors changes to market conditions and responds accordingly.

Key performance indicators

Selected financial and non-financial indicators which relate to our key business objectives which are documented within our Strategic report are presented here.

	2013	2012	Movement (%)
Total housing sales (units)	2,053	1,831	12.1
PBIT (£m)	22.9	13.0	78.7
Landbank (owned and consented plots)	8,731	8,087	8.0
Embedded margin (%)	20.0	18.1	10.5
Landbank (strategic plots)	17,011	15,304	11.2
Customer care (%)	97.0	97.0	-
SHE (Accident incident rate / 100,000 persons)	350	614	(43.0)

Julie M Jackson
Director
23 April 2014

Miller House
2 Lochside View
Edinburgh, EH12 9DH

Directors' report

Result for the year

The results for the year are set out in the consolidated income statement on page 10. The profit for the year to 31 December 2013 is £9,037,000 (restated 2012: £7,595,000 loss). No dividends were paid during the year (2012: £nil).

This is the first year that the group has reported under International Financial Reporting Standards ("IFRSs"). As such the 2012 figures throughout the financial statements have been restated (refer to note 1 for further details).

Directors

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

Keith M Miller	
Christopher J Endsor	
Ian Murdoch	
Julie M Jackson	
Richard Hodsden	(appointed 21 November 2013)
John S Richards	(resigned 18 November 2013)

Employees

Miller Homes Holdings Limited is committed to ensuring equality of opportunity for all employees regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation (referred to as 'Protected Characteristics'). This applies to recruitment, promotion, transfer, training, benefits, facilities, procedures and all terms and conditions of employment. Our aim is to provide support and encouragement to all of our employees to help them achieve their full potential.

We are therefore determined to have a working environment which is free from any form of discrimination, harassment or bullying.

The group recognises that appropriate employee engagement is critical to the long term success of the group. It utilises a comprehensive employee engagement programme, delivered through an on-line engagement survey, with the aim of creating a strong, shared culture.

As at 31 December 2013, the group's employees, split by gender, was as follows:

Position	**Male**	**Female**
Directors	4	1
Senior management	24	4
All other employees	394	200

Political and charitable contributions

Neither the company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year.

Directors' report *(continued)*

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/she ought to have taken as a director to make himself/herself 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
23 April 2014

Miller House
2 Lochside View
Edinburgh, EH12 9DH

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

Financial statements and accounting records

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

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

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

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

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

Directors' responsibility statement

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

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

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

We have audited the financial statements of Miller Homes Holdings Limited for the year ended 31 December 2013 set out on pages 10 to 38. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's 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 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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.

23 April 2014

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 income statement
for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Revenue: Group and share of joint ventures	*1*	**329,615**	264,065
Less: Share of joint ventures turnover		**(3,358)**	(535)
Group revenue		**326,257**	263,530
Cost of sales		**(273,147)**	(221,823)
Gross profit		**53,110**	41,707
Administrative expenses		**(30,568)**	(29,848)
Group operating profit		**22,542**	11,859
Share of profit in joint ventures		**335**	1,109
Share of loss in associates		**(14)**	(172)
Operating profit		**22,863**	12,796
Finance costs	*5*	**(19,112)**	(23,370)
Finance income	*6*	**3,186**	2,979
Net finance costs		**(15,926)**	(20,391)
Profit/(loss) on ordinary activities before taxation	*2*	**6,937**	(7,595)
Tax on profit/(loss) on ordinary activities	*7*	**2,100**	-
Profit/(loss) for the financial year		**9,037**	(7,595)

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

The notes on pages 14 to 38 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Share capital £000	Retained earnings £000	Total £000
Balance at 31 December 2011	25,000	(280,073)	(255,073)
Loss for the year	-	(7,595)	(7,595)
Capital contribution	-	348,358	348,358
Balance at 31 December 2012	25,000	60,690	85,690
Profit for the year	-	9,037	9,037
Balance at 31 December 2013	**25,000**	**69,727**	**94,727**

Company statement of changes in equity

for the year ended 31 December 2013

	Share capital £000	Retained earnings £000	Total £000
Balance at 31 December 2011	25,000	(98,170)	(73,170)
Profit for the year	-	11,812	11,812
Capital contribution	-	135,000	135,000
Balance at 31 December 2012	25,000	48,642	73,642
Loss for the year	-	(9,881)	(9,881)
Balance at 31 December 2013	**25,000**	**38,761**	**63,761**

The capital contribution in 2012 in both the group and company relates to a waiver of intercompany loans by The Miller Group Limited.

