MILLER HOMES GROUP HOLDINGS PLC

Quarterly Financial Report for the

3 and 12 months ended 31 December 2017

£250,000,000 5.5% Senior Secured Notes due 2024

£175,000,000 Senior Secured Floating Rate Notes due 2023

Contents

Introduction

- In accordance with the reporting requirements of its offering of £425m Senior Secured Notes, Miller Homes Group Holdings plc ("the Group") is pleased to present its Quarterly Financial Report for the 3 months ended 31 December 2017.
- All figures presented in this report relate to the group of companies headed by the Group. The Group acquired Miller Homes Holdings Limited ('MHHL') and its subsidiaries on 5 October 2017. The full year figures in this report, contain proforma income statement and cashflow figures. These proforma figures reflect:
  - the audited results for the Group for the 3 month post acquisition period;
  - the exclusion of one-off transaction fees and fair value adjustments reflected in the Group financial statements;
  - the pre-acquisition results for the previous 9 month period which has been extracted from the audited financial statements of MHHL.
- The figures presented in this report are extracted from the audited 2017 financial statements of the Group and Miller Homes Holdings Limited, where appropriate.
- A reconciliation of the proforma to the statutory figures is provided below for the income statement and on page 19 for the cash flow statement.

Table 1	**MHGH 3 months to 31 Dec 2017 £m**	**Fair value adjustments / transaction costs £m**	**Proforma 3 months to 31 Dec 2017 £m**	**MHHL 9 months to 30 Sep 2017 £m**	**Proforma 12 months to 31 Dec 2017 £m**
Revenue	197.1	-	**197.1**	478.1	**675.2**
Cost of sales	(154.2)	8.1	**(146.1)**	(358.3)	**(504.4)**
Gross profit	42.9	8.1	**51.0**	119.8	**170.8**
Administrative expenses	(20.8)	11.2	**(9.6)**	(30.5)	**(40.1)**
Group operating profit	22.1	19.3	**41.4**	89.3	**130.7**
Share of result in joint ventures	(0.8)	-	**(0.8)**	0.2	**(0.6)**
Operating profit	21.3	19.3	**40.6**	89.5	**130.1**
Net finance costs	(13.4)	-	**(13.4)**	(7.4)	**(20.8)**
Profit before taxation	7.9	19.3	**27.2**	82.1	**109.3**
Income taxes	(3.7)	(1.5)	**(5.2)**	(16.4)	**(21.6)**
Profit for the period	4.2	17.8	**22.0**	65.7	**87.7**

Financial and operational highlights

Trading

- EBITDA for the year ended 31 December 2017 of £130.9m, a 26.4% increase on 2016.
- Continued improvement in all underlying trading metrics, namely average selling price (ASP), completions and operating margin.
- 4% increase in our private sales rate to 0.70 net reservations per site per week (2016: 0.67).
- Outlet numbers have increased during the year, averaging 66 (2016: 64). 29 new outlets were opened during 2017 with 7 of those in the last quarter.

Land investment and leverage

- 5% increase in the consented landbank to 13,738 units (2016: 13,062 units), representing 5.1 years' supply.
- 29% increase in the strategic landbank to 16,561 units (2016: 12,802 units).
- Net LTV[1] of 62.6%, based on net inventory of £516.1m and net debt of £322.9m[2]. Net LTV has fallen from 72.4% in the previous quarter.
- Net leverage of 2.5x, based on LTM EBITDA of £130.9m and net debt of £322.9m. This compares to net leverage of 3.0x in the previous quarterly report.

Outlook

- At 31 December 2017, forward sales for the following 12 months are £276m, 39% ahead of the prior year. This is driven by a 34% increase in forward private sales with higher affordable sales accounting for the balance of the improvement.

