miller homes

Building a better place together

Annual Report 2018

A better place

How we are creating value for all our stakeholders at every step.

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Our performance

2018 has been an excellent year. Review our Key Performance Indicators.

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Miller Homes is a respected national homebuilder with an established reputation for building high quality family homes and excellent customer service. We believe in building homes safely in a way which is considerate to the environment and by delighting our customers with a product and experience that recognises buying a home is a significant lifetime purchase, we will deliver superior long term results for all our stakeholders.

Completions (inc. JVs)	Operating profit	Net assets
3,170	£151m	£240m
+14%	+15%	+52%

Revenue	Operating margin	Owned landbank
£747m	20.2%	9,174 plots
+11%	+4%	+10%

Average selling price (ASP)	Free cash flow	Return on capital employed (ROCE)
£249,000	£82m	33.4%
+4%	+8%	+1%

Regional focus

All divisions delivered growth in completions and ASP.

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Building a better place extends beyond constructing quality homes; it is about leaving a positive legacy for everyone

A better community

We take a collaborative and considered approach to planning. Early engagement with a range of local stakeholder groups helps to shape and inform our plans to ensure we successfully create developments that will become part of thriving communities and provide wider benefits to enhance the locality.

Read more on page
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A better process

We encourage our teams to work together to identify ways in which we can enhance the customer experience and continually drive up the quality of our homes. An example of this is our in house IT team delivering new and innovative digital products which provide efficiencies and improvements in processes, giving our sales and production teams more time to focus on our customers.

Read more on page
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A better relationship

We work hard to develop and maintain relationships with a number of key partners both at a local and national level. By appointing trusted suppliers and subcontractors and working with landowners and agents with whom we have developed long standing relationships, we are confident that we can consistently deliver high quality homes in the most sought after locations.

Read more on page
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"We create great places where people prosper and in which our staff take tremendous pride."

Chris Endsor,
Chief Executive, Miller Homes

A better workplace

We recognise that committed teams who are passionate about working for Miller Homes are critical to our success. As we continue to grow, we want to ensure that we capture and embed the distinctive culture of Miller Homes to ensure our workforce continues to embrace our values.

Read more on page
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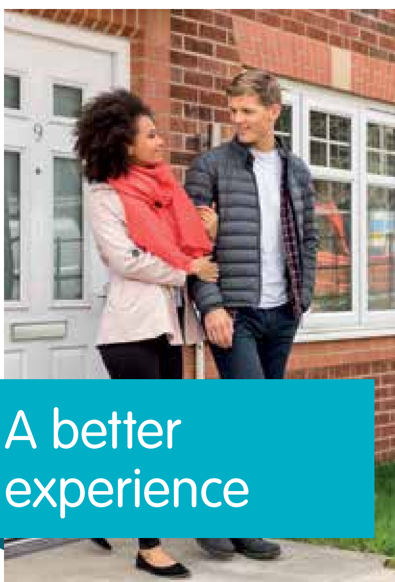

A better experience

We want our customers to enjoy the best possible experience and to repay their faith in making the substantial financial commitment of purchasing a home from us. We aim to make them feel valued through every stage of the buying process and extending beyond the day of purchase.

Read more on page
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A better performance

We increased operating profit by 15% to £151 million and the owned landbank by 10% to 9,174 plots. At the same time, we generated £82 million of free cash flow and a return on capital employed of 33.4% which is a record for the Group.

Read more on page
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The locations for our developments are carefully selected in places which we know, through our local knowledge and research, are places our customers want to live

When we start to plan a new site it is important to involve the local community which can include local residents, parish councils, community groups and local authorities who may have an interest in our proposals.

We want to ensure the wider community benefits and views the development as having a positive impact. This means engaging proactively and demonstrating how our designs integrate with the local environment, provide usable green space for everyone and make our street scenes visually attractive.

We try to make sure that before we start on a new development everyone understands that the development will add tangible value.

After what can be some years of planning, it is incredibly rewarding to see the new communities that we have helped create come to life and prosper.

Helen Dawkins,
Planning Director, Midlands

Building a better community through engagement and investment

Acquired from our strategic land portfolio, Charters Gate in Castle Donington is one of the Group's largest sites. Once complete it will comprise around 900 dwellings, almost 40% of which are being built by Miller Homes.

The masterplan was carefully designed, partly in consideration of the development's location close to East Midlands Airport. We ensured it would contribute significantly to the local area's requirements for new homes as well as supporting a number of essential amenities and services to help further enhance an already thriving and popular location.

Key to the progress of the development has been extensive engagement with a wide variety of stakeholders, including the leader of North West Leicestershire Council, local ward members, the parish council, East Midlands Airport and Donington Park Circuit.

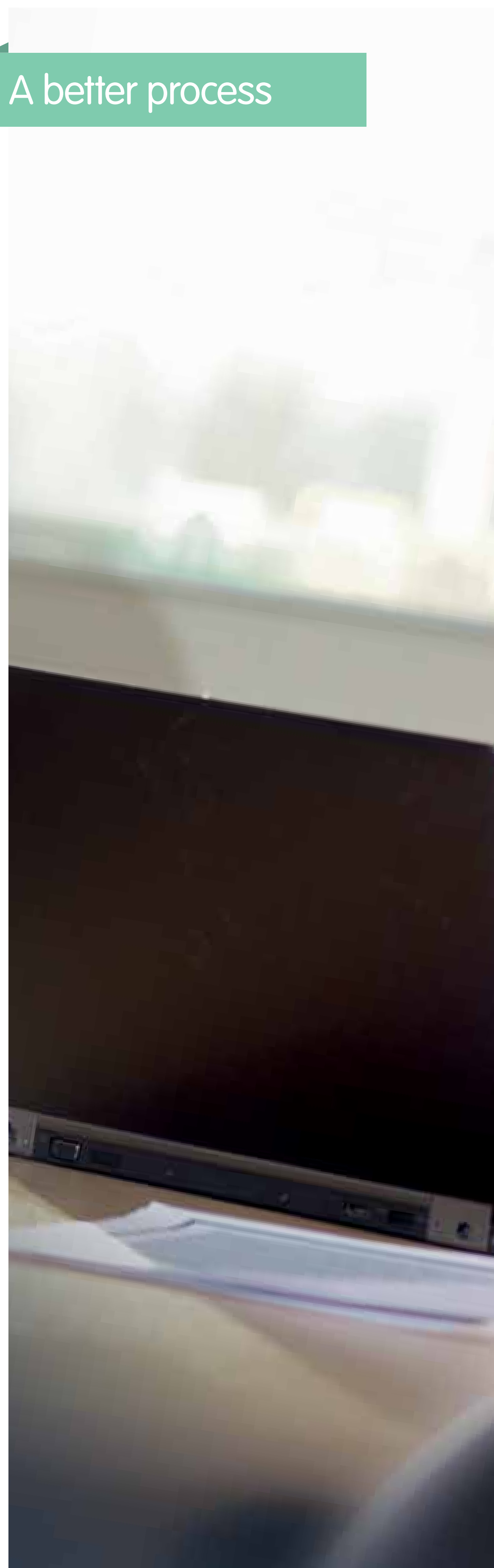
Engagement has involved a public exhibition and regular ongoing meetings with stakeholders to ensure the plans have been developed collaboratively.

The Group is investing over £3m into the local community to facilitate the construction of a new relief road which will drastically reduce traffic through the village, the building of a new primary school on site and funding additional places at Castle Donington Community College and Iveshead College, the nearest post-16 education provider.

Local healthcare provision and library services will also be boosted and funding has been allocated to create two new play areas within the development and support youth and adult recreation.

Picture:
CGI of Charters Gate, Castle Donington, Leicestershire.

£104m
in planning gain contributions to benefit local communities



A better process

An innovative approach, creating better processes for the benefit of both our staff and our customers

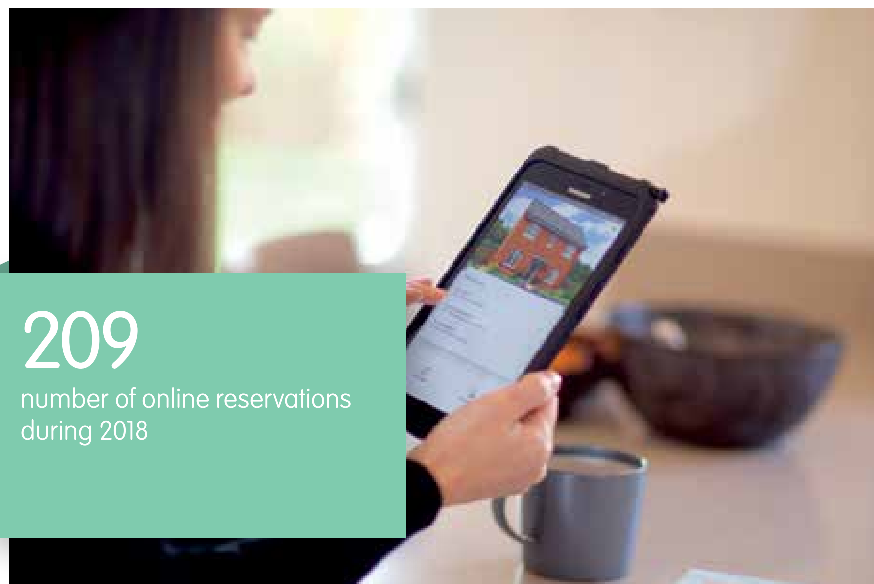
We have always taken pride in well thought through processes to guide each customer through the key stages of their journey with Miller Homes. In 2018 the in-house IT team developed a digital customer journey designed to replace the paper based system of meetings and processes.

The aims of the digital customer journey are to improve the customer experience by providing a single, digital location for storing and accessing all documentation recorded during the key stages of the homebuying journey and to further improve the quality of their home through a more accurate and efficient process for recording any post-construction issues. Customers can also rate their experience of the key stages of their journey, providing them with an opportunity to feedback their views which in turn provides us with information to refine business improvements.

New initiatives will be rolled out in 2019 to customers via My Miller Home, a section of the Miller Homes website already dedicated specifically to our customers. These enhancements will enable customers to follow the build progress of their new home as well as being able to access all correspondence of meetings with our team, offering them immediate access to all their customer journey materials online.

Miller Homes recognises the increasing importance and value of its website for both marketing and ongoing customer engagement.

Picture:
Using digital technology to improve the customer experience.



209
number of online reservations during 2018

Innovation is used to implement smarter ways of working and to enhance the overall customer experience

We want our customers to have the best possible experience with Miller Homes. We start by working closely with colleagues in our in-house marketing team to find solutions which will enhance digital sales tools and improve our website. The aim is to make our website easier to navigate and ensure it contains all the information a customer needs to make a decision to buy a Miller home. For instance, we have enabled our customers to reserve their home online and we have won an award for this innovative new feature.

Working alongside our sales and marketing colleagues made us realise that there were automated solutions which could ease the burden of administration and improve the customer journey.

Through collaboration we have improved our customer and lead management system which allows our sales teams to spend more time with customers.

It is rewarding to know that the work I do behind the scenes has a positive impact on the customer's experience of buying from Miller Homes.

Roddy McCall,
Head of Customer Relationship Management, Group Services

Our new West Midlands region was launched in January 2018 and is going from strength to strength, supported by a strong land pipeline and relationships with key partners

We have completed our first year of operating from our new office in Worcester and it is fantastic to report that we have built and sold 340 new homes. During 2018, we acquired five new sites in highly desirable locations in the West Midlands. This added 774 units to our landbank which will lead to our live developments doubling in 2019.

This success has been possible in such a short period because of our already established relationships with key land agents and contacts who know that Miller Homes can deliver and be relied upon.

We also have long standing existing relationships with experienced and professional subcontractors who operate across the wider Midlands area which meant we were confident in performance to the Miller Homes standards of quality and safety.

I am delighted to have played a part in establishing our new region, creating new jobs within Miller Homes and our supply chain.

Darren Turk,
Operations Director, West Midlands

A better relationship

Building better relationships ensures we can deliver the high quality homes our customers deserve and at the same time achieve our growth aspirations

We have worked with established civil engineering company, M Lambe Construction, on a number of projects in the Midlands over the last 15 years. Following a successful tender, they were appointed to work on a prime site at Regency Fields in Solihull.

Michael Jackson, Regional Production Director for the West Midlands, explained: "When launching a new region, work can begin on several developments around the same time and we need to be sure that we maintain quality and standards on all of our developments.

There are clear advantages to working with a contractor who already knows our business and will operate to the Miller Homes standards. This has been a real benefit and enabled us to establish our developments quickly and efficiently in a safe manner."

Picture:
Michael Jackson, Regional Production Director for Miller Homes West Midlands (right) with Mick Lambe, Managing Director of M Lambe Construction.

£68m
invested in new land in the West Midlands in 2018

A better workplace

Building a better workplace by developing a distinctive culture

Miller Homes has a strong, caring culture in respect of both its customers and its employees which has been intrinsic to the Group's success for more than 80 years. As the business continues to evolve and grow, there is a need to maintain the distinctive culture which is synonymous with the brand and which has been instrumental in attracting and retaining staff.

Recognising the importance of getting this right, a communications consultancy was appointed to undertake an independent and comprehensive review of perceptions and opinions held across the workforce and to provide recommendations for harnessing and embedding the core values and behaviours for the future in addition to highlighting areas for improvement.