The notes on pages 14 to 38 form part of these financial statements.

Balance sheets
at 31 December 2013

	Note	**Group 2013 £000**	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Assets					
Non-current assets					
Property, plant and equipment	*8*	**254**	213	**-**	-
Investments	*9*	**4,566**	5,012	**219,217**	217,340
Available for sale financial assets	*10*	**43,112**	42,454	**-**	-
Deferred tax	*11*	**60,000**	57,900	**-**	-
		107,932	105,579	**219,217**	217,340
Current assets					
Inventories	*12*	**361,080**	332,458	**-**	-
Trade and other receivables	*13*	**17,011**	16,513	**836**	12,816
Cash and cash equivalents		**32,770**	11,177	**50**	52
		410,861	360,148	**886**	12,868
Total assets		**518,793**	465,727	**220,103**	230,208
Liabilities					
Non-current liabilities					
Trade and other payables	*15*	**(50,496)**	(47,828)	**-**	-
Deferred income	*16*	**(119)**	(1,062)	**-**	-
		(50,615)	(48,890)	**-**	-
Current liabilities					
Trade and other payables	*14*	**(373,451)**	(331,147)	**(156,342)**	(156,566)
Total liabilities		**(424,066)**	(380,037)	**(156,342)**	(156,566)
Net assets		**94,727**	85,690	**63,761**	73,642
Equity					
Share capital	*17*	**25,000**	25,000	**25,000**	25,000
Retained earnings		**69,727**	60,690	**38,761**	48,642
Total equity		**94,727**	85,690	**63,761**	73,642

The notes on pages 14 to 38 form part of these financial statements.

These accounts were approved by the board of Directors on 23 April 2014 and were signed on its behalf by:

Ian Murdoch
Director

Christopher J Endsor
Director

Statement of cash flows

For the year ended 31 December 2013

	Note	**Group 2013 £000**	Group 2012 £000
Cash flows from operating activities			
Profit/(loss) for the year		**9,037**	(7,595)
Depreciation	*8*	**109**	169
Amortisation of land option costs		**677**	978
Profit on sale of property, plant and equipment		**-**	2
Finance income	*6*	**(3,186)**	(2,979)
Finance expense	*5*	**19,112**	23,370
Share of post tax profits from JVs and Associates		**(321)**	(937)
Income tax credit	*7*	**(2,100)**	-
Cash inflow from operating activities		**23,328**	13,008
Working capital movements:			
Decrease in trade and other receivables		**1,993**	1,050
(Increase)/decrease in inventories		**(31,028)**	8,144
Increase in trade and other payables		**51,846**	106,321
Cash generated from operations		**22,811**	115,515
Interest paid		**(17,451)**	(22,650)
Interest received		**35**	135
Net cash inflows from operating activities		**28,723**	106,008
Cash flows from investing activities			
Acquisition of property, plant and equipment	*8*	**(150)**	(78)
Movement in loan with joint ventures/associates		**2,417**	(911)
Net cash from investing activities		**2,267**	(989)
Cash flows from financing activities			
Decrease in bank borrowings and overdraft	*20*	**(19,698)**	(94,042)
Increase in other long term borrowings	*20*	**10,301**	-
Cash flows from financing activities		**(9,397)**	(94,042)
Net increase in cash and cash equivalents	*20*	**21,593**	10,977
Cash and cash equivalents at beginning of year	*20*	**11,177**	200
Cash and cash equivalents at end of year		**32,770**	11,177

Notes
(forming part of the financial statements)

1. Accounting policies

Transition to Adopted IFRSs

The group is preparing its financial statements in accordance with Adopted International Financial Reporting Standards ('IFRS') for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the group is provided in note 26.