The key financial highlights for the 3 and 12 month periods ended 31 December 2017, together with prior year comparatives, are set out below:

Table 2	**3 months ended 31 Dec 2017 £m**	**3 months ended 31 Dec 2016 £m**	**% change**	**12 months ended 31 Dec 2017 £m**	**12 months ended 31 Dec 2016 £m**	**% change**
Revenue	197.1	181.1	8.8	675.2	565.3	19.4
Cost of sales	(146.1)	(133.7)	9.3	(504.4)	(422.5)	19.4
Gross profit	51.0	47.4	7.6	170.8	142.8	19.6
Administrative expenses	(9.6)	(12.7)	(24.4)	(40.1)	(40.2)	(0.2)
Group operating profit	41.4	34.7	19.3	130.7	102.6	27.4
Share of result in joint ventures	(0.8)	0.6	-	(0.6)	0.4	-
Operating profit	40.6	35.3	15.0	130.1	103.0	26.9
Net finance costs	(13.4)	(3.7)	262.2	(20.8)	(13.7)	51.8
Profit before taxation	27.2	31.6	(13.9)	109.3	89.3	22.4
Taxation	(5.2)	(6.3)	(17.5)	(21.6)	(17.9)	20.7
Profit for the period	**22.0**	**25.3**	**(13.0)**	**87.7**	**71.4**	**22.8**

[1] LTV: Loan to value is net debt divided by net inventory (inventory less land creditors).
[2] Excludes the capitalisation of bond financing costs (£19.5m).

Reconciliation of EBITDA

Table 3	3 months ended 31 Dec 2017 £m	3 months ended 31 Dec 2016 £m	12 months ended 31 Dec 2017 £m	12 months ended 31 Dec 2016 £m
Profit for the period	22.0	25.3	87.7	71.4
Taxation	5.2	6.3	21.6	17.9
Net finance costs	13.4	3.7	20.8	13.7
Depreciation	0.2	-	0.2	0.1
Amortisation of land option costs	0.2	0.2	0.6	0.5
EBITDA	**41.0**	**35.5**	**130.9**	**103.6**

Analysis of revenues

Table 4	3 months ended 31 Dec 2017 £m	3 months ended 31 Dec 2016 £m	12 months ended 31 Dec 2017 £m	12 months ended 31 Dec 2016 £m
Private revenue	181.5	167.2	590.4	509.0
Affordable revenue	15.4	13.2	54.5	40.3
Land sales	0.1	0.2	26.6	11.2
Other	0.1	0.5	3.7	4.8
Total revenue	**197.1**	**181.1**	**675.2**	**565.3**

Analysis of completions and ASP

Table 5	3 months ended 31 Dec 2017 No.	3 months ended 31 Dec 2016 No.	12 months ended 31 Dec 2017 No.	12 months ended 31 Dec 2016 No.
Private completions	655	644	2,184	2,032
Affordable completions	152	107	514	348
Core completions	**807**	**751**	**2,698**	**2,380**

	£000	**£000**	**£000**	**£000**
Private ASP	276	260	270	250
Affordable ASP	101	123	106	116
Total ASP	**243**	**240**	**239**	**231**

Financial summary

Results of operations

Revenue

- Revenue for the 3 months to 31 December 2017 was 8.8% ahead for the same period in 2016 at £197.1m (2016: £181.1m). This reflected a combination of a 7.4% increase in core completions and a 1.1% increase in ASP. Full year revenues are 19.4% ahead of 2016 driven by a 13.6% increase in core completions and a 3.6% increase in ASP.
- Core completions in the 3 months to 31 December 2017 increased by 7.5% to 807 units (2016: 751 units). The increase was largely driven by a 42.1% increase in the number of affordable completions to 152 units (2016: 107 units) reflecting greater affordable requirements on more recently acquired sites. Full year affordable completions increased to 19% (2016: 15%) of core completions which provides a reasonable indication of the likely weighting in the short to medium term.
- ASP for the 3 months to 31 December 2017 increased by 1.1% to £243,000 (2016: £240,000). This reflects a 6.2% increase in the private ASP to £276,000 (2016: £260,000) and a 17.9% decrease in the affordable ASP. The private ASP increase reflects a 3% increase in unit size combined with year on year price inflation.