The findings of the research are helping to shape and mature the existing employee engagement strategy to more clearly define, articulate and embed the unique culture of the Group as it continues to grow.

The new company purpose — we create great places where people prosper — and revised core values, which were developed from the research, were announced during the annual staff roadshows.

Picture:
Miller Homes annual employee roadshow in the North East of England.

946
number of employees at December 2018

Being invited to participate in a project which will help shape the future of our people strategy was a fantastic opportunity

I joined Miller Homes just over a year ago as a technical trainee and so I was excited when asked if I would like to participate in a research project designed to help develop the way the company looks after its staff.

Along with nine colleagues from the North West region, I was invited to participate in a focus group to discuss our experiences of working for Miller Homes. The group included staff from all parts of the business, both site and office based, with different levels of experience and lengths of service.

We were encouraged to be honest and open and the session was structured in such a way that made it easy to contribute in the knowledge that everything said was important and would be considered by management. It was very interesting to hear colleagues' views particularly given my relatively short time spent with the business.

It means a great deal that my opinion is valued and I am proud to work for a company that cares about its people and listens to what they have to say.

Spencer Lamb,
Technical Trainee, North West

Buying a new home is a huge commitment both financially and emotionally and we want to be alongside our customers at every step of the home buying journey

I know that buying a new home is an important decision. At Miller Homes we are committed to making that experience as enjoyable and exciting as possible for everyone. It means taking the time to understand our customers' needs and making sure we are responsive and communicate properly throughout our process.

We know our customers value regular contact and updates on how their home is progressing, many of which are now done digitally.

Our customers particularly value the pre-plaster meeting. This is where they are invited to view their new home interior before it is finally completed and discuss any questions with the development's site manager and sales manager. This provides a unique opportunity for them to see the construction quality of the home and discuss details such as the positioning of sockets and cabling.

Moving in day is a special day and I take great pride in the fact that the relationships I have built with my customers last long after they have settled in and are enjoying their new home.

Kristi Brimer,
Development Sales Manager, Scotland

A better experience

Delivering on our promise to provide our customers with a better experience

Natasha and Brian, along with their two daughters, Robyn and Maisie, were looking for a home to satisfy their growing family and chose our Ferrygate Meadow development in North Berwick, East Lothian.

Natasha said: "I was pregnant with Maisie when we moved into our new home and the staff at Miller Homes could not have been more accommodating. Moving in day was a slick process as we knew exactly what was happening thanks to regular meetings with the site manager and the sales team. We were already familiar with the layout of the home, meaning there were no surprises on the day.

The sales team at Ferrygate Meadow could not have been better and really made our move stress free and enjoyable. We were genuinely delighted when we got the keys to our brand new home. The aftercare service still continues today and the site manager and sales team are still in regular contact with us to make sure everything is okay, which is a lovely touch and something we're truly grateful for."

Picture:
Natasha, Brian, Robyn and Maisie enjoying their new Miller home.

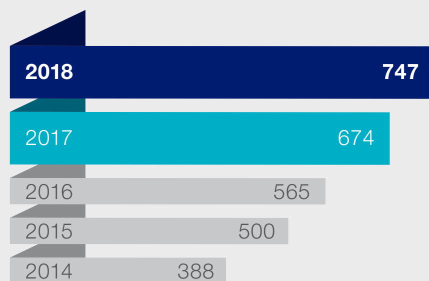
5 stars
for customer satisfaction

A better performance

Revenue (£m)

£747m

+11%



Definition

This represents statutory revenue which is predominantly generated through the sale of new homes and to a lesser extent from the sale of land, where it is capital efficient to sell a portion of larger sites.

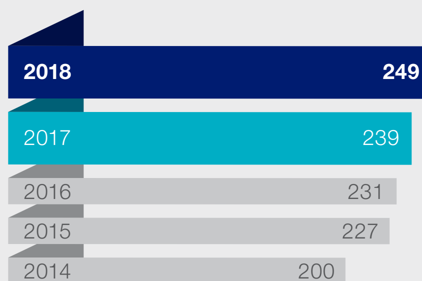
Performance

Revenue increased by 11% in 2018 principally due to a 14% rise in revenue from new homes sales. This reflected a 9% rise in core completions and a 4% increase in ASP. Revenue from other sales decreased to £10.2m (2017: £29.0m) reflecting the sale of several larger sites in 2017.

Average selling price (£000)

£249,000

+4%



Definition

This represents all revenues from new home sales divided by the total number of core completions. In line with standard accounting practice, this excludes revenues from homes sold through joint venture, the profit on which is shown with "Share of result in joint ventures". It measures movements in revenue per unit caused by either house price inflation, location or mix changes.

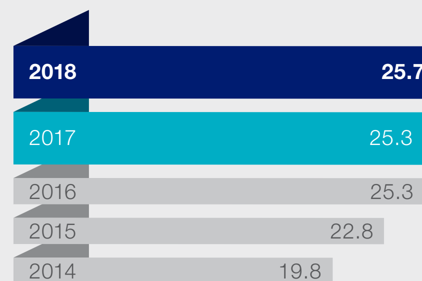
Performance

The Group has delivered a 4% increase in ASP which was due to a similar increase in the ASP of private homes.

Gross margin (%)

25.7%

+2%



Definition

This represents statutory gross profit divided by statutory revenue. It measures the Group's underlying profitability before overheads.

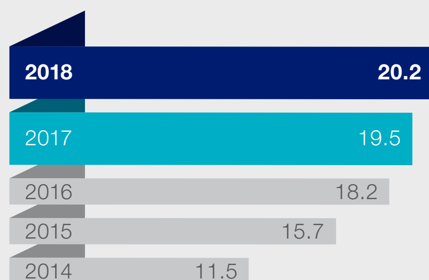
Performance

The gross margin in 2018 is a record for the Group and reflects increased margins from new sites.

Operating margin (%)

20.2%

+4%



Definition

This represents statutory operating profit divided by statutory revenue. It measures the Group's underlying profitability after overheads.

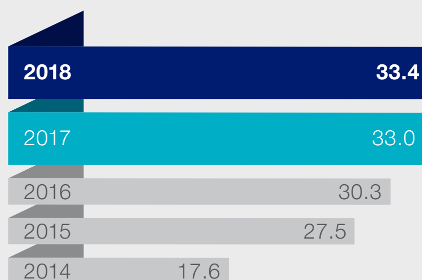
Performance

Improvements in gross margin have led to the Group's operating margin exceeding 20% for the first time.

Return on capital employed (%)

33.4%

+1%



Definition

This represents statutory operating profit adjusted for any credit or charge to operating profit in respect of shared equity loan receivables, expressed as a percentage of average underlying capital employed, which is the average of the opening and closing balances of underlying capital employed for each financial year. Underlying capital employed is the sum of net debt and net assets less intangible assets, deferred tax and shared equity loan receivables. This measures returns from core operations to demonstrate efficient use of shareholders' capital.

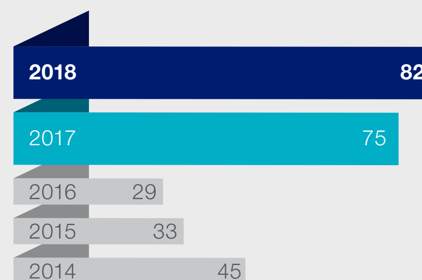
Performance

ROCE continues to increase boosted by higher operating margins.

Free cashflow (£m)

£82m

+8%



Definition

This represents the cash movement per the statutory cashflow statement but excluding cashflows from financing activities, investing activities (other than movement in loans to joint ventures), corporation tax paid, interest paid and transaction costs.

Performance

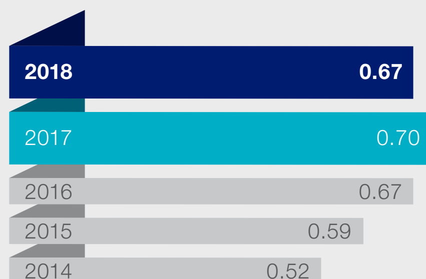
The increase in the year reflects increased revenue and has been achieved despite increases in land and development spend.

NF denotes a non-financial KPI

Private sales rate (per site per week)

0.67

-4%



Definition

This represents the number of reservations (net of cancellations) for private homes (including those sold via joint venture) divided by the average number of sales outlets and further divided by the number of weeks in each financial year.

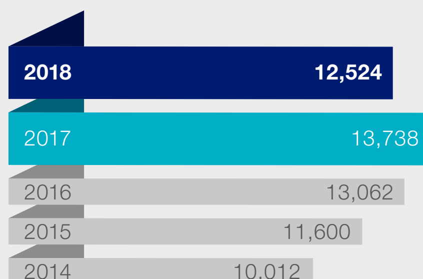
Performance

The private sales rate decreased by 4% in 2018 which is high in relation to historic averages and against a backdrop of 2017 being a record year for the Group.

Consented landbank (plots) NF

12,524

-9%



Definition

This represents land from the Group's owned and controlled landbanks. The owned landbank is land where title has been acquired or if the purchase is by way of a conditional contract, the conditions have been satisfied. The controlled landbank is land where an option has been secured to purchase the land, or where the conditions of a conditional contract have yet to be satisfied. All land in the consented landbank benefits from at least an outline planning consent or a resolution to grant planning consent.

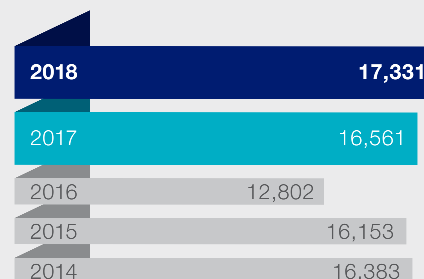
Performance

The owned landbank increased by 10% to 9,174 plots (2017: 8,364 plots), which in turn led to a reduction in the controlled landbank to 3,350 plots (2017: 5,374 plots) resulting in a 9% fall in the consented landbank. The consented landbank represents 4.2 years' supply based on 2018 output.

Strategic landbank (plots) NF

17,331

+5%



Definition

This represents land which the Group has secured via an option to purchase at a future date on receipt of an implementable planning consent. The land currently does not benefit from a planning consent although it may have been allocated for residential development in the relevant local plan.

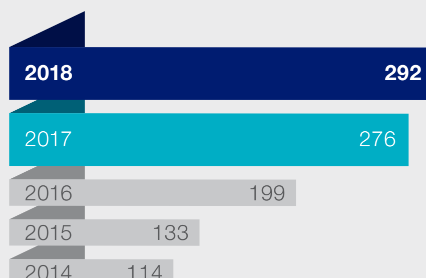
Performance

The strategic landbank increased by 5% in 2018 to 17,331 plots. This reflected a net additional 854 plots from new options entered into during 2018 offset by the transfer of 84 plots to the consented landbank following their successful promotion through the planning system resulting in the receipt of an implementable planning consent.

Forward sales (£m)

£292m

+6%



Definition

This represents the value of new home reservations and contracts exchanged at each financial year end which are anticipated to result in core completions and completions by joint ventures in the following 12 month period.

Performance

The 6% increase in 2019 forward sales principally reflects higher outlet numbers.

Customer satisfaction (%) NF

91%

+0%

Definition

This represents an external assessment, performed by the National House Building Council on behalf of the Home Builders Federation (HBF), and measures overall satisfaction of our customers in respect of both the quality of their new home and the service provided.

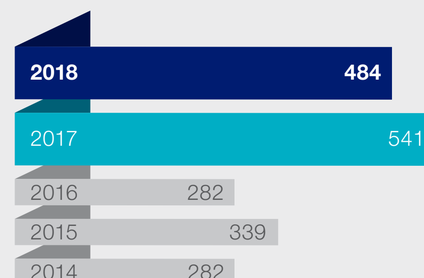
Performance

The Group continues to operate with high levels of customer satisfaction both historically and in comparison to peers, culminating in the HBF 5 star rating for customer satisfaction being awarded in March 2019.

Health and safety NF

484

-11%



Definition

This represents the total number of accidents reportable under RIDDOR as expressed by 100,000 employees and subcontractors.

Performance

Accident rates fell by 11% in 2018. The reduction from 2017 is encouraging and plans have been established with the aim of delivering further reductions in 2019.

Comparatives here and on page 23 represent Miller Homes Group Holdings plc proforma figures for 2017 (prepared as explained in note 30) and Miller Homes Holdings Limited for 2014-2016.

Focused on high quality family homes in regional markets

Our primary focus is on family homes, however, we also sell a wide range of properties, including starter homes, apartments, townhouses and also affordable homes to housing associations.

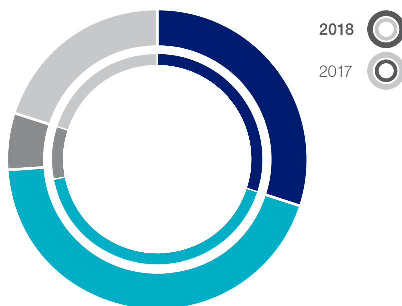
We have three divisions (Scotland, North and Midlands & South) with bases in eight regions – Scotland East, Scotland West, North East, North West, Yorkshire, East Midlands, West Midlands and central Southern England.