The company is preparing its financial statements in accordance with Financial Reporting Standard ("FRS") 101 for the first time. There has been no impact on the reported financial position, financial performance and cash flows of the company as a result of preparing the financial statement under FRS 101 as opposed to under UK Generally Accepted Accounting Practice.

Basis of preparation

The group financial statements have been prepared and approved by the directors in accordance with IFRSs as adopted by the EU ("Adopted IFRSs"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2012 for the purposes of the transition to Adopted IFRSs.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

As permitted by Section 408 of the Companies Act 2006 the income statement of the parent company is not presented. During the year, the parent company made a loss of £9,881,000 (2012: £11,812,000 profit).

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.

Measurement convention

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

Notes *(continued)*

1. Accounting policies *(continued)*

Going concern

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 Miller Group Holdings (UK) Limited and bank borrowings. The directors of Miller Group Holdings (UK) Limited have indicated to the directors of MHHL that it will continue to provide MHHL 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 the amounts subsequently waived. Based upon the undertaking of financial support outlined above, and after making appropriate enquiries, the directors have a reasonable expectation that 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.

Revenue

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

Inventories

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

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

The purchase and subsequent sale of part exchange properties is an activity undertaken in order to achieve the sale of a new property. As such, the activity is regarded as a mechanism for selling. Impairments and gains and losses on the sale of part exchange properties are classified as a cost of sale.

Notes *(continued)*

1. Accounting policies *(continued)*

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 income statement and its interest in their net assets is included in the consolidated balance sheet.

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

Trade and other receivables

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

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

Other financial assets

Receivables on extended terms granted as part of a sales transaction are secured by way of a legal charge on the relevant property, categorised as an available for sale financial asset and are stated at fair value as described in note 10. Gains and losses arising from changes in fair value are recognised directly in retained earnings, with the exception of impairment losses, the impact of changes in future cash flows and interest calculated using the effective interest rate method, which are recognised directly in the income statement. Where the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Notes *(continued)*

1. Accounting policies *(continued)*

Property, plant and equipment

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

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

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

Operating leases

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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 income statement 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 IAS 19 ‘Employee benefits’, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period. The scheme was closed to future accrual in 2010.

Notes *(continued)*

1. Accounting policies *(continued)*

Dividends on shares presented within total equity

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

Deferred income

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

Net financing costs

Financing expenses comprise interest payable on bank loans and amounts owed to Group undertakings, and the unwinding of the discount to nominal value of trade payables on extended terms (land payables). Financing income comprise interest receivable on funds invested and the unwinding of the discount to present day value of available for sale financial assets (see note 6). Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Segmental reporting

No segmental information has been presented as the directors consider that, as the group's main operation is that of a house builder and it operates entirely within the UK, there are no separate segments either business or geographic to disclose having taken into account the geographic aggregation criteria provisions of IFRS 8.

2. Profit/(loss) on ordinary activities before taxation

This is stated after charging the following:			**2013 £000**	2012 £000
Depreciation			**109**	169
Operating lease rentals	-	land and buildings	**1,459**	1,553
	-	other	**1,117**	1,120
Auditor's remuneration:				
Audit of these financial statements			**5**	3
Amounts receivable by auditors and their associates in respect of:				
Audit of financial statements of subsidiaries pursuant to legislation			**88**	85
Taxation compliance services			**36**	26

Notes *(continued)*

3. Staff numbers and costs

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

	2013 Number	2012 Number
Construction	**217**	223
Administration	**272**	285
Sales	**103**	117
	592	625

The aggregate payroll costs of these persons were as follows:	**2013 £000**	2012 £000
Wages and salaries	**27,946**	25,474
Social security costs	**2,942**	2,602
Contributions to defined contribution plans	**1,743**	1,704
	32,631	29,780

Notes *(continued)*

4. Remuneration of key management

Key management comprises the Executive Management Team, which includes the Executive Directors of the Board as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the group. Key management remuneration, including directors, comprised:

	2013	2012
	£000	£000
Emoluments	**1,588**	1,576
Amounts receivable under long-term incentive schemes	**1,206**	378
Other pension costs	**230**	222
	3,024	2,176

Retirement benefits are accruing to the following number of directors under:	**2013 Number**	2012 Number
Money purchase schemes	**8**	8

Directors' remuneration comprised:

	2013	2012
	£000	£000
Emoluments	**553**	623
Amounts receivable under long-term incentive schemes	**439**	197
Other pension costs	**93**	91
	1,085	911

Retirement benefits are accruing to the following number of directors under:	**2013 Number**	2012 Number
Money purchase schemes	**3**	3

The aggregate of emoluments, bonus and amounts receivable under long-term incentive schemes of the highest paid director was £490,125 (2012: £503,741) and contributions were paid by the group to his money purchase pension scheme of £46,250 (2012: £46,250) during the year.