Gross profit

- Gross profit for the three months to 31 December 2017 increased by 7.6% to £51.0m (2016: £47.4m). Gross margin in the 3 month period was 25.9% which is slightly ahead of the full year 2017 margin of 25.3%.
- Full year gross profit increased by 19.6% to £170.8m (2016: £142.8m). Gross margin remained at 25.3% which is a record for the Group. House price inflation was around 3% with cost inflation at a similar level. This benefited margin but was offset by a higher weighting from strategic land sites in 2016 and also higher margins on land sale profits in 2016.

Administrative expenses

- Administrative expenses for the 3 month period ended 31 December 2017 totalled £9.6m (2016: £12.7m). This largely reflects the recognition of costs in relation to a staff incentive scheme in the prior year period which did not recur in 2017.
- Full year administrative expenses were £40.1m (2016: £40.2m). This reflected an increase in headcount and salary costs which was offset by a non-recurring charge for staff incentive costs in 2016 of £2.1m.

EBITDA

- Full year EBITDA increased by 26.4% to £130.9m (2016: £103.6m) reflecting the increase in gross profit with administrative expenses broadly flat.

Finance costs and income

- Net finance costs in the 3 month period ended 31 December 2017 increased to £13.4m (2016: £3.7m). The year on year movement of £9.7m reflects the following items:

- the write-off arrangement fees (£1.8m) on the previous bank facility which was repaid on 5 October 2017;
- amortisation charge in respect of arrangement fees incurred in relation to the senior secured notes (£0.7m);
- accrued interest in respect of the secured notes (£6.0m) ;
- charge in respect of the shareholder loan notes (£3.5m). This is a non-cash charge with payment made on the subsequent redemption of the loan notes;
- an increase in interest imputed on land payable on deferred terms (£0.3m);

Offset by:

- a prior year charge of £2.5m in relation to the previous bank facility and amounts due to the former parent company.

Taxation

- The full year tax charge of £21.6m (2016: £17.9m) represents an effective tax rate of 19.8% slightly higher than the 19.25% corporation tax rate which is applicable for 2017. The tax charge reflects the utilisation of the Group's deferred tax asset and also the recommencement of corporation tax payments following changes to the utilisation of tax losses which came into effect in April 2017. The deferred tax asset has fallen to £25.8m (2016: £51.0m).

Net debt, liquidity and cashflow

Table 6	**As at 31 Dec 2017 £m**	**As at 31 Dec 2016 £m**
Senior secured notes	(425.0)	-
Revolving credit facility	-	(130.0)
Deferred financing costs	19.5	2.3
Other loans	(10.3)	(35.0)
Cash and cash equivalents	112.4	41.1
Total external net debt	**(303.4)**	**(121.6)**

Table 7	**3 months ended 31 Dec 2017 £m**	**3 months ended 31 Dec 2016 £m**	**12 months ended 31 Dec 2017 £m**	**12 months ended 31 Dec 2016 £m**
Net cash flow from operating activities	40.6	5.9	65.4	25.3
Net cash flow from investing activities	(652.6)	(9.5)	(650.7)	(6.7)
Net cash flow from financing activities	700.8	1.0	656.6	13.9
Movements in cash and cash equivalents	88.8	(2.6)	71.3	32.5
Cash and cash equivalents at beginning of period	23.6	43.7	41.1	8.6
Cash and cash equivalents at end of period	**112.4**	**41.1**	**112.4**	**41.1**

- Cash from operating activities for the 3 months ended 31 December 2017 increased by £34.7m to £40.6m (2016: £5.9m). This reflected lower land investment in the final quarter of the year.
- Net cash outflow from investing activities for the 3 months ended 31 December 2017 was £652.6m compared to £9.5m for the 3 months ended 31 December 2016 as a result of the acquisition of Miller Homes Holdings Limited (£651.6m).
- Net cash inflow from financing activities for the 3 months ended 31 December 2017 was £700.8m which compared to an inflow of £1.0m for the 3 months ended 31 December 2016. This reflected the proceeds from the issue of the secured notes (£404.8m), the issue of share capital (£151m) and other long term borrowings (£145m).