Our homes

Completions

3,170
+14%

Our product offering ranges from one bedroom apartments to five bedroom family homes, with the average private home being a four bedroom home of approximately 1,200 sq ft.



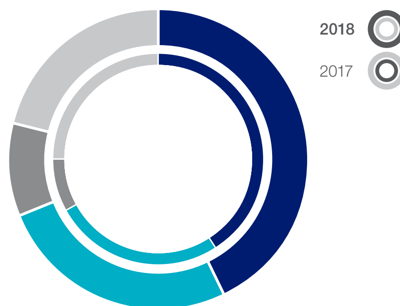
- 2-3 bed: **30%** (2017: 30%)
- 4-5 bed: **44%** (2017: 42%)
- Apartments & townhouses: **6%** (2017: 8%)
- Affordable: **20%** (2017: 20%)

Our customers

Reservations

3,297
+4%

We can provide a range of ways to assist customers in purchasing a new home.



- No incentive: **42%** (2017: 42%)*
- Help to Buy: **25%** (2017: 25%)
- Part exchange: **10%** (2017: 8%)
- Affordable: **23%** (2017: 25%)

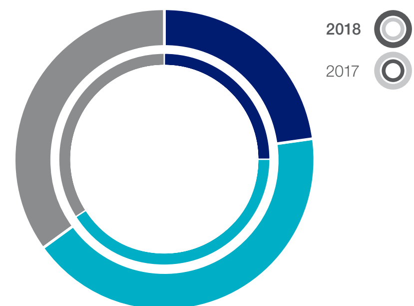
* No incentive included or only incidentals such as stamp duty, carpets.

Our markets

Developments

71
+8%

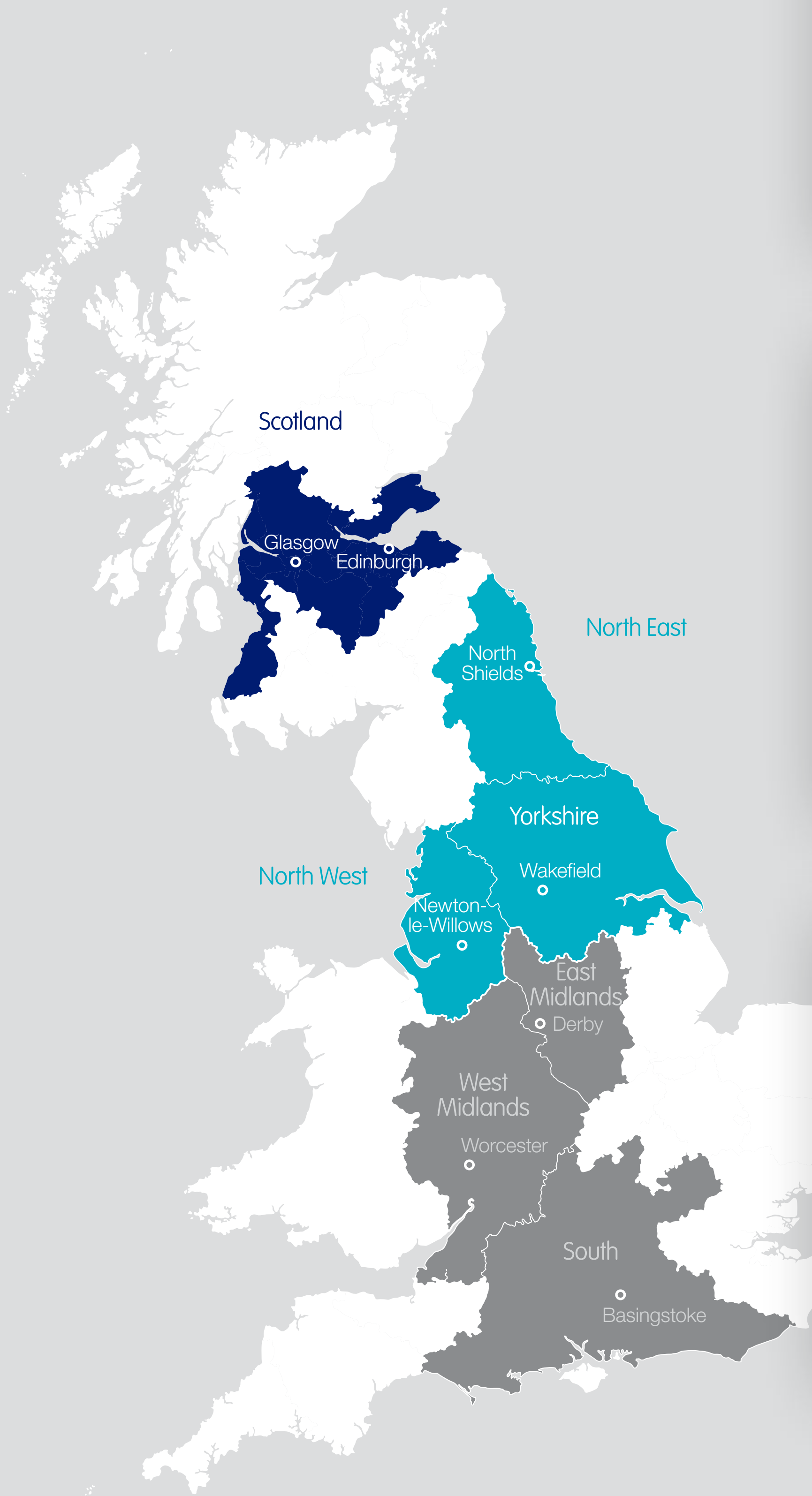
Developments are spread across key locations in each of our divisions, with England representing just over three-quarters and Scotland just under a quarter.



- Scotland: **23%** (2017: 25%)
- North: **42%** (2017: 41%)
- Midlands & South: **35%** (2017: 34%)

A regional focus

We continue to focus on our strong presence in established regional markets, outside London and the South East, delivering predominantly family homes in quality suburban locations where levels of demand and affordability remain favourable.



Scotland

The vast majority of developments are located in the central belt of Scotland, close to the two key cities of Glasgow and Edinburgh. Our regional offices are situated in Glasgow and Edinburgh to service these markets.

Completions

735
+7%

ASP (£000)

267
+5%

Owned landbank (plots)

2,372
+4%

North

The North division has offices based in North Shields, Newton-le-Willows and Wakefield. These serve the main cities and conurbations in the North East, North West and Yorkshire regions respectively such as Newcastle, Sunderland, Manchester, Liverpool, Leeds and Sheffield.

Completions

1,199
+14%

ASP (£000)

234
+12%

Owned landbank (plots)

3,490
+2%

Midlands & South

Offices in Derby and Worcester serve the East and West Midlands regions allowing us to fully focus across the whole of the Midlands region. Our office in Basingstoke covers central Southern England and the key counties of Oxfordshire, Berkshire and Hampshire.

Completions

1,236
+20%

ASP (£000)

255
-3%

Owned landbank (plots)

3,312
+24%

At every step of the journey we aim to add value for all stakeholders

Inputs

Our people
Committed and dedicated staff, combined with skilled and loyal subcontractors, are key to the successful execution of the Group's strategy. At the end of 2018, we directly employed 946 staff with around a further 2,700 subcontractors on our sites at any given time, an increase of approximately 9% on the previous year.

Land
Maintaining an adequate supply of owned, controlled and strategic land together with the timely receipt of planning consents is important to ensure that the Group's growth aspirations can be fulfilled. This includes the pull through of land from the strategic portfolio.

Materials
The procurement of housebuild materials on a national basis is important to ensure high standards of build quality, economies of scale and brand consistency.

Relationships
We recognise the importance of establishing, maintaining and nurturing effective working relationships with a variety of stakeholders, including local residents, local authorities, land owners, suppliers and subcontractors.

Brand
As buying a home is the largest single purchase in a customer's lifetime, the Group's brand values are based on outstanding levels of build quality and customer service.

Adding value

Land

What we do
We identify opportunities in locations which are suitable primarily for family homes, where affordability levels allow ASP and sales rates to be maintained, and are at or above our gross margin and ROCE hurdle rates.

How we add value
The promotion of our strategic landbank enables land to be acquired at a discount to market value which is margin enhancing and allows a more selective approach to be taken in the purchase of land on the open market.

Planning/ technical

What we do
We work with local communities to design quality homes in sustainable developments resulting in successful planning permissions.

How we add value
Our developments add value to those communities where we build through job creation, the provision of affordable homes, improvements to local infrastructure and contributions to education and community facilities.

Procurement

What we do
75% of housebuild materials are sourced from national suppliers by our central procurement team. Our site-based workforce is largely outsourced using a flexible sub-contract model, with the pace of construction determined by management to ensure it is aligned to sales activity.

How we add value
Centralising procurement spend ensures that we optimise pricing from national suppliers and manage supplier performance in respect of both quality and delivery times.

Production

What we do

Standard housetypes developed by our in-house design team represented 87% of 2018 private completions.

How we add value

The use of housetypes from our in-house portfolio ensures greater familiarity of build and maximises cost certainty and land use efficiencies.

Sales

What we do

Our in-house development sales managers are focused on securing reservations and exchanging contracts prior to homes being physically build complete.

How we add value

Highly motivated sales teams combined with industry leading CRM systems drive sales volumes and pricing.

Customer service

What we do

We provide quality new homes and excellent levels of customer service.

How we add value

We believe that excellent levels of customer service enhance the brand value of the Group, which assists both sales rates and selling prices.

Outputs

Customers

91%
customer recommend score

5 stars
HBF 5 star rating for customer satisfaction

Shareholders

£82m
increase in net assets in 2018

7 years
of organic profitable growth

Society

3,170
homes delivered in 2018 including joint ventures

£104m
planning gain contributions, including the value of 637 affordable homes delivered

Our people

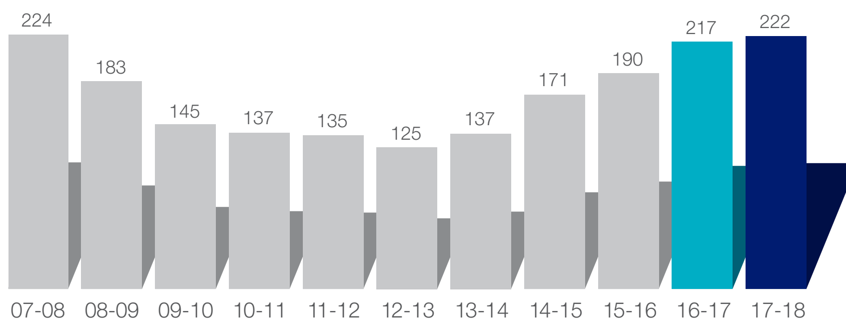
94%
staff engagement

IIP Gold
Investors in People Gold accredited

Regional market conditions remained robust

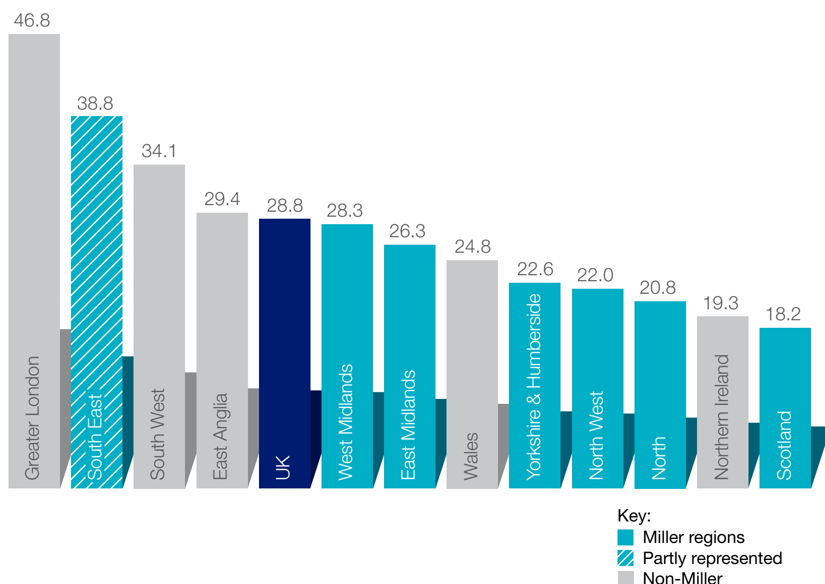
Government policy on housing is focused strongly on increasing supply and the market outperformed expectations despite economic and political uncertainty.

Annual housing supply net additional dwellings, England ('000s)



Source: MHCLG.

The Mortgage Payments to Take Home Pay Ratio by region (Q4 2018) (%)



Source: Halifax.

Overview

With rising employment levels and wages, a highly competitive and affordable lending environment and supportive government policies, the market proved resilient in 2018. This was despite an increase in Brexit related uncertainty as the year progressed. Consumer confidence levels in 2018 were lower (-14) at the end of the year however, this dip is largely a reflection of the general economic situation as other indices, such as those measuring confidence in personal finance, remained relatively stable. It is also well above the record low of -39 in 2008. It is unclear at this stage how the current indecision on Brexit will impact sentiment in 2019.

Commentators and analysts continue to predict house price growth over the next five years in our regional markets, albeit with a more subdued start in 2019 to what we have experienced in the last few years. Savills' Residential Property is forecasting 2019 house price inflation in mainstream UK markets of 1.5%, increasing to 15% in total over the 2019-2023 period.