Notes *(continued)*

5. Finance costs

	2013 £000	2012 £000
Interest payable on bank loans and overdrafts	**1,887**	2,525
Interest payable on amounts owed to parent undertaking	**15,658**	19,987
Effective interest on land payable on deferred terms	**1,567**	753
Other interest payable	**-**	105
	19,112	23,370

Of the above amount, £15,658,000 (2012: £19,987,000) was payable to group undertakings.

6. Finance income

	2013 £000	2012 £000
Bank and other interest receivable	**61**	149
Effective interest on available for sale financial assets	**3,125**	2,830
	3,186	2,979

Interest receivable includes income from group undertakings of £nil (2012: £nil).

7. Tax on profit/(loss) on ordinary activities before tax

	2013 £000	2012 £000
Current tax expense:		
Total current tax	**-**	-
Deferred tax credit:		
Origination and reversal of timing differences	**49**	2,531
Recognition of tax losses in current year	**(11,270)**	(9,647)
Impact of change in tax rate	**9,121**	7,116
Total deferred tax	**(2,100)**	-
Tax credit for the year	**(2,100)**	-

Notes *(continued)*

7. Tax on profit/(loss) on ordinary activities before tax *(continued)*

Factors affecting the tax credit for the current year:

The current tax credit for the year is higher than (2012: lower than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%). The differences are explained below:

	2013	2012
	£000	£000
Profit/(loss) on ordinary activities before tax	**6,937**	(7,595)
Current tax at 23.25% (2012: 24.50%)	**1,613**	(1,861)
Effects of:		
Expenditure not deductible for tax purposes	**39**	57
Impact of change in tax rate	**9,121**	7,116
Recognition of previously unrecognised deferred tax	**(11,221)**	(7,116)
Utilisation of prior year tax losses	**(1,463)**	(219)
Adjustments in respect of prior years	**(114)**	2,253
Adjustments in respect of joint ventures/associates	**(75)**	(230)
Total credit for the year	**(2,100)**	-

The UK government's budget for 2013 announced that the main rate of UK corporation tax was reduced from 24%, for the tax year ending 31 March 2013, to 23% for the tax year commencing 1 April 2013, then a reduction to 21% will be effective from 1 April 2014 with a further reduction to 20% effective from 1 April 2015. Deferred tax balances as at 31 December 2013 are recognised at a rate of 20% (as at 31 December 2012: 20%).

Notes *(continued)*

8. Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Group Total £000
Cost:			
At 1 January 2012	5	1,209	1,214
Additions	-	78	78
Disposals	(2)	(90)	(92)
At 31 December 2012	3	1,197	1,200
Additions	-	150	150
Disposals	-	(2)	(2)
At 31 December 2013	**3**	**1,345**	**1,348**
Depreciation:			
At 1 January 2012	-	908	908
Charge for the year	-	169	169
Disposals	-	(90)	(90)
At 31 December 2012	-	987	987
Charge for the year	-	109	109
Disposals	-	(2)	(2)
At 31 December 2013	**-**	**1,094**	**1,094**
Net book value			
At 31 December 2013	**3**	**251**	**254**
At 31 December 2012	3	210	213

Notes *(continued)*

9. Investments

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Investment in subsidiaries	**-**	-	**215,361**	214,507
Investment in joint ventures	**4,566**	5,012	**3,856**	2,833
	4,566	5,012	**219,217**	217,340

Company only	Cost £000	Provisions £000	Total £000
Investment in subsidiaries			
At start of the year	214,695	(188)	214,507
Additions	730	-	730
Reversal of impairment provisions	-	124	124
At end of the year	**215,425**	**(64)**	**215,361**

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Joint ventures:				
At beginning of year	**5,012**	3,187	**2,833**	2,788
Share of profits/(losses)	**335**	1,109	**(14)**	(171)
Adjustment to prior year losses (see below)	**1,650**	-	**-**	-
Movement in shareholder loans	**(2,431)**	716	**1,037**	216
At end of year	**4,566**	5,012	**3,856**	2,833

The total of the group's profit before taxation from interests in joint ventures and associates is £321,000 (2012: £937,000).