Table 8	**3 months ended 31 Dec 2017 £m**	**3 months ended 31 Dec 2016 £m**	**12 months ended 31 Dec 2017 £m**	**12 months ended 31 Dec 2016 £m**
EBITDA	**41.0**	**35.5**	**130.9**	**103.6**
Net land investment (in excess of cost of sales)	8.4	(25.3)	(10.9)	(63.9)
Development spend (in excess of cost of sales)	1.1	4.0	(33.4)	(18.6)
Change in working capital	4.1	(7.9)	(1.9)	5.7
Cash flows from JVs (not included in EBITDA)	(0.1)	(9.8)	1.8	(6.5)
Available for sale financial assets	1.3	1.9	7.7	7.8
Transaction costs	(11.2)	-	(11.2)	-
Other	(3.7)	0.7	(7.6)	0.5
Free cash flow[1]	**40.9**	**(0.9)**	**75.4**	**28.6**
Net land spend (included in cost of sales)	35.2	30.7	104.8	91.0
Net land investment (in excess of cost of sales)	(8.4)	25.3	10.9	63.9
Total net land spend	**26.8**	**56.0**	**115.7**	**154.9**
Free cash flow pre net land spend	**67.7**	**55.1**	**191.1**	**183.5**

Free cash flow in the 3 months ended 31 December 2017 reflects a favourable movement in working capital of £4.1m which compares to an adverse movement of £7.9m in the 3 months ended 31 December 2016. This principally reflects the recovery of VAT on land spend in the current period compared to a payment of VAT in the previous period. The favourable movement in the 12 months ended 31 December 2016 is also related principally to the recovery of VAT on land acquisitions.

We may from time to time enter into open market purchase of our notes, depending on our cash balances, reinvestment opportunities and market prices of our notes.

[1] Free cashflow represents the cash movement per the consolidated cashflow statement but excluding cashflows from financing activities, investing activities (other than movement in loans to joint ventures), corporation tax paid and interest paid.

Capital employed, inventory and landbank

Return on underlying capital employed

Table 9	**As at and for the 12 months ended 31 Dec 2017 £m**	**As at and for the 12 months ended 31 Dec 2016 £m**
Net assets	157.8	320.3
Net external debt	303.4	121.6
Intercompany debt	148.5	-
Capital employed	609.7	441.9
Less		
Intangible assets	(146.2)	-
Available for sale financial assets	(21.3)	(28.0)
Deferred tax	(25.8)	(51.0)
Underlying capital employed	**416.4**	**362.9**
Operating profit	130.1	103.0
Less		
Credit to operating profit in respect of available for sale financial assets	(1.6)	(1.5)
Underlying operating profit	**128.5**	**101.5**
Underlying ROCE (%)	**33.0**	**30.3**

- Capital employed increased to £609.7m as of 31 December 2017 (2016: £441.9m), of which £146.2m relates to intangible assets established following the acquisition by Bridgepoint. The increase in underlying capital employed to £416.4m (2016: £362.9m) reflects an increase in net inventory which has risen by £51.1m to £516.1m (2016: £465.0m). An analysis of net inventory and the landbank is set out below:

Table 10	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
Land	374.8	338.5
Work in progress	227.9	191.6
Land option costs	7.7	4.2
Part exchange properties	13.0	10.1
Inventory	**623.4**	**544.4**
Land creditors	(107.3)	(79.4)
Net inventory	**516.1**	**465.0**

Landbank	**Plots**	**Plots**
Owned / unconditional	8,364	7,911
Controlled	5,374	5,151
Consented	13,738	13,062
Strategic	16,561	12,802
Total	**30,299**	**25,864**

- The Group acquired 10 sites during the 3 months ended 31 December 2017 adding 958 units to the owned landbank compared to 10 sites and 1,391 units in the 3 months ended 31 December 2016. During 2017, 32 sites were acquired adding 3,786 units to the owned landbank compared to 28 sites and 4,191 units in 2016. The owned landbank at 31 December 2017 has increased to 8,364 units (Gross development value: £2.1bn). All owned land which has a detailed planning permission is being developed.
- The consented landbank has increased by 5% to 13,738 units (2016: 13,062 units). Based on the last 12 months' completions of 2,698 units, this represents 5.1 years' supply (2016: 5.5 years).
- The strategic landbank has increased by 29.4% to 16,561 units (2016: 12,802 units). 13 new options have been entered into during the year, 6 of which were in the 3 months ended 31 December 2017.
- The increase in land creditors reflects the timing of contracted payments and several larger site purchases.