In 2018, the UK unemployment rate fell to 4%, the lowest level since 1975, with wage growth at its highest rate in a decade. Combined with GDP growth in the second and third quarters of the year, this was a contributory factor to the Bank of England raising interest rates in August 2018 by 0.25% to 0.75%, only the second rate increase in a decade. The mortgage market continued to remain competitive both in relation to mortgage rates and availability of higher LTV (loan to value) products. Reassuringly, lending criteria continue to be robust with affordability stress testing based on rates which are 3% higher than standard variable rates.

Picture:
Croston Meadow, Leyland, Lancashire.

Key highlights

£230,000
average UK house price

Source: Halifax January 2019

369,000
new homes granted planning permission in the year to September 18

Source: MHCLG December 2018

222,000
additions to housing stock in England 2017/2018

Source: MHCLG November 2018

15%
predicted house price growth over the next five years

Source: Savills Residential Property November 2018

Demand exceeding supply

The lack of movement in the second hand housing market continued in 2018. The RICS UK Residential Market Survey in October showed the lowest sales to stock ratio since September 2013 when the average surveyor had 63.5 houses for sale compared to 42.9 in October (2018). As a consequence, new homes are able to fulfil the demand for housing, with the result being the new build market in 2018 remaining comparatively strong.

Annual housing supply in England in 2017/2018 increased by 2% on 2016/2017, with 222,190 net additional dwellings (Ministry of Housing, Communities & Local Government). The shortfall against the Government annual target of 300,000 homes remains and in November 2018, the Office for Budget Responsibility reported that there will be a cumulative shortfall against this target with an average of 249,282 homes added to the housing stock each year by the mid-2020s.

First time buyers are vital to ensure that overall the housing market remains stimulated. The Halifax reported in August 2018, that for the first time, they represented over half of mortgage funded new home purchases.

House prices and affordability

House prices and affordability continued to remain in focus during 2018. House price inflation in 2018 moderated to 1.3% according to the Halifax. This is in part due to price declines of around 0.8% in London. Price inflation in regional UK markets, where we operate, is estimated at 2.5% for 2018, reflective of the Group's experience in these areas.

Housing affordability is typically assessed in two ways, using the House Price to Earnings Ratio (HPER) and Mortgage Payments to Take Home Pay Ratio. At the end of 2018, research published by Nationwide highlighted the UK HPER was 5.9x compared to the long run average of 4.5x. The HPER takes no account of mortgage rates and therefore affordability, unlike the second measure of Mortgage Payments to Take Home Pay which shows that mortgage payments represented 29% of earnings in 2018 compared to the long run average of 35%. The chart on the previous page sets out the regional affordability picture and shows that six of our seven regional markets are below the UK national average, with Scotland the lowest at 18%. Analysis by Barclays suggests that mortgage rates would need to rise by 200 basis points, with earnings remaining constant, for the long run average of 35% to be breached.

Continued government support

Housing continued to feature high on the political agenda in 2018. In the autumn budget, the Government pledged support for the housing market, calling it key to boosting UK productivity and living standards. Government policy was focused on both demand and supply side measures. In relation to the former, the Help to Buy scheme was extended for a further two years to 2023 at which point it is planned to end. During its final two years the scheme is to be restricted to first time buyers with regional price caps also being introduced. Stamp duty for first time buyers of shared ownership homes, up to the value of £500,000, was abolished and signalled the Government's intention to promote different housing tenures other than outright purchase.

On the supply side, the revised National Planning Policy Framework (NPPF) for England was published in July 2018. This has generally been well received by the sector and the principle of the presumption in favour of sustainable development, a significant factor behind the increase in planning consents since the original NPPF was launched in 2012, has been retained in the revised version. Planning permissions to the year ending September 2018 totalled 368,800, a 3% decrease on the previous year but 5.3% higher than the 2012 figure prior to the introduction of the original NPPF.

Continue delivering profitable and sustainable growth

Our aim is to deliver profitable and sustainable growth focusing on three strategic measures.

Picture:
Southbourne Fields, Southbourne, Hampshire.

1

Sales growth

Grow output incrementally to 4,000 units by 2021.

Objectives

Incremental growth in annual core completions to reach capacity in each of the existing regional businesses.

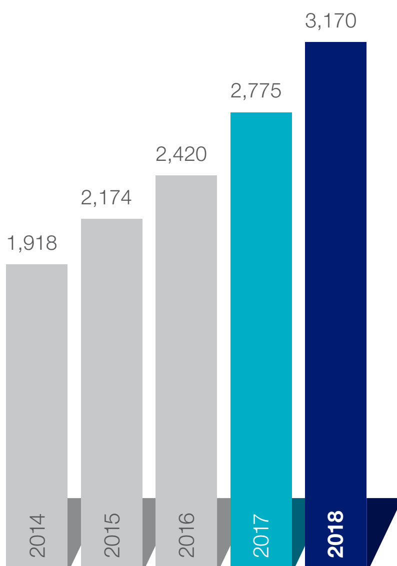
Maintain excellent levels of customer service and build quality.

Measuring progress

Core and JV completions

3,170

+14%



2

Regional focus

Maintain focus on existing regional markets which have the following advantages:

- Less competitive land market
- Reduced subcontractor cost pressures and availability issues
- More favourable planning environment
- Customers are predominantly home owners rather than investors

Objectives

Growth to be delivered from existing regional markets in which the current divisional businesses have a strong presence.

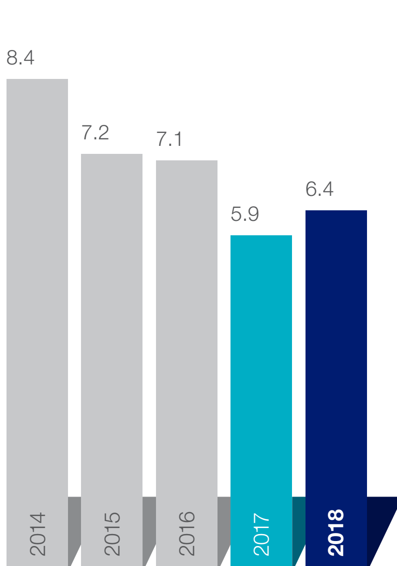
Incremental growth in existing markets to limit both delivery risk and overhead increases.

Measuring progress

Administrative expenses (% of revenue)

6.4%

+8%



3

Margin enhancement and capital efficient returns

Maintain disciplined and selective approach to land acquisitions, optimising margin and capital efficiency.

Objectives

Maintain operating margin at or above 20%.

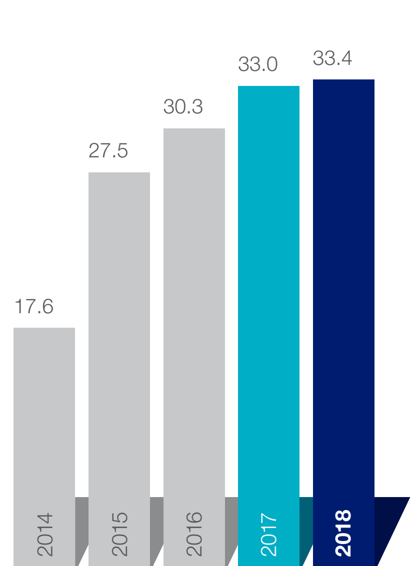
Maintain return on underlying capital employed in excess of 30%.

Measuring progress

Return on capital employed (%)

33.4%

+1%



2018 was another successful year for the Group

Overview

The excellent results delivered in 2018 reflect the successful execution of the Group's growth strategy. In recent years, we have followed a strategy of disciplined but increasing land investment combined at the same time with significant cash generation. This continued in 2018 with land investment of £204m (2017: £182m) and free cashflow generation of £82m (2017: £75m). A 14% increase in core and joint venture completions combined with margin improvements from new site acquisitions resulted in a 15% increase in operating profit to £151.1m (2017: £131.1m). Whilst macroeconomic and political uncertainties increased during 2018, there remained strong demand for new homes in our regional markets, underpinned by an increased supply of competitive mortgage products.

Sales performance

The private sales rate in 2018 has been strong albeit falling slightly from last year to 0.67 (2017: 0.70) net reservations per site per week. As 2017 was a record for the Group, the slight reduction in 2018 is still considered an excellent performance.

Sales outlets averaged 71 (2017: 66) during the year with year end outlets higher at 77 (2017: 71). The opening of new sites combined with land acquired in 2018 will lead to a further expansion of outlet numbers in 2019. Help to Buy sales represented 33% (2017: 34%) of private reservations and 30% (2017: 30%) of new home revenues. The UK Government announced a two year extension of the Help to Buy scheme to March 2023. The last two years of the scheme will be restricted to first time buyers and will see the introduction of regional price caps, with the current price cap of £600,000 only to apply in London. In 2018, 59% (2017: 69%) of Help to Buy sales were to first time buyers and the impact of regional price caps is continuing to be assessed.

2018 highlights

14%
increase in core and joint venture completions to 3,170 (2017: 2,775)

15%
increase in operating profit to £151.1m (2017: £131.1m)

10%
increase in the owned landbank to 9,174 plots (2017: 8,364 plots)

6%
increase in forward sales for 2019 to £292m (2017: £276m)

"Whilst macroeconomic and political uncertainties increased during 2018, there remained strong demand for new homes in our regional markets, underpinned by an increased supply of competitive mortgage products."

The use of part exchange increased to 12% (2017: 10%) of private reservations. This was more than last year but lower than 2016. As a regional homebuilder whose primary focus is on family homes, sales to investors continue to be a very small percentage of overall sales. In 2018, sales to investors represented only 2% (2017: 2%) of private reservations. Incentives continued to be used selectively throughout the year and price inflation experienced in 2018 was between 2-3%.

Overall completions in 2018 were 3,170 (2017: 2,775), of which core completions were 2,954 (2017: 2,698). Private completions increased by 10% to 2,411 (2017: 2,184) due to increased sales outlets. Affordable completions increased by 6% to 543 (2017: 514) and represented 18% (2017: 19%) of core completions. Joint venture units increased to 216 (2017: 77) and were delivered from four of the five current joint ventures with the Wates Group.

Strategy

Significant progress was made during the year towards our strategic targets, the most notable being the delivery of a 20% operating margin which was achieved ahead of plan and our new West Midlands region achieving almost 350 units in its first full year of operation.

We have the operational network and funding structure in place to deliver 4,000 units and remain committed to deploying the necessary land investment, subject to market conditions, to achieve this target.

Government policy

Housing continued to feature prominently within Government during the year. The UK Government and other main political parties remain supportive of housebuilding with a desire to address the shortage of homes. As well as the two year extension to Help to Buy through to 2023, the National Planning Policy Framework (NPPF) was updated and reaffirmed the principles enshrined within the original NPPF introduced in 2012 which have been a significant factor in the increase in planning approvals over that period. Local authorities are still required to maintain a five year land supply with testing of the deliverability of these plans to be introduced. Significantly, the presumption in favour of sustainable development has also been retained. An interim report was published by Sir Oliver Letwin aimed at identifying further actions to be taken to increase housing output. The interim report has recommended widening the use of housing tenures on larger sites to increase output and importantly has also refuted any suggestion that housebuilders are participating in landbanking practices.

In 2017/18, overall net additions to housing stock were 222,190 in England, a 2% increase on the previous year. The broad consensus amongst political parties is to increase annual output to around 300,000 homes per annum. Net additions in Scotland increased by 4% in 2017/2018 to 19,428 still some way short of the Scottish Government's target of 35,000.

Land

In recent years, the Group has increased its investment in land, both in relation to the number of sites acquired and the size of our regional landbuying teams. Within our regional businesses we have both short term and strategic land specialists, reflecting the different network of opportunities and skill-sets required. Our Strategic Land team was bolstered during the year through several new appointments and is now led by Scott Chamberlin, Managing Director – Strategic Land, who has specialised in this area for over 20 years and is highly regarded within the industry.

The Group has two landbank categories, namely, consented land and strategic land. Consented land is land with a minimum of a resolution to grant planning consent which is either owned or controlled via a conditional contract or option agreement. Our preference is to acquire land conditional upon the receipt of a detailed planning consent. Just under 95% of the 2018 owned landbank benefits from a detailed planning consent. Strategic land is controlled by a contract which may be exercised when planning is achieved. This land currently does not benefit from a planning consent and is therefore longer term in nature. It has favourable prospects with 31% of the 2018 strategic landbank allocated in local plans or draft plans. Our in-house teams promote our strategic sites through the planning system and on receipt of a planning consent, we have the option to acquire the site, typically at a 15% discount to market value. Whilst larger than a standard open market site, 65% of the strategic landbank can be acquired in tranches, typically in 10 to 15 acre parcels, thus assisting in the management of working capital.

Completions by type

	2018	2017	% Change
Private	**2,411**	2,184	10%
Affordable	**543**	514	6%
Core	**2,954**	2,698	9%
Joint ventures	**216**	77	181%
Total	**3,170**	2,775	14%

Whilst a devolved approach is taken to land buying, it is underpinned by a consistent Group-wide land strategy with all land acquisitions and strategic land options being approved by the Executive Board. The Group's approval process for land acquisitions covers both financial and non-financial measures and results in land being acquired across the business with similar characteristics in terms of product size, customer demographics and distance to desirable locations with quality schools, links to major transport hubs and areas of high employment. Financial measures include minimum hurdle rates for gross margin and ROCE which are regularly exceeded in practice.