Land & City Properties (Bollington) Limited was a joint venture until 21 June 2013, at which point it became a wholly owned subsidiary. The decrease in shareholder loans and adjustment to prior year losses in 2013 have arisen predominantly as a result of Land & City Properties (Bollington) Limited becoming a wholly owned subsidiary.

Notes *(continued)*

9. Investments (*continued*)

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

	Group 2013 £000	Group 2012 £000
Share of assets:		
Share of current assets	**6,364**	8,820
Share of liabilities:		
Due within one year	**(7,473)**	(11,914)
	(1,109)	(3,094)
Loans provided to joint ventures	**5,675**	8,106
Share of net assets	**4,566**	5,012

Included within liabilities due within one year is interest due on shareholder loans of £154,000 (2012: £143,000) in relation to which there is a corresponding debtor balance within other receivables.

The principal investments of the company as at 31 December 2013 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
Miller Fullwood Limited	Scotland	100
Joint ventures:		
St. Andrews Brae Developments Limited	England	50
Associates:		
New Laurieston (Glasgow) Limited	Scotland	45

Notes *(continued)*

10. Available for sale financial assets

	Group 2013 £000	Group 2012 £000
As start of year	**42,454**	38,033
Additions	**933**	3,765
Redemptions	**(3,400)**	(2,174)
Imputed interest	**3,125**	2,830
At end of year	**43,112**	42,454

Available for sale financial assets comprise loans which are granted as part sales transactions under the company's Miway scheme and the HCA HomeBuy Direct and FirstBuy shared equity schemes. These are secured by way of a second ranking legal charge on the related property. The assets are recorded at fair value, being the estimated future amount receivable by the company, discounted to present day values. The fair value of anticipated cash receipts takes in to account the directors' view of future house price movements, the expected timing of receipts, and the likelihood that a purchaser defaults on repayment. The directors review the future anticipated receipts from the assets at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income (see note 6), with the financial asset increasing to its full expected cash settlement value on the receipt date. Credit risk, which the directors currently consider to be mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The directors review the financial assets for impairment at each balance sheet date. There were no indicators of impairment at 31 December 2013 (2012: £nil). None of the financial assets are past their due dates (2012: £nil) and the directors expect an average maturity profile of between 5 and 10 years from the balance sheet date.

Notes *(continued)*

11. Deferred tax

The following are the deferred tax assets recognised by the group and the movements thereon during the current and prior year:

	Capital allowances £000	Other temporary differences £000	Trading losses £000	Total £000
At 1 January 2012	570	3,854	53,476	57,900
Income statement (charge)/credit	(32)	(2,854)	2,886	-
At 31 December 2012	538	1,000	56,362	57,900
Income statement (charge)/credit	(51)	(192)	2,343	2,100
As at 31 December 2013	**487**	**808**	**58,705**	**60,000**

The directors believe the group will in due course be able to utilise the majority of the tax losses accumulated at 31 December 2013. However, they have adopted a prudent approach and only partially recognised all available deferred tax assets. The group has not recognised a deferred tax asset of £20,063,000 (2012: £nil) in respect of accumulated losses.

There are no deferred tax balances in respect of the company.

12. Inventories

	Group 2013 £000	Group 2012 £000
Work in progress	**358,808**	331,056
Part exchange properties	**2,272**	1,402
	361,080	332,458

Work in progress recognised as cost of sales in the year amounted to £266,977,000 (2012: £221,145,000). The write-down of stocks to net realisable value amounted to £2,894,000 (2012: £7,884,000). The reversal of write-downs amounted to £3,462,000 (2012: £7,216,000). The write-down and reversal are included in cost of sales.