MILLER HOMES GROUP HOLDINGS PLC

Group proforma condensed consolidated financial statements

3 and 12 month periods ended 31 December 2017

PROFORMA CONSOLIDATED INCOME STATEMENT
for the 3 and 12 month periods ended 31 December 2017

	Note	3 months ended 31 Dec 2017 £m	3 months ended 31 Dec 2016 £m	12 months ended 31 Dec 2017 £m	12 months ended 31 Dec 2016 £m
Revenue		197.1	181.1	675.2	565.3
Cost of sales		(146.1)	(133.7)	(504.4)	(422.5)
Gross profit		51.0	47.4	170.8	142.8
Administrative expenses		(9.6)	(12.7)	(40.1)	(40.2)
Group operating profit		41.4	34.7	130.7	102.6
Share of result in joint ventures		(0.8)	0.6	(0.6)	0.4
Operating profit		40.6	35.3	130.1	103.0
Finance costs	*4*	(13.9)	(4.0)	(24.0)	(16.2)
Finance income	*5*	0.5	0.3	3.2	2.5
Net finance costs		(13.4)	(3.7)	(20.8)	(13.7)
Profit before taxation		27.2	31.6	109.3	89.3
Income taxes		(5.2)	(6.3)	(21.6)	(17.9)
Profit for the period		**22.0**	**25.3**	**87.7**	**71.4**

The 2017 results for the 3 month and 12 month periods have been prepared on a proforma basis. The results have been extracted from the audited financial statements of Miller Homes Holdings Limited and also reflect additional finance costs borne by Miller Homes Group Holdings plc from 5 October 2017. A reconciliation to the statutory profit of Miller Homes Group Holdings plc is presented on page 13.

The 2016 results for the 3 month and 12 month periods have been extracted from the audited financial statements of Miller Homes Holdings Limited.

RECONCILIATION OF 3 AND 12 MONTH PROFORMA PROFIT AFTER TAX TO AUDITED FINANCIAL STATEMENTS OF MILLER HOMES GROUP HOLDINGS PLC

	Note	£m
Profit per Miller Homes Group Holdings plc audited financial statements		**4.2**
Fair value adjustments	*(i)*	6.6
Transaction costs	*(ii)*	11.2
Proforma profit for the 3 month period		**22.0**
9 month pre-acquisition profit of Miller Homes Holdings Limited	*(iii)*	65.7
Proforma profit for the 12 month period		**87.7**

Note (i)

The assets and liabilities of Miller Homes Holdings Limited require to be reflected at fair value at the date of acquisition. This exercise resulted in an increase in the value of inventories to a figure which was higher than original book value. The inventories which were subject to the fair value uplift were all subsequently sold in Quarter 4 2017 resulting in a higher cost of sales charge. This adjustment reduces the cost of the sold inventory back to original book value.

Note (ii)

These are costs incurred in relation to the acquisition of Miller Homes Holdings Limited by Miller Homes Group Holdings plc. They are one-off in nature and accordingly an adjustment has been made to arrive at underlying proforma profit for both the period and the year.

Note (iii)

The financial statements of Miller Homes Group Holdings plc reflect the trading profits from the date of acquisition of Miller Homes Holdings Limited and consequently do not include the profit for the 9 month period to 30 September 2017.