Land investment in 2018 totalled £204m (2017: £182m) and resulted in 3,886 plots (2017: 3,786 plots) being added to the owned landbank. This led to the owned landbank increasing to 9,174 plots (2017: 8,364 plots). The ASP of the owned landbank increased to £264,000 (2017: £250,000) reflecting the location of new site purchases and the overall GDV stands at £2.4 billion (2017: £2.1 billion). All owned land with a detailed planning permission is being developed. The controlled landbank is land which is secured by either a conditional contract or option and in both cases benefits from a resolution to grant planning consent. The controlled landbank fell to 3,350 plots (2017: 5,374 plots) and reflected the acquisition and transfer of sites to the owned landbank during the year. We continue to target a balanced approach to land acquisitions across our regional businesses, with the owned landbank representing 3.1 years' supply supplemented by the controlled landbank of 1.1 years' supply. This sits within our target range of 3.0-3.5 years and 1.0-2.0 years respectively.

In order to meet ROCE targets for each site acquisition we seek deferred land payments where appropriate. We maintained our disciplined approach to site acquisitions during 2018, with an average site size of 139 plots and all sites forecast to generate an average ROCE in excess of 30%, significantly ahead of our minimum hurdle rate. Sites acquired from the strategic landbank comprise 28% of the 2018 owned landbank, highlighting the Group's success in strategic land promotion in recent years. The medium term target is to deliver over 30% of completions from strategic land.

The strategic landbank totals 17,331 plots (2017: 16,561 plots). The process to determine which sites are contracted into the strategic landbank is rigorous and is based upon site size, location, planning prospects and discount to open market value. Smaller sites are targeted as these are considered to be more desirable and deliverable in terms of planning promotion prospects and cash lock-up. The average site size is just under 250 plots which is relatively small in strategic land terms. At the end of the year, 11 planning applications (2,100 plots) had been submitted to planning authorities on strategic sites for which decisions are awaited.

Supply chain and product

Product availability was generally good during 2018 albeit some materials had to be proactively managed by our central procurement team to ensure continuity of supply. Our centralised approach to procurement ensures visibility of supply, consistency of materials and cost certainty. Around 90% of the housebuild materials sourced by our central procurement team are manufactured in the UK. Cost increases in the range of 3-4% were experienced during the year. We have contingency plans in place in the event of a No-Deal Brexit.

With the increase in output in recent years across the wider industry, the availability of skilled labour continues to be challenging. For some time, we have worked closely with our regional subcontractor partners to assist them in emerging health and safety legislation as well as providing visibility on future pipeline developments. This has proven to be a successful way of both retaining and increasing our subcontractor network.

Our product offering ranges from one bedroom apartments to five bedroom family homes, with the average home being a four bedroom home of c1,200 sq ft. The review of our product range during the year has resulted in value engineering opportunities and specification changes which will achieve cost savings when these housetypes are rolled out onto new developments. Further product reviews are ongoing aimed at ensuring we continue to meet the aspirations of our customers both in relation to internal layout and price-point. Over 87% of 2018 private completions were from standard housetypes developed by the Group's in-house design team.

People

As a growing business, it is imperative that we attract and retain the best people. We recognise that the culture of our business is extremely important to attract high calibre individuals who aspire to work for Miller Homes and who believe in our values. Our Equality and Diversity policy ensures that all employees are treated equally and fairly with no discrimination in respect of age, gender, disability, religious belief, sexual orientation, race, colour, marital status,

Private reservations type (%)

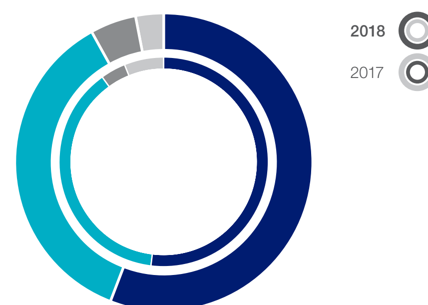
	No Incentive*	Help to Buy	Part exchange
2018	55	33	12
2017	56	34	10
2016	52	35	13

* No incentive included or only incidentals such as stamp duty, carpets.

Consented landbank

	2018		2017	
	Plots	GDV £m	Plots	GDV £m
Owned/unconditional	9,174	2,419	8,364	2,095
Controlled	3,350	850	5,374	1,286
Consented	**12,524**	**3,269**	13,738	3,381

Private unit product mix



Average unit size (sq ft): **1,181** (2017: 1,171)

- 4-5 bed houses – **56%** (2017: 52%)
- 2-3 bed houses – **36%** (2017: 38%)
- Townhouses – **5%** (2017: 4%)
- Apartments – **3%** (2017: 6%)

political belief and nationality. We understand that we need to establish the best working environment to enable and attract a diverse workforce and that means providing a flexible and positive approach which promotes our staff wellbeing.

We are committed to engaging with our workforce and undertake this in various ways. Annual roadshows are held in each of our seven regional businesses at the start of the financial year. This platform provides a means of communicating our strategic vision and performance attainment and embeds the cultural tone set by the management. In 2018, we undertook focus group sessions in order to further enhance the Group's staff engagement credentials and to inform best practice. Output from these focus groups has resulted in a review of working practices and policies which will be implemented from 2019 onwards. Staff engagement is monitored formally using external independent assessments which are undertaken on a triennial basis. The last survey was in 2016 which confirmed that 94% of employees are positively engaged in the business. In addition, we are accredited by Investors in People, maintaining Gold status, placing the Group among the top 13% of all IIP accredited clients. The Group has loyal employees as evidenced by 24% of staff having 10 years' service or more.

We have employed a further 96 people during 2018, an increase of 11% as we scale up our West Midlands region and resource growth more generally across the business.

The number of people employed at the end of the year was 946. In recognition of the well documented skills shortages in the industry, the focus in 2018 was on investing in the human capital of the Group. We have continued to focus on the Home Building Skills Pledge as we deliver training to our site construction and sales teams. The training is being delivered to agreed national standards. During the year, we recruited 25 trainees and apprentices within either craft or technical/ professional disciplines. As a business which is committed to attaining industry leading levels of customer service, it is important that we have employees who are engaged in the business and also committed to delivering Miller Homes standards. This is a key focus of our Sales Academy alongside our Production Pathway programme, which deliver extensive training to the sales and production teams to ensure that they meet the Miller Homes high standards of quality and customer service.

"As a business which is committed to attaining industry leading levels of customer service, it is important that we have employees who are engaged in the business and also committed to delivering Miller Homes standards."

Gender balance

	2018			2017		
	Male	**Female**	**Total**	Male	Female	Total
Directors	**5**	**1**	**6**	2	1	3
Senior managers	**106**	**28**	**134**	96	19	115
Other employees	**550**	**256**	**806**	493	239	732
Total	**661**	**285**	**946**	591	259	850

Picture:
Knights Chase, Ashby De La Zouch, Leicestershire.

87%
standard housetypes

Corporate responsibility

The Group's ethos is not only to build high quality homes but to do so safely and ethically in a manner which respects the local environment and the rights and dignity of all people with whom we engage, including our customers, employees, subcontractors, suppliers, local residents and other stakeholders. Established human rights policies are in place to ensure compliance with areas such as diversity, whistleblowing and the requirements of the Modern Slavery Act 2015. The Group is also committed to the highest standards of ethical conduct and integrity in its business activities. The Group has an established anti-bribery policy and we require our key national suppliers to demonstrate their anti-bribery credentials. We believe this will deliver reputational benefits and maintain our established reputation with customers, suppliers and subcontractors.

The Group remains a corporate partner with global housing charity, Habitat for Humanity, and also provided support within the local communities in which we operate. During the year, we contributed £97,000 to charities and a global village trip to Malawi is planned in 2019 which will see 20 staff volunteers spend seven days there with a target to build four much needed new homes funded by the Group.

The Group is committed to growing the business in a responsible and sustainable manner with a particular focus on the key areas of health and safety, environment, community and partners. The Group's key performance metrics in relation to corporate responsibility are explained in more detail on pages 36 and 37.

Customer service and quality

The Group is committed to providing industry leading levels of build quality and customer service. Two independent surveys are used to assess and monitor customer satisfaction. The first survey, conducted by In House Research, obtains feedback six to eight weeks after customers have purchased their home. This provides an independent assessment of both build quality and service pre and post home purchase and is an important part of our continuous improvement plans. In 2018, 91% of customers independently surveyed confirmed that they would recommend us to a friend. The second survey is conducted by the NHBC on behalf of the Home Builders Federation 8 weeks after the house purchase. The HBF 5 star rating is awarded for customer satisfaction ratings in excess of 90%. With our HBF score also at 91%, we are delighted to have attained the HBF 5 star rating for customer satisfaction in seven of the last eight years.

Safety, health and environment

The focus of the Group SHE team is the safety of our employees, subcontractors, customers and those living in the surrounding area of our developments. Additionally, the team is focused on establishing effective plans to manage safely the surrounding natural environment both during and after construction. The Group sets a comprehensive strategy annually, designed to focus on identified risk items. This is supported by a comprehensive SHE management system to ISO 14001 standards and is accredited annually by Lloyds. Our SHE team undertake a structured programme of site visits and set an annual strategy designed to address key risk items. During 2018, 421 (2017: 388) such visits were undertaken with all strategic objectives achieved. The Group SHE team in conjunction with our regional Production teams seek to instill a positive health and safety culture with our subcontractor base given that they represent over 90% of workers on our developments.

Increased site activity levels and additional workers on site, in turn increases the risk of health and safety incidents. Against this backdrop, it was encouraging to see a fall in reportable incidents per 100,000 employees to 484 (2017: 541). We are not complacent and our 2019 strategy will focus on accident prevention with the promotion of learning events from accident investigations and personal responsibility in setting appropriate standards of behaviour being the key action points.

Outlook

2018 was a record year for the Group and we enter 2019 with both an increased order book and greater sales outlets in our owned landbank, which positions the Group for further growth in 2019. Clearly, Brexit has dominated the news agenda during 2018 and into 2019. It remains to be seen how this will ultimately be resolved.

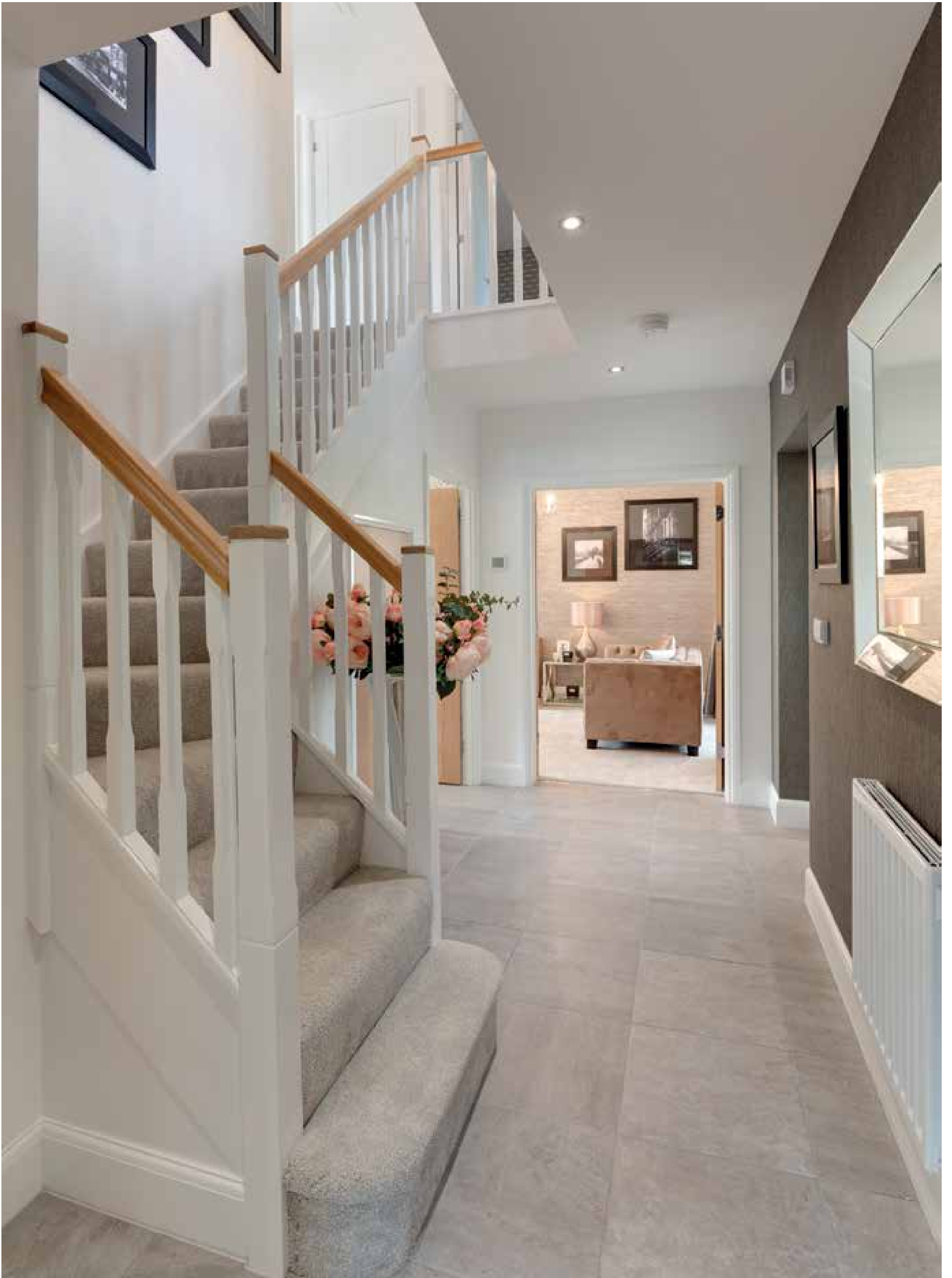
We remain committed to our strategy of growing volumes in our chosen regional markets with a continued focus on mid-market family homes. Demand continues to be strong underpinned by low interest rates and Government support for the sector with Help to Buy extended to 2023. There is a significant amount of optionality in the business model to adjust investment decisions depending upon market conditions.