Notes *(continued)*

13. Trade and other receivables

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Trade receivables	**3,347**	1,195	-	-
Amounts recoverable on contracts	**7,634**	11,234	-	-
Amounts owed by fellow subsidiary undertakings	**128**	273	-	-
Amounts owed by subsidiary undertakings	**-**	-	**738**	12,727
Other receivables	**3,849**	2,364	**98**	89
Prepayments and accrued income	**2,053**	1,447	**-**	-
	17,011	16,513	**836**	12,816

14. Trade and other payables: amounts falling due within one year

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Trade payables	**34,822**	32,380	**-**	-
Amounts owed to parent undertaking	**294,291**	267,797	**153,042**	153,268
Amounts owed to fellow subsidiary undertakings	**-**	2	**3,295**	3,295
Other payables	**4,591**	2,451	**5**	-
Land payables	**19,179**	11,911	**-**	-
Accruals and deferred income	**20,568**	16,606	**-**	3
	373,451	331,147	**156,342**	156,566

15. Trade and other payables: amounts falling due after more than one year

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Bank loans (secured – see below)	**21,590**	41,288	**-**	-
Land payables (see below)	**18,605**	6,540	**-**	-
Long term borrowings (see below)	**10,301**	-	**-**	-
	50,496	47,828	**-**	-

Notes *(continued)*

15. Trade and other payables: amounts falling due after one year *(continued)*

Bank loans

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

	Group 2013 £000	Group 2012 £000
Analysis of debt:		
Bank loans due with 1 year	**-**	-
Bank loans due 1-2 years (secured)	**21,590**	3,211
Bank loans due 2-5 years (secured)	**-**	38,077
At end of year	**21,590**	41,288

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.

Land payables

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

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

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

	Balance at 31 December £000	Total contracted cash payment £000	Due less than 1 year £000	Due between 1 and 2 years £000	Due between 2 and 5 years £000
As at 31 December 2013	**37,784**	**40,530**	**19,179**	**16,432**	**4,919**
As at 31 December 2012	18,451	19,949	11,911	1,322	6,716

Long term borrowings

Long term borrowings relate to the group's interest in Telford NHT (2011) LLP, an entity established to provide residential property for rental purposes. The full amount is payable in 2 – 5 years.

Notes *(continued)*

16. Deferred income

	Group 2013 £000	Group 2012 £000
At start of year	**1,062**	4,752
Grant repaid during the year	**-**	(1,066)
Grants released to the income statement during the year	**(943)**	(2,624)
At end of year	**119**	1,062

The purpose of the grant funding received from the Homes 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.

17. Share capital

	Company 2013 £000	Company 2012 £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

Notes *(continued)*

18. Financial instruments

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

Measurement of fair values

There is no difference between the fair value and carrying value of any financial assets and financial liabilities.

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

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

	Level 1 £000	Level 2 £000	Level 3 £000	**Total** **£000**
Financial assets:				
Available for sale financial assets	-	-	43,112	**43,112**

Financial risk

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

Credit risk

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

The group has £43,112,000 (2012: £42,454,000) of available for sale financial assets which exposes it to credit risk although this asset is spread over a large number of properties. As such the group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure to credit risk at 31 December 2013 is represented by the carrying amount of each financial asset.

Notes *(continued)*

18. Financial instruments *(continued)*

Liquidity risk

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

As explained in note 1, the day to day working capital requirements of MHHL are provided through a combination of funds provided by Miller Group Holdings (UK) Limited and bank borrowings. The group manages its funding requirements by monitoring cash flows against forecast requirements on a weekly basis.

Market risk

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

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

Interest rate risk

Interest rate risk reflects the group's exposure to interest rates in the market. The group's secured bank loans are subject to floating interest rates based on LIBOR. The intercompany loans due to the parent undertaking are subject to fixed interest rates.

For the year ended 31 December 2013 it is estimated that an increase of 1% in interest rates applying for the full year would decrease the group's profits by £3,386,000 (2012: £3,796,000).

The maturity of the financial liabilities has been disclosed in notes 14 and 15.