Items (i), (ii) and (iii) are extracted from Note 3 of the audited financial statements of Miller Homes Group Holdings plc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
Assets			
Non-current assets			
Intangible assets (incl goodwill)	*6*	146.2	-
Property, plant and equipment		0.7	0.3
Investments		19.4	21.2
Available for sale financial assets		21.3	28.0
Deferred tax		25.8	51.0
		213.4	**100.5**
Current assets			
Inventories	*7*	623.4	544.4
Trade and other receivables		28.8	31.0
Cash and cash equivalents		112.4	41.1
		764.6	**616.5**
Total assets		**978.0**	**717.0**
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	*9*	(564.3)	(157.7)
Trade and other payables		(42.2)	(33.4)
Retirement benefit obligations		(21.7)	(46.4)
Provisions and deferred income		(3.2)	(6.5)
		(631.4)	**(244.0)**
Current liabilities			
Interest bearing loans and borrowings	*8*	-	(5.0)
Trade and other payables		(188.8)	(147.7)
		(188.8)	**(152.7)**
Total liabilities		**(820.2)**	**(396.7)**
Net assets		**157.8**	**320.3**
Equity			
Share capital		151.0	125.0
Retained earnings		6.8	195.3
Total equity attributable to owners of the parent		**157.8**	**320.3**

The 2017 figures have been extracted from the audited financial statements of Miller Homes Group Holdings plc and represent its first balance sheet following its incorporation in July 2017. The 2016 figures have been included for comparative purposes and represent the audited financial statements of Miller Homes Holdings Limited, the entity acquired by Miller Homes Group Holdings plc.

CONSOLIDATED CASHFLOW STATEMENT
for the 3 and 12 month periods ended 31 December 2017

	3 months ended 31 Dec 2017 £m	3 months ended 31 Dec 2016 £m	12 months ended 31 Dec 2017 £m	12 months ended 31 Dec 2016 £m
Cash flows from operating activities				
Profit for the period	22.0	25.3	87.7	71.4
Depreciation	-	-	-	0.1
Amortisation of land option costs	0.1	0.2	0.5	0.5
Finance income	(0.5)	(0.3)	(3.2)	(2.5)
Finance cost	13.9	4.0	24.0	16.2
Share of post-tax result from joint ventures	0.8	(0.6)	0.6	(0.4)
Taxation	5.2	6.3	21.6	17.9
Operating profit before changes in working capital	41.5	34.9	131.2	103.2
Working capital movements and pro forma adjustments:				
Transaction costs	(11.2)	-	(11.2)	-
Fair value adjustments	(8.1)	-	(8.1)	-
Movement in trade and other receivables	6.4	(1.6)	0.9	4.5
Movement in inventories	9.6	(29.2)	(75.2)	(109.2)
Movement in trade and other payables	3.6	4.7	36.5	36.7
Cash generated from operations	41.8	8.8	74.1	35.2
Interest paid	-	(2.9)	(3.7)	(9.9)
Corporation tax paid	(1.2)	-	(5.0)	-
Net cash inflow from operating activities	**40.6**	**5.9**	**65.4**	**25.3**
Cash flows from investing activities				
Acquisition of Miller Homes Holdings Limited	(651.6)	-	(651.6)	-
Acquisition of property, plant and equipment	(0.1)	0.1	(0.4)	(0.2)
Distributions from joint ventures	-	1.2	-	1.2
Movement in loans with joint ventures	(0.9)	(10.8)	1.3	(7.7)
Net cash outflow from investing activities	**(652.6)**	**(9.5)**	**(650.7)**	**(6.7)**
Cash flow from financing activities				
Proceeds from issue of share capital	151.0	-	151.0	-
Increase in bank borrowings	-	0.2	(19.5)	10.7
Proceeds from issue of secured notes	404.8	-	404.8	-
Increase in other long term borrowings	145.0	0.8	120.3	3.2
Net cash inflow from financing activities	**700.8**	**1.0**	**656.6**	**13.9**
Movements in cash and cash equivalents	88.8	(2.6)	71.3	32.5
Cash and cash equivalents at beginning of period	23.6	43.7	41.1	8.6
Cash and cash equivalents at end of period	**112.4**	**41.1**	**112.4**	**41.1**

The 2017 figures for both the 3 and 12 month periods have been prepared on a proforma basis having been extracted from the audited financial statements of Miller Homes Holdings Limited and Miller Homes Group Holdings plc. A full reconciliation is set out on page 19.