I would like to thank all our staff and stakeholders for their valued contribution in 2018 and look forward to further mutual success in 2019.

Chris Endsor
Chief Executive
6 March 2019

"2018 was a record year for the Group and we enter 2019 with both an increased order book and greater sales outlets in our owned landbank, which positions the Group for further growth in 2019."

Picture:
Shires Grove, Boston Spa, West Yorkshire.



The operating margin of 20% was a first for the Group and delivered ahead of plan

2018 highlights

11%
increase in revenue to £747m
(2017: £674m)

20.2%
operating margin
(2017: 19.5%)

33.4%
return on capital employed
(2017: 33.0%)

£82m
free cashflow generated
(2017: £75m)

Operating performance

Revenue increased by 11% to £747.0m (2017: £674.0m). This reflected an increase in new home revenues to £736.8m (2017: £645.0m) with other revenues lower at £10.2m (2017: £29.0m) due to higher land sales in 2017. The 14% growth in revenues from new home sales reflected a 9% increase in core completions to 2,954 (2017: 2,698) and a 4% increase in ASP. Higher sales outlets resulted in completions of private units rising by 10% to 2,411 (2017: 2,184). Affordable unit completions increased by 6% to 543 (2017: 514).

All divisions experienced an increase in completions. The increase in volumes was greatest in the North division which delivered a 14% uplift due to increased outlets following significant land investment in 2017. The increase in ASP was most marked in the North division with a 12% increase driven again by new site launches.

The increase in ASP to £249,000 (2017: £239,000) was achieved due to a 4% increase in the ASP of private homes, a marginal reduction in the proportion of affordable housing completions which represented 18% (2017: 19%) of core completions and a 1% increase in the ASP of affordable units to £108,000 (2017: £106,000). Private ASP increased by 4% to £281,000 (2017: £270,000) which reflected the location of new sites and house price inflation. The average unit size of private home completions was marginally ahead of 2017 at 1,181 sq ft (2017: 1,171 sq ft).

Gross profit increased by 13% to £192.0m (2017: £170.4m) with gross margin increasing to a record 25.7% (2017: 25.3%) as we benefited from higher margins from new sites. Gross profit per unit has increased by 3% to £65,000 (2017: £63,200).

Administrative expenses increased to £47.9m (2017: £40.1m). This reflected a full year impact of the new West Midlands region that opened in the second half of 2017, increased headcount and staff costs and a £0.7m exceptional charge in relation to Guaranteed Minimum Pension (GMP) equalisation changes impacting most UK defined benefit schemes. As a percentage of revenue, administrative expenses have increased to 6.4% (2017: 5.9%).

The significant increase in gross profit combined with a £5.7m increase in the profit from joint ventures offset by a more modest increase in administrative expenses has resulted in a 15% increase in operating profit to £151.1m (2017: £131.1m). Operating margin was 20.2% (2017: 19.5%), the first time it has exceeded 20%.

Finance cost

The Group's net finance cost has increased to £49.0m (2017: £21.8m). The increase reflected the full year impact in 2018 of the Group's new capital structure which took effect in October 2017 and has led to an increase in interest on the secured notes and intercompany loans to £42.6m (2017: £17.5m). The repayment of £20.0m of secured notes in June 2018 and £43.5m of intercompany loans in November 2018 should lead to reductions in the finance cost of the Group in 2019.

Taxation

The tax charge in the year was £19.2m (2017: £21.6m) which comprised £9.0m (2017: £7.5m) of corporation tax and £10.2m (2017: £14.1m) of deferred tax. The Group's deferred tax asset of £15.9m principally comprises brought forward tax losses which have been valued at the enacted corporation tax rate for the period in which the losses are anticipated to be utilised.

The total contribution to the UK and Scottish Governments finances in 2018, directly through taxes borne by the Group itself, and indirectly by payroll and other taxes we collect on behalf of both Governments was £74.1m (2017: £52.7m). The total amount of tax is significantly greater than the tax charge shown in our accounts. We see this as one measure of our wider financial contribution to the UK economy.

The approach to tax risk is led by the Chief Financial Officer and ultimately the Board. The Group is committed to maintaining its status with HMRC as a low-risk business. The Group's tax strategy can be found on our website and is based on an open, transparent and collaborative approach with HMRC, with a low tolerance towards tax risk and undertaking not to engage in artificial tax arrangements.

Cashflow and debt

The Group continued to generate significant levels of cash in the year notwithstanding increased investment in land and work in progress. Free cashflow in the year was £81.7m (2017: £75.4m) which equated to a cash conversion from EBITDA of 54% (2017: 57%).

The Group is funded through a combination of the following facilities:

- £244.0m, 5.5% Senior Secured Notes due 2024 and £161.0m Senior Secured Floating Rate Notes due 2023
- £130.0m committed revolving credit facility ('RCF') which remained undrawn throughout the year
- £119.4m, 10% unsecured intercompany loan
- £10.3m project specific loan

On the basis of the above and its cash balance of £98.6m and deferred financing costs of £16.8m, the Group had net debt of £419.3m (2017: £451.9m). Excluding intercompany loans, external debt fell to £299.9m (2017: £303.4m) which reflected a £20.0m reduction in senior secured notes offset by a £13.8m reduction in cash and a £2.7m reduction in deferred financing costs. The reduction in senior secured notes followed a £20.0m buyback and subsequent cancellation in June 2018. The reduction in cash principally reflected the part repayment of the intercompany loan. In November 2018, £43.5m of the intercompany loan was repaid, and the balance has fallen to £119.4m (2017: £148.5m).

There are no financial covenants in relation to either the senior secured notes or the Revolving Credit Facility ("RCF"). The drawn balance on the RCF is limited to 47% of net inventory.

Balance sheet

The Group's net assets have increased by £81.8m to £239.6m (2017: £157.8m) due to the strong financial performance in the year.

Return on underlying capital employed, which excludes non-operating intangible assets, shared equity and deferred tax interests, improved to 33.4% (2017: 33.0%). The uplift was achieved by an increase in operating margin and was partly offset by higher investment in land leading to an increase in net inventory. In 2018, net inventory, which represents statutory inventory net of land payables, increased by 17% to £602.0m (2017: £516.1m).

The increase in net inventory reflected continued investment in inventories to £745.5m (2017: £623.4m) offset by higher land payables of £143.5m (2017: £107.3m). Investment in land rose by 17% to £448.3m (2017: £382.5m). The number of plots in the owned and unconditional landbank increased by 10% to 9,174 (2017: 8,364), with the plot cost increasing by 7% to £48,900 (2017: £45,700). The increase in plot cost is largely a reflection of the location of new sites acquired in 2018 and specifically the investment made in the new West Midlands region. As a percentage of ASP, the plot cost is slightly higher than last year at 18.5% (2017: 18.3%). Work in progress has increased to £281.2m (2017: £227.9m) and reflects an 11% increase in sites in the landbank at the end of the year as well as infrastructure costs incurred on several former strategic sites acquired during the year.

Overview

	2018	2017
Core completions (no.)	**2,954**	2,698
ASP (£000)	**249**	239
Revenue (£m)	**747**	674
Operating profit (£m)	**151**	131
Operating margin (%)	**20.2**	19.5
Net external debt (£m)	**300**	303
Net assets (£m)	**240**	158
Underlying ROCE (%)	**33.4%**	33.0%

Contribution to Government finances

	2018 £m	2017 £m
Tax paid by the Group		
UK corporation tax	**6.2**	5.0
Stamp duty	**10.6**	6.8
Employer's national insurance	**5.6**	4.9
Apprentice levy	**0.3**	0.2
Non-domestic rates and council tax	**1.2**	1.1
Section 75 and 106 agreements	**29.3**	16.6
	53.2	34.6
Tax collected and paid over by the Group		
PAYE and employees' national insurance	**15.3**	14.1
Construction industry scheme	**5.6**	4.0
Total	**74.1**	52.7

EBITDA to free cash flow reconciliation

	2018 £m	2017 £m
EBITDA	**151.5**	131.9
Net land investment (in excess of cost of sales)	**(25.6)**	(15.7)
Development spend (in excess of cost of sales)	**(42.6)**	(33.4)
Change in working capital	**(6.5)**	(1.9)
Cash flows from JVs (not included in EBITDA)	**(2.2)**	1.8
Shared equity loan receivables	**7.6**	6.7
Transaction costs	**–**	(11.2)
Other	**(0.5)**	(2.8)
Free cash flow	**81.7**	75.4
Net land spend (included in cost of sales)	**121.4**	100.0
Net land spend (in excess of cost of sales)	**25.6**	15.7
Free cash flow pre net land spend	**228.7**	191.1

Comparative information

The Finance review presents the first full year results of the Group. The Group was formed following the acquisition of Miller Homes Holdings Limited on 5 October 2017. The Consolidated income statement on page 46 sets out the results of the Group for this year and the statutory comparative of the period from 6 July (when Miller Homes Group Holdings plc was incorporated) to 31 December 2017. In order to allow a meaningful comparison of trading year on year, proforma financial information representing the results of the Group had the acquisition taken place on 1 January 2017 (i.e. presenting a full year of trading of the underlying group headed by Miller Homes Holdings Limited for the year ended 31 December 2017) has also been presented as a comparative. The proforma information has been referred to throughout the Strategic report in order to provide a useful comparison to demonstrate the development of the business over the year.

Land payables represent creditors due in respect of land acquired on deferred terms and occasionally where contracts have been exchanged and the conditions have been satisfied. Land contracts which have been exchanged and where the conditions have yet to be satisfied, represent off-balance sheet contractual obligations to make certain payments if the conditions were satisfied. The estimated value of these contracts at the year end was £76.1m (2017: £51.6m).

Shared equity loan receivables represent the Group's investment in shared equity loans which were issued during 2008 to 2013. The investment in these assets fell to £13.7m (2017: £21.3m), due to redemptions of £7.6m (2017: £7.7m). The Group prudently carries its shared equity assets at fair value with a provision of £13.3m (2017: £13.3m) being held against the initial carrying value of £27.0m (2017: £34.6m).

Pensions

The defined benefit scheme was closed to new entrants in 1997 and to future accrual in 2010. The scheme deficit has decreased to £13.0m (2017: £21.7m) following contributions of £11.3m offset by an actuarial loss of £1.4m, an interest charge of £0.5m and a GMP equalisation charge of £0.7m, following the judgment in the Lloyds Bank case in October 2018. The contributions reflect annual contributions of £4.8m agreed as part of the 2016 triennial valuation and an additional payment of £6.5m. The actuarial loss principally reflected an adverse movement in scheme asset values. Pension arrangements for the Group's employees are now provided through a defined contribution scheme with the annual cost reflected in the Income statement amounting to £2.6m (2017: £2.3m).

Risk management

The Board maintains a risk register to identify and manage key business risks. The key risk continued to be related to Brexit and resulting macro-economic concerns. This and other risks are discussed on pages 34 and 35. In addition, under IFRS 9, the Group is required to disclose the main risks associated with its financial instruments, namely, credit risk, liquidity risk, market risk and inflation risk. These are set out in note 21 (page 63) of the financial statements.

In addition to the adequacy of financial resources, the key financial risks are the valuation of inventory, shared equity receivables and deferred tax as set out in note 26.

Ian Murdoch
Chief Financial Officer
6 March 2019

Picture:
Woodville Place, Warrington, Cheshire.

Principal risks and uncertainties

The Board is committed to identifying, evaluating and managing the principal risks to enable the Group to deliver its strategic objectives.