19. Reconciliation of net cash flow to net cash/(debt)

	2013 **£000**	2012 £000
Increase in net cash and cash equivalents	**21,593**	10,977
Decrease in bank loans	**19,698**	21,976
Decrease in bank overdraft	**-**	72,066
Increase in long term borrowings	**(10,301)**	-
Movement in net cash in year	**30,990**	105,019
Net debt at beginning of year	**(30,111)**	(135,130)
Net cash/(debt) at end of year	**879**	(30,111)

Notes *(continued)*

20. Analysis of net (debt)/cash

	2012 £000	Cash flows £000	**2013 £000**
Cash and cash equivalents	11,177	21,593	**32,770**
Bank loans	(41,288)	19,698	**(21,590)**
Long term borrowings	-	(10,301)	**(10,301)**
Net cash/(debt) at 31 December	(30,111)	30,990	**879**

21. Commitments

At 31 December 2013, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 Land and buildings £000	**2013 Other £000**	2012 Land and buildings £000	2012 Other £000
Leases expiring:				
Within one year	**1,199**	**1,283**	1,405	1,123
Between two and five years	**2,795**	**1,291**	3,605	2,020
Greater than five years	**1,694**	**1**	2,268	4
	5,688	**2,575**	7,278	3,147

22. 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, along with certain fellow subsidiaries is a joint guarantor of the group's (Miller Group Holdings (UK) Limited) bank facilities.

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

23. Accounting estimates and judgements

Available for sale financial assets

Available for sale financial assets are held at the present value of expected future cash flows taking into account the estimated market value of the asset at the estimated time of repayment. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of such assets.

Notes *(continued)*

23. Accounting estimates and judgements *(continued)*

Carrying value of land and work in progress and profit recognition

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

There is a degree of inherent uncertainty in making such estimates. The group has established internal controls that are designed to ensure an effective assessment is made of inventory carrying values and the costs to complete developments.

Deferred tax

Management assess whether there will be sufficient future profits to utilise deferred tax assets recognised at the balance sheet date.

24. Related party transactions

Disclosures related to the remuneration of key personnel as defined in IAS24 'Related Party Disclosures' are given in note 4. There is no difference between transactions with key management personnel of the company and the group.

Group	**2013** **£000**	2012 £000
Amounts owed by joint ventures in respect of outstanding loans and other outstanding payables	**5,676**	8,106
Amounts owed by associates in respect of loans and other outstanding payables	**344**	343
Amounts owed to Miller Group Holdings (UK) Limited in respect of outstanding loans	**(294,291)**	(267,797)
Transactions between the group and Miller Group Holdings (UK) Limited in respect of interest charges on loans repayable	**15,658**	19,987
Amounts owed by fellow subsidiary undertakings of The Miller Group (UK) Limited in respect of rent and office management	**128**	273
Transactions between the group and fellow subsidiary undertakings of The Miller Group (UK) Limited in respect of land purchases, construction services and rent and office management	**7,145**	826

Notes *(continued)*

24. Related party transactions *(continued)*

Company	**2013** **£000**	2012 £000
Amounts owed by fellow subsidiary undertakings of Miller Group Holdings (UK) Limited in respect of outstanding loans	**738**	12,727
Amounts owed to Miller Group Holdings (UK) Limited in respect of outstanding loans	**(153,042)**	(153,268)
Amounts owed to fellow subsidiary undertakings of The Miller Group (UK) Limited in respect other amounts payable	**(3,295)**	(3,295)

There were no transactions between the company and related parties other than intercompany recharges, arising in the normal course of business (2012: £nil).

25. Ultimate parent company

At 31 December 2013, the company was a subsidiary undertaking of The Miller Group (UK) Limited, which is the ultimate parent company registered in Scotland and incorporated in the United Kingdom.

The largest and the smallest group in which the results of this company are consolidated is that headed by The Miller Group (UK) 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

26. Explanation of transition to IFRS from UK GAAP

As stated in note 1, these are the group's first financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2013, the comparative information presented in these financial statements for the year ended 31 December 2012 and in the preparation of an opening IFRS balance sheet at 1 January 2012 (the group's date of transition).