Notes to the condensed consolidated financial statements

1. Reconciliation of net cash flow to net debt

	3 months ended 31 Dec 2017 £m	3 months ended 31 Dec 2016 £m	12 months ended 31 Dec 2017 £m	12 months ended 31 Dec 2016 £m
Movement in cash and cash equivalents	88.8	(2.6)	71.3	32.5
(Increase)/decrease in bank loans	-	(0.2)	19.5	(10.7)
Increase in long term borrowings	(145.0)	(0.8)	(120.3)	(3.2)
Increase in secured notes	(404.8)	-	(404.8)	-
Non cash movement[1]	(4.2)	-	(4.2)	-
Bank loans repaid as part of transaction[2]	108.2	-	108.2	-
Movement in net debt in period	(357.0)	(3.6)	(330.3)	18.6
Net debt at beginning of period	(94.9)	(118.0)	(121.6)	(140.2)
Net debt at end of period	**(451.9)**	**(121.6)**	**(451.9)**	**(121.6)**

2. Reporting entity

Miller Homes Group Holdings plc is a Company domiciled in England and Wales. The condensed consolidated financial statements for the 3 and 12 month periods ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and reflect the underlying trading results of Miller Homes Holdings Limited, notwithstanding the fact that the Company acquired Miller Homes Holdings Limited on 5 October 2017.

This report, for the 3 and 12 months ended 31 December 2017 has been prepared based on extracts from the audited financial statements of Miller Homes Group Holdings plc and Miller Homes Holdings Limited which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"), on which KPMG LLP have given an unqualified opinion. The financial statements also did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Comparative annual figures as at 31 December 2016 set out within this report have been extracted from the 2016 financial statements of Miller Homes Holdings Limited.

The audited financial statements of Miller Homes Group Holdings plc are included as an appendix to this report. The audited financial statements of Miller Homes Holdings Limited are available on the website www.millerhomes.co.uk.

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1 The non-cash movement represents £0.7m of arrangement fee amortisation and £3.5m of rolled up interest on the £145m of unsecured shareholder loan notes.

2 This amount is included within the transaction consideration of £651.6m shown in the consolidated cash flow statement.

3. Accounting policies

The preparation of these condensed consolidated financial statements is based on the accounting policies set out in the audited financial statements of both Miller Homes Group Holdings plc and Miller Homes Holdings Limited.

4. Finance costs	**3 months ended 31 Dec 2017 £m**	**3 months ended 31 Dec 2016 £m**	**12 months ended 31 Dec 2017 £m**	**12 months ended 31 Dec 2016 £m**
Interest payable on secured notes, bank loans and overdrafts	8.7	1.7	13.4	7.5
Interest payable on amounts owed to immediate parent undertaking	3.5	0.8	4.1	3.2
Interest imputed on land payable on deferred terms	1.5	1.2	5.3	4.4
Finance costs related to employee benefit obligations	0.2	0.3	1.2	1.1
	13.9	**4.0**	**24.0**	**16.2**

5. Finance income	**3 months ended 31 Dec 2017 £m**	**3 months ended 31 Dec 2016 £m**	**12 months ended 31 Dec 2017 £m**	**12 months ended 31 Dec 2016 £m**
Imputed interest on available for sale financial assets	-	0.1	1.0	1.6
Interest on loans to joint ventures	0.2	0.1	0.8	0.5
Imputed interest on land receipts receivable on deferred terms	0.3	-	0.9	-
Other	-	0.1	0.5	0.4
	0.5	**0.3**	**3.2**	**2.5**

6. Intangible assets	**As at 31 Dec 2017 £m**	**As at 31 Dec 2016 £m**
Consideration paid	651.6	-
Net identifiable assets / liabilities of Miller Homes Holdings Limited	559.4	-
Goodwill	92.2	-
Brand value	54.0	-
	146.2	**-**

7.	Inventories	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
	Land	374.8	338.5
	Work in progress	227.9	191.6
	Land option costs	7.7	4.2
	Part exchange properties	13.0	10.1
		623.4	**544.4**

8.	Interest bearing loans and borrowings - current	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
	Bank loans (secured)	-	5.0

9.	Interest bearing loans and borrowings – non-current	As at 31 Dec 2017 £m	As at 31 Dec 2016 £m
	Bank loans (secured)	-	(125.0)
	Senior secured notes (secured)	(425.0)	-
	Deferred financing costs	19.5	2.3
	Long term borrowings	(10.3)	(35.0)
	Intercompany loan (unsecured)	(148.5)	-
		(564.3)	**(157.7)**

Senior secured notes: Following the Group's acquisition of Miller Homes Holdings Limited on 5 October 2017 the Group issued £425m of Senior Secured Loan notes, and repaid existing bank loans.