Risk description	Controls and mitigation	2018 commentary
Economic conditions, mortgage supply and rates		
Demand and prices for new homes is inextricably linked to consumer confidence which amongst other things is impacted by employment prospects, disposable incomes and the availability and cost of mortgages, particularly at higher loan to values.	Sales rates and prices are monitored on a weekly basis informing timely decision making. The land acquisition process considers local employment, incomes and affordability which in turn is informed by current trading experience. Close relationships are maintained with mortgage lenders and government agencies to ensure that we utilise all available products and are involved in initiatives aimed at the new build sector.	There has been a modest reduction in sales rates in 2018 albeit they are still at a high level when compared to historic averages. Employment levels remain high and there remains good availability of affordable mortgage finance. The ongoing uncertainty around Brexit and the manner in which the UK leaves the EU could have an impact on this risk going forward.
Supply chain		
The ability to procure sufficient materials and skilled labour to ensure homes can be completed to a high standard, in line with build programmes and at costs which protect site margins.	75% of housebuild materials are negotiated by the central procurement team. National deals are in place, ensuring cost certainty over a fixed period and continuity of supply. Competencies are assessed to ensure both the appropriate quality and reliability of supply. All materials with the exception of ceramic tiles, garage doors and electrical appliances are manufactured in the UK. Subcontractors are managed at a regional level. Many of our subcontractor relationships are well established and long standing which mitigates the impact of labour and skill shortages as industry output increases. Our policy is to tender to maintain price competition, with higher value orders requiring the approval of Regional Managing Directors. The level of EU subcontract labour used by the Group is estimated at around 5-10%.	The potential impact arising from Brexit continues to be assessed in conjunction with our supply chain partners notwithstanding the limited number of materials manufactured directly in the EU and the Group's limited exposure to EU labour.
Land availability		
The ability to secure the quantum of consented and strategic land in the appropriate locations and on terms which enable the Group's business plan to be delivered.	There are established land acquisition hurdle rates for gross margin and ROCE which also underpin the strategic plan. The Chief Executive visits all sites prior to acquisition to ensure a consistent approach to land acquisition is taken across the business and that each site fits within the overall land strategy. The Group has a dedicated Strategic Land team which identifies new land options and promotes existing options to achieve an implementable planning consent. All land acquisitions and new strategic land options are approved by the Executive Board.	The Group added a net 3,738 plots to its owned landbank at a replacement rate of 1.3 times 2018 output and at rates in excess of both its gross margin and ROCE hurdles. This will lead to increased outlet numbers in 2019 as the Group seeks to increase volumes towards its 2021 target of 4,000 units. During 2018, the Strategic Land team was strengthened through the appointment of Scott Chamberlin as Managing Director and the strategic landbank increased by 5% during the year.
Funding		
The Group requires access to adequate financial resources in order to meet its existing commitments and to deliver its strategic plan.	Cash is managed by a combination of weekly and quarterly forecasts. Business plans are updated on an annual basis and supported by sensitivity analysis to provide a basis for longer term investment decisions. Key to managing cash and liquidity is the timing of new land investment and development spend. In this regard, the uncommitted nature of strategic land purchases and subcontractor model provides the Group with significant flexibility to manage both land and development spend in the event of a downturn in sales activity. The secured notes do not have any financial covenants. There is regular quarterly communication with bond investors.	The Group bought and subsequently cancelled £20m of its secured notes reducing the outstanding balance to £405m. The cash balance of the Group at the year end was £99m and from a liquidity perspective is further supplemented by an undrawn £130m revolving credit facility.

Risk description	Controls and mitigation	2018 commentary
Staff retention		
It is important that the Group retains and attracts high calibre employees in order to deliver on all aspects of the strategy.	The Group's HR strategy is focused on all aspects of reward, retention, training and development, as well as performance management. The Group has committed to the Home Building Skills Pledge. This champions diversity and inclusion and promotes the industry as inclusive and progressive, attracting employees to a positive career in homebuilding. Employee turnover is reviewed with exit interviews held and feedback obtained. Staff roadshows led by the Chief Executive are undertaken annually. Staff engagement surveys and an independent review by Investors in People are undertaken on a triennial basis.	In a competitive labour market, the Group's headcount has increased by 11% in 2018 to support the volume growth of the business.
Safety, health and environmental (SHE)		
Breaches of SHE legislation can result in workplace injuries, environmental damage or physical damage to property. This could result in financial penalties, reputational damage and delays to site related activities.	There is an in-house SHE team all of whom are professionally qualified. The team is managed independently from our operational businesses under the guidance of our SHE Director who in turn reports directly to the Chief Executive. The Group has an approved SHE strategy with progress monitored regularly during the year at Board level. Site operations are subject to monthly audits and SHE awareness tool-box talks are regularly communicated to both staff and subcontractors.	The Accident Incident Rate score fell by 11% in 2018 but is still higher than the Group's internal target.
IT		
The key IT risks relate to data breaches which could result in both financial and reputational damage and prolonged system outage of operational systems, including our website, which affects operational targets of the business.	Annual security reviews are performed by external consultants. In addition, the Group endeavours to use the latest software versions to reduce the risk of successful cyber attacks. Full backup and system recovery is in place as part of the wider Disaster Recovery plan, and again this is tested annually. System enhancements during business critical times are limited to emergency only changes to minimise any potential downtime in these periods.	The IT risk continues to be high as a result of the increased threat from cyber-related fraud activities and the possibilities of ransom attacks.
Pensions		
The Group's defined benefit scheme was closed to new entrants in 1997 and to future accrual in 2010. The deficit could fluctuate due to increased longevity assumptions, reduced bond yields or changes in asset values.	The triennial valuation was undertaken as at 30 June 2016 and a deficit repair plan has been agreed. Further changes to the investment strategy were made in 2018 with the pension scheme's exposure to equities reduced by 50%.	The pension deficit continues to be actively managed by the Group and trustees with steps taken during 2018 to de-risk the investment strategy. Together with contributions of £11.3m, including an additional contribution of £6.5m, this has resulted in a £8.7m reduction in the pension deficit to £13.0m.

The foundations of sustainable communities

As a housebuilder we recognise that our activities have an impact on the environment with the homes we build being the foundations of sustainable communities. We work with the natural environment, protecting and preserving where we can. We strive to promote better practices and better ways of living.

Our goal is to deliver places that improve the environment in a manner which is sustainable, not just through the construction process but also in the long term for our customers, staff, suppliers, contractors and shareholders.

Corporate responsibility in action
Hackwood Primary School

Hackwood Primary School in Derby is being delivered by Miller Homes in conjunction with Redrow Homes as part of an overall 700 unit Hackwood Park development. The timetable for delivery is critical for this six classroom school and nursery facility to open for the new term in September 2019, providing around 200 much-needed school places.

Working in conjunction with the local authority, it was agreed that an off-site construction modular building would be designed to enable the school to be built in less than nine months. The cost of delivery is £4.2m.

The design is expandable which will allow teaching space to be added in the future. This school is a landmark design and its construction is designed to have a low impact on the environment.

Health & Safety

484
reportable incidents per 100,000 employees

OHSAS 18001
accreditation

96%
subcontractors with SMAS certification

80%
Miller Respect calls responded to within 24 hours

Foremost amongst our responsibilities is to ensure a safe place to work for our staff and our contractors. We have a dedicated SHE (safety, health and environment) team who advise the business on best practice, provide inductions and site safety briefings and are responsible for the implementation of our SHE strategy.

Every year our SHE strategy is refreshed to ensure it is current and remains focused to address the priorities and risks in the business. In 2018 the focus was on induction, education development, training and reinforcement with local teams able to adapt their strategy to the needs of their business. Key topics were: traffic management; surface water management and ecology; scaffolding and dust control. Our SHE systems are audited by an external party and we are one of a few housebuilders accredited to OHSAS 18001 standards.

Our accident and incident performance rate decreased by 11% this year despite an increase in workforce on our sites and accident prevention will remain at the forefront of all SHE activity.

Wellbeing is a developing part of our health and safety strategy which aims to support both the physical and mental health of our workforce. In 2018 there was active participation in various challenges from 155 individuals. We also operate confidential helplines for all employees.

Environment

22%
reduction in electricity consumption per equivalent build unit from 2017

21,112
timber pallets recycled

15%
reduction in water consumption per equivalent build unit since 2017

84%
sites with sustainable drainage started in 2018

We have a duty to minimise our impact on the environment and use natural resources in the most efficient manner. We take this duty seriously and our environmental management system is certified to ISO 14001 standards and independently audited. We have developed processes for our Production teams which are designed to minimise construction waste and where possible to use materials from sustainable sources. In 2018 our construction waste per equivalent build unit reduced by 9% and we are continuing to look to identify ways this can be improved.

Before we acquire land for development we obtain a flood risk assessment (97% of sites) and a biodiversity assessment (100% of sites) and we develop site specific environmental action plans. In 2018, 94% of our sites had public open spaces incorporated as part of their development which improves air quality and is important to our customers when choosing where to live. We preserve natural habitats and create new ones through sustainable urban drainage (84% of sites). Where there is existing ecology we introduce bird and bat boxes and create new homes for newts. We used renewable technology on 20% of all sites and all of our homes are sold with smart electricity and gas meters. Energy efficiency is complemented by 'A' rated appliances and we continue to seek ways to improve our customers' energy bills by a design-led approach to our homes combined with high quality craftsmanship.

Community

20
public consultations

48%
sites with cycle storage

£104m
planning gain contributions

95%
of sites within 500m of a public transport mode

Our involvement in the community starts before the planning of a development site and lasts long after the final home is sold. We choose our sites carefully which takes into consideration environmental and social aspects for our future customers, such as access to public transport and other amenities. We consult with the local community pre and post planning and have open channels of communication throughout the build process via our Miller Respect scheme. We go beyond regulatory requirements and engage with the wider community by way of meetings, exhibitions, newsletters and site information boards. We do all that we can to minimise our impact on the local community during the build process by using modern methods of construction, including off-site fabrication where possible.

Operating with respect for the local community means we reduce risk to our business as well as engaging meaningfully with our neighbours and the local authorities. We are proud that around 20% of all the homes which we deliver are categorised as affordable providing homes to those with housing needs or who are unable to meet market rates.

Our customers benefit from close proximity to new local schools. Some of these schools are provided by us and in 2018 we contributed £18.3m to education via section agreements with local authorities as well as our wider contributions to infrastructure, green space, transport, libraries, sports facilities and affordable homes meaning we significantly invest in local communities.

Partners

100%
responsibly sourced timber

86
suppliers assessed under our Code of Conduct

96%
CSCS certification

£87m
expenditure with national suppliers

We aim to work in partnership with suppliers, subcontractors and consultants who are committed to our core values of delivering quality products and service to our customers. We build long term working relationships and only suppliers who meet our rigorous standards, will be appointed by us. To support them we have established a Code of Conduct which sets out minimum standards of what is expected. These cover health and safety, anti-fraud and corruption, employee rights, equality, quality standards and the environment. We are targeting similar standards for our subcontractors and we are working with them to roll out a subcontractor Code of Conduct during 2019. In 2018 we engaged with and supported 1,285 regionally-based subcontractors. We provided SHE training to support local contractors, for example our Scottish region held workshops on health and safety which had over 80 attendees.

Over £87m of our expenditure on materials is placed with national suppliers. We work with these national suppliers to ensure that they have the right approach to using resources efficiently and selecting sustainable materials.

We understand that prompt payment for suppliers and subcontractors is important and we are signatories of the Prompt Payment Code, where we are committed to paying our suppliers on time and dealing fairly with any disputes.

Board of Directors

John White
Chairman
•

John was appointed non-executive Chairman of the Group in December 2017. Prior to his appointment, John spent four years as non-executive Chairman at McCarthy & Stone. John has spent his entire career in the housebuilding industry, including 38 years with Persimmon plc. He was Group Chief Executive at Persimmon from 1993-2006 and Group Chairman from 2006-2011.

Patrick Fox
Non-Executive Director
•

Patrick joined Bridgepoint in 2002. He currently sits on the Boards of Fat Face, Estera and A-Katsastus. Prior to joining Bridgepoint he worked for JP Morgan and BNP Paribas.

Jamie Wyatt
Non-Executive Director
•

Jamie joined Bridgepoint in 2000. Jamie has been involved in a wide range of transactions including Oasis Dental, Care UK, Safestore and Tunstall. He is a qualified chartered accountant and prior to joining Bridgepoint worked at Ernst & Young Corporate Finance.

Chris Endsor
Chief Executive
••

Chris joined the Group in 2000, following the acquisition of the Birch Group where he was a founder and Group Managing Director. He has held a number of senior positions within the Group and was appointed Chief Executive in 2011. Chris has over 35 years' industry experience, having initially trained and qualified as a quantity surveyor. He is a Fellow of the Chartered Institute of Building and has an in depth knowledge of the industry and in particular has taken a keen interest in land strategy throughout all his senior management positions.

Ian Murdoch
Chief Financial Officer
••

Ian is a chartered accountant having trained with KPMG where he worked for nine years. He joined Miller Homes in 2005 having previously spent four years at The Miller Group as Group Financial Controller. Ian was appointed as Finance Director in 2011 and Chief Financial Officer in 2017. He has broad experience covering both financial and operational aspects of the Group. In addition to his mainstream finance role, Ian has responsibility for tax, treasury, the Group's defined benefit pension scheme and IT.

Julie Jackson
Legal Director and Company Secretary
••

Julie is a qualified solicitor who joined the Group as Legal Director in 2009 after six years as the Legal Director of Miller Developments. Julie's background is property development and investments and she chairs the Land Directors' meetings on a national basis. Julie is Company Secretary of the Group and has responsibility for all legal, governance and compliance matters. She is a non-executive director of a housing association.