In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

26. Explanation of transition to IFRS from UK GAAP *(continued)*

Reconciliation of equity

	1 January 2012			**31 December 2012**		
	UK GAAP (see note below) £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000	**UK GAAP (see note below) £000**	**Effect of transition to Adopted IFRSs £000**	**Adopted IFRSs £000**
Assets						
Available for sale financial assets	56,993	(18,960)	38,033	**59,104**	**(16,650)**	**42,454**
Deferred tax	57,900	-	57,900	**57,900**	**-**	**57,900**
Inventories	343,831	(997)	342,834	**334,518**	**(2,060)**	**332,458**
Prepayments and accrued income	1,713	-	1,713	**1,533**	**(86)**	**1,447**
All other assets	21,097	-	21,097	**31,468**	**-**	**31,468**
Total assets	481,534	(19,957)	461,577	**484,523**	**(18,796)**	**465,727**
Liabilities						
Land payables	(8,887)	997	(7,890)	**(19,949)**	**1,498**	**(18,451)**
All other liabilities	(708,760)	-	(708,760)	**(361,586)**	**-**	**(361,586)**
Total liabilities	(717,647)	997	(716,650)	**(381,535)**	**1,498**	**(380,037)**
Net (liabilities) /assets	(236,113)	(18,960)	(255,073)	**102,988**	**(17,298)**	**85,690**
Equity						
Share capital	25,000	-	25,000	**25,000**	**-**	**25,000**
Retained earnings	(261,113)	(18,960)	(280,073)	**77,988**	**(17,298)**	**60,690**
Total equity	(236,113)	(18,960)	(255,073)	**102,988**	**(17,298)**	**85,690**

UK GAAP

UK GAAP figures above refer to available for sale financial assets. Within the UK GAAP balance sheet as published these are classified as trade debtors due in more than 1 year.

Refer to the notes on page 37 for an explanation of the adjustments required in preparing the opening balance sheet and adjusted 2012 figures.

Notes *(continued)*

26. Explanation of transition to IFRS from UK GAAP *(continued)*

Reconciliation of profit for year ending 31 December 2012

	UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue: Group and share of joint ventures	265,699	(1,634)	264,065
Less: Share of joint ventures' turnover	(535)	-	(535)
Group revenue	265,164	(1,634)	(263,530)
Cost of sales	(223,043)	1,220	(221,823)
Gross profit	42,121	(414)	41,707
Administrative expenses	(29,848)	-	(29,848)
Group operating profit	12,273	(414)	11,859
Share of profit in joint ventures	1,199	(90)	1,109
Share of loss in associates	(158)	(14)	(172)
Operating profit	13,314	(518)	12,796
Finance costs	(22,720)	(650)	(23,370)
Finance income	149	2,830	2,979
Net finance costs	(22,571)	2,180	(20,391)
Loss on ordinary activities before taxation	(9,257)	1,662	(7,595)
Tax on loss on ordinary activities	-	-	-
Loss for the financial year	**(9,257)**	**1,662**	**(7,595)**

Notes *(continued)*

26. Explanation of transition to IFRS from UK GAAP *(continued)*

Notes to the reconciliation of equity and profit:

Available for sale financial assets

Under IFRS, shared equity debtors are held on the balance sheet as available for sale financial assets, measured at fair value at each balance sheet date. This results in a £1,634,000 and £1,029,000 reduction to 2012 revenue and cost of sales respectively. Additionally, there is a £2,830,000 increase in 2012 finance income, and a £16,650,000 (2011: £18,960,000) reduction in available for sale financial assets.

Land creditors

Under IFRS, land creditors are initially recognised at a discounted value. This is used in assessing the cost of the related land acquired, resulting in a reduced cost in comparison with UK GAAP. The subsequent impact in the income statement is increased gross margin and increased finance charges. This results in a £2,060,000 (2011: £997,000) reduction in inventories, a £1,498,000 (2011: £997,000) reduction in land payables, a £191,000 increase in 2012 gross margin and a £753,000 increase in 2012 finance charges.

Selling and marketing expenses

Under IFRS, selling and marketing expenses are required to be expensed through the income statement. There is no impact on the 2012 financial statements as a result of this change in accounting treatment, with the first impact being in the 2013 financial statements.