Long term borrowings: Long term borrowings relate to the Group's interest in Telford NHT (2011) LLP (£10.3m), an entity established to provide residential property for rental purposes, and loan notes (£24.7m) provided by former shareholders of The Miller Homes Group (UK) Limited which were repaid in February 2017.

Intercompany loan: The intercompany loan is payable to Miller Midco 2 Limited, a company ultimately controlled by Bridgepoint funds. The loan is unsecured and repayable in October 2027.

10. Reconciliation of 3 month and 12 month proforma cashflow to the audited financial statements of Miller Homes Group Holdings plc.

	MHGH for 3 months to 31 Dec 2017 £m	Transaction costs £m	Fair value adjustment £m	Proforma for 3 months to 31 Dec 2017 £m	MHHL for 9 months to 30 Sep 2017 £m	Proforma for 12 months to 31 Dec 2017 £m
Profit for the period	**4.2**	11.2	6.6	**22.0**	65.7	**87.7**
Amortisation of land options costs	**0.1**	-	-	**0.1**	0.4	**0.5**
Finance income	**(0.5)**	-	-	**(0.5)**	(2.7)	**(3.2)**
Finance cost	**13.9**	-	-	**13.9**	10.1	**24.0**
Share of result from joint ventures	**0.8**	-	-	**0.8**	(0.2)	**0.6**
Taxation	**3.7**	-	1.5	**5.2**	16.4	**21.6**
Operating profit before working capital	**22.2**	11.2	8.1	**41.5**	89.7	**131.2**
Working capital movements and pro-forma adjustments:						
Transaction costs	**-**	(11.2)	-	**(11.2)**	-	**(11.2)**
Fair value adjustments	**-**	-	(8.1)	**(8.1)**	-	**(8.1)**
Trade receivables	**6.4**	-	-	**6.4**	(5.5)	**0.9**
Inventory	**9.6**	-	-	**9.6**	(84.8)	**(75.2)**
Trade and other payables	**3.6**	-	-	**3.6**	32.9	**36.5**
Cash generated from operations	**41.8**	-	-	**41.8**	32.3	**74.1**
Interest paid	**-**	-	-	**-**	(3.7)	**(3.7)**
Corporation tax paid	**(1.2)**	-	-	**(1.2)**	(3.8)	**(5.0)**
Net cashflow from operations	**40.6**	**-**	**-**	**40.6**	24.8	**65.4**
Acquisition of Miller Homes Holdings Ltd	**(651.6)**	-	-	**(651.6)**	-	**(651.6)**
Acquisition of property, plant and machinery	**(0.1)**	-	-	**(0.1)**	(0.3)	**(0.4)**
Movement in loans with joint ventures	**(0.9)**	-	-	**(0.9)**	2.2	**1.3**
Net cashflow from investing activities	**(652.6)**	**-**	**-**	**(652.6)**	1.9	**(650.7)**
Proceeds from issue of share capital	**151.0**	-	-	**151.0**	-	**151.0**
Decrease in bank borrowings	**-**	-	-	**-**	(19.5)	**(19.5)**
Proceeds from issue of secured notes	**404.8**	-	-	**404.8**	-	**404.8**
Increase/(decrease) in other long term borrowings	**145.0**	-	-	**145.0**	(24.7)	**120.3**
Net cashflow from financing	**700.8**	**-**	**-**	**700.8**	(44.2)	**656.6**
Movement in cash and cash equivalents	**88.8**	**-**	**-**	**88.8**	(17.5)	**71.3**