Darren Jones
Divisional Managing Director, Midlands and South
•

Darren joined the Group in 2013. He has over 30 years' experience in the industry. Darren has a trade background and has held various roles during this time including Area Managing Director and Regional Chairman positions for a large listed housebuilder. Darren has extensive knowledge of the industry with a particular interest in production and cost control. He chairs the Production Directors' meetings on a national basis.

Stewart Lynes
Divisional Managing Director, Scotland and North of England
•

Stewart joined the Group in 2008. He was promoted to Operations Director in 2011 and the role of Managing Director for Scotland in 2013 before expanding his role to also assume responsibility for the North of England division in 2018. Stewart is a qualified quantity surveyor and chairs the Commercial Directors' meetings on a national basis. Having previously worked for several large listed housebuilders, Stewart has 17 years' experience in the sector and is a member of the Homes for Scotland Board.

Scott Chamberlin
Managing Director, Strategic Land
•

Scott joined the Group in 2018. He will oversee the expansion and development of the Group's strategic land bank and the successful promotion of sites through the planning system to ensure the Group's growth aspirations can be fulfilled. Scott has 25 years' experience in town planning and land development and is a Chartered Town Planner.

Key
- **Holding Company Board**
- **Executive Board**

The Board is responsible for the management, direction and performance of the business.

The Directors of Miller Homes Group Holdings plc are listed in the Directors' report. The governance of the Group is explained further below.

Executive Board

The Directors recognise the importance of good Corporate Governance and operate on a basis which reflects the size, risks and complexities of the business and in accordance with its values.

The Company operates by an Executive Board which is led by the Chief Executive and also comprises the Chief Financial Officer, Legal Director and its three divisional Managing Directors. Biographies of each Director are set out on page 38. The Group considers these individuals possess the necessary experience and detailed industry knowledge to discharge their duties as Directors.

The Board met 11 times in 2018 and also held a strategy session with managing directors of the regional offices. The Directors consider they have appropriate and sufficient contact with employees. In addition, the Executive Board meets six times per annum with functional heads of Sales and Marketing, Procurement, IT, SHE and HR presenting operational reports on a regular basis on performance of service functions.

The Board is responsible to its shareholders for the implementation of strategy and promoting the long term success of the Group. Its principal responsibilities include financial management, governance controls, risk management, compliance and cultural direction. The Board has a regular agenda which ensures its responsibilities are addressed and, if necessary, revised throughout the year. Papers are compiled and issued prior to meetings and written minutes are circulated by the Company Secretary.

The Company operates within a framework of policies which are available to all members of staff on its internal website. Its principal policies are: Anti-Bribery; Modern Slavery; Equality; Fraud Prevention; Data Protection and Safety, Health & Environment. The Company Secretary holds registers of compliance with the policies and training is provided to enhance employee awareness.

Additionally, the Executive Board is responsible for evaluating significant risks to the business. A rigorous evaluation process is carried out twice yearly. Over the last 12 months the view of the Directors is that the macro economic conditions remain the greatest risk to the business and this risk has increased over the last 12 months largely due to the uncertainty arising from Brexit. A detailed analysis of the risks is provided on pages 34 and 35.

Holding Company Board

In addition to the Executive Board, the Group has a Holding Company Board which met 11 times in 2018. The Holding Company Board comprises the Chief Executive, Chief Financial Officer and Legal Director, Patrick Fox and Jamie Wyatt who are non-executive shareholder Directors from Bridgepoint and an independent Non-Executive Chairman, John White, who has extensive experience of the house building industry. The Holding Company Board is considered to have oversight of the Company and the wider Group. During the year, this Board held meetings in all of the regional offices of the business enabling the shareholder directors and Chairman direct access to the Group's employees.

The Executive Board reports to the Holding Company Board on certain delegated matters as well as operational performance. The delegated matters include: setting the Group's strategic aims and objectives; structure and capital; financial reporting; dividend policy; approval of significant capital expenditure on land and decisions around key management.

As part of the overall structure, Board Committees are held at Holding Company Board level rather than Executive Board level. The Committees include:

Land Approval Committee

The Land Approval Committee has delegated authority to approve certain land acquisitions, contracts, investments and capital expenditure over defined limits. The committee comprises the Chairman of the Holding Company, a Bridgepoint Director and the Chief Executive.

Remuneration Committee

The Remuneration Committee meets three times per annum. Recommendations are made to the Holding Company Board on all aspects of the remuneration, benefits and employment conditions. The committee comprises the Chairman of the Holding Company and a Bridgepoint Director.

Audit Committee

The Audit Committee considers and makes recommendations regarding the integrity of the financial statements of the Group; the effectiveness of internal controls and risk management and the internal and external audit process. The committee met twice during 2018 and is chaired by a Bridgepoint Director.

Ultimate Holding Company

The Group's ultimate holding company is Miller Homes Group Limited, which is controlled by Bridgepoint through BEV Nominees Limited.

Bridgepoint is an international fund management group focusing on private equity. Their aim is to deliver attractive returns to investors by investing responsibly in companies and building stronger, broader-based businesses with greatly enhanced long-term growth potential. A long-established, experienced and responsible private equity investor they help companies and management teams by investing in expansion, operational transformation or via consolidating acquisitions. Bridgepoint funds invest in well-managed companies, typically taking controlling or large minority stakes. They are attracted by opportunities in sectors and niches with strong underlying growth and global competitive advantage or in cash generative businesses with high visibility of earnings.

Directors' report

The Directors of Miller Homes Group Holdings plc have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal business conducted by the Group is residential housebuilding.

Business review

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

Results and dividends

The Group profit after taxation for the financial year amounted to £82.9 million (2017: £4.2 million). No dividend will be paid.

Going concern

The Group's business activities, together with factors likely to affect its future development and performance are set out in the Strategic report. The financial position of the Group, its cashflows and details of its borrowing facilities are described in the Finance review on pages 30 to 32. The Directors have prepared cashflow forecasts, which take into account reasonable sensitivities, in order to assess the future funding requirements of the Group and its committed finance facilities.

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

Directors

The Directors who held office during the year and at the date of this report are as follows:

Chris Endsor
Ian Murdoch
Julie Jackson
Darren Jones (appointed 21 December 2018)
Stewart Lynes (appointed 21 December 2018)
Scott Chamberlin (appointed 21 December 2018)

Employees

The Directors' report in relation to employees is shown on page 27.

Supplier payment policy

It is Group policy to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. We also subscribe to the Prompt Payment Code.

Guidelines for disclosure and transparency in private equity

The Directors consider that the Annual Report and financial statements have been prepared in accordance with the Guidelines for Disclosure and Transparency in Private Equity.

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 Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group'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.

By order of the Board

Julie Jackson
Company Secretary
6 March 2019

Statement of Directors' responsibilities in respect of the Annual Report, Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company 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 the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they 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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

Independent Auditor's report to the members of Miller Homes Group Holdings plc

1. Our opinion is unmodified

We have audited the financial statements of Miller Homes Group Holdings plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Statements of financial position, Consolidated cash flow statement, and the related notes, including the accounting policies in note 1.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

	The Risk	Our Response
Group The impact of uncertainties due to the UK exiting the European Union on our audit Risk direction: increasing	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of land and work in progress and site margins below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. **Our procedures included:** – **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. – **Sensitivity analysis:** When addressing the valuation of land and work in progress and site margins and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty. – **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the valuation of land and work in progress and site margins we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

	The Risk	Our Response
Group and company Going concern assessment and disclosures Risk direction: increasing	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company. That judgement is based upon an evaluation of the Group and Company's business model and risks, including the impact of Brexit, and how those risks might affect the Group and Company's financial resources over a period of at least a year from the date of approval of the financial statements. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. Had they been such, that that fact would have been required to have been disclosed.	**Our procedures included:** – **Sensitivity analysis**: We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts, taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. – **Historical comparison**: We compared historical cash flow forecast to actual cash flows achieved in the year and previously in order to assess forecasting accuracy. – **Funding assessment**: We confirmed the committed level of financing by reference to supporting documentation. – **Our sector experience**: We assessed the financial forecasts with reference to our knowledge of the business. – **Assessing transparency**: We assessed the completeness and accuracy of the matters covered in the going concern disclosure.
Group Valuation of land and work in progress and Site Margins Land and work in progress: £729.5m (2017: £610.4m) Gross Profit: £192.0m (2017: £42.4m) Risk direction: unchanged	**Subjective Estimate** The gross profit recognised on current sites and the carrying value of land held for development and work in progress is reliant on the Group's forecasts of the future selling price and the build costs, both of which are uncertain and can vary with market conditions.	**Our procedures included:** – **Tests of control:** Assessing the design and operating effectiveness of the Group's processes upon which gross margin is based. – **Tests of detail:** For a sample of sites with unit sales during the year comparing the gross margin recognised to the latest site end outturn and checking whether differences in margin recognised are supported by changes in outturns. This includes corroborating explanations received from management in respect of valuations to underlying documentation where appropriate. – **Historical comparisons:** Comparing budgeted and latest site outturns to assess the Group's ability to accurately forecast. – **Benchmarking assumptions:** Challenging judgements made by management on site outturns based on our knowledge of the Group and the industry. – **Assessing transparency:** Assessing the adequacy of the Group's disclosures about the degree of estimation involved in calculating the gross margin and carrying value of land and work in progress.
Parent Company Valuation of Investment £537.4m (2017: £537.4m) Risk direction: unchanged	**Forecast-based valuation** There is a possibility that the carrying value of investments is not supported by either the net assets or forecast profitability of the underlying entities.	**Our audit approach included:** – **Historical comparisons:** Comparing budgeted and latest company information to assess the Group's ability to accurately forecast. – **Sensitivity analysis:** Performing sensitivity analysis on the assumptions utilised in forecasting information. – **Assessing transparency:** We assessed the adequacy of the related disclosures in the financial statements.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £5.10m (2017: £6.00m), determined with reference to a benchmark of profit before tax from continuing operations of which it represents 5.0%. In 2017 a benchmark of total assets was used of which materiality represented 0.89%. The benchmark of total assets was used in 2017 as only three months of trading was included in the Consolidated income statement due to the timing of acquisition of the Group's subsidiary.

Materiality for the Parent Company financial statements as a whole was set at £5.05m (2017: £5.80m), determined with reference to a benchmark of total assets, of which it represents 0.82% (2017: 0.84%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £255,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The audit of the Group was performed as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

We have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 41, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court, 20 Castle Terrace, Edinburgh
18 March 2019

Consolidated income statement
for the year ended 31 December 2018

	Note	2018 £m	Restated 2017 £m	Proforma 2017 £m
Revenue	3	**747.0**	196.6	674.0
Cost of sales		**(555.0)**	(154.2)	(503.6)
Gross profit		**192.0**	42.4	170.4
Other operating income	3	**1.9**	0.5	1.4
Administrative expenses		**(47.9)**	(20.8)	(40.1)
Group operating profit		**146.0**	22.1	131.7
Share of result in joint ventures		**5.1**	(0.8)	(0.6)
Operating profit	2	**151.1**	21.3	131.1
Finance cost	6	**(51.1)**	(13.9)	(24.0)
Finance income	7	**2.1**	0.5	2.2
Net finance costs		**(49.0)**	(13.4)	(21.8)
Profit before taxation		**102.1**	7.9	109.3
Income taxes	8	**(19.2)**	(3.7)	(21.6)
Profit for the period		**82.9**	4.2	87.7

The notes on pages 50 to 72 form part of the financial statements.

The consolidated income statement sets out the results of the Group for the year and the statutory comparative period from 6 July 2017 (when Miller Homes Group Holdings plc was incorporated) to 31 December 2017. Miller Homes Holdings Limited was acquired on 5 October 2017, therefore it includes 3 months of post acquisition trading.

In order to allow a meaningful comparison of trading year on year, proforma financial information representing the results of the Group had the acquisition taken place on 1 January 2017 has also been presented as a comparative. The proforma 2017 information, together with the supporting notes, reflect the 9 month pre-acquisition results of Miller Homes Holdings Limited to 30 September 2017 and the 3 months post acquisition results of Miller Homes Group Holdings plc to 31 December 2017. The 3 month post acquisition results exclude one-off transaction fees and fair value adjustments as explained in note 30.

The proforma information should be read in conjunction with the financial statements and is not necessarily indicative of the results that would have been attained if the transaction had actually taken place on 1 January 2017.

Prior year figures have been restated to reflect new accounting standards adopted in the year. Details of the adjustments made are explained in note 31.

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	2018 £m	2017 £m	Proforma 2017 £m
Profit for the period	**82.9**	4.2	87.7
Items that will not be reclassified to profit and loss:			
Change in fair value of financial instruments	**–**	–	0.4
Actuarial (loss)/gain on retirement benefit obligations	**(1.4)**	3.4	9.1
Deferred tax on actuarial loss/(gain)	**0.3**	(0.8)	(1.9)
Total comprehensive income for the period attributable to owners of the parent	**81.8**	6.8	95.3

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £m	Retained earnings £m	Total £m
Balance at 6 July 2017	–	–	–
Issue of share capital	151.0	–	151.0
Profit for the period	–	4.2	4.2
Actuarial gain on retirement benefit obligations (net of deferred tax)	–	2.6	2.6
Balance at 31 December 2017	151.0	6.8	157.8
Profit for the year	–	82.9	82.9
Actuarial loss on retirement benefit obligations (net of deferred tax)	–	(1.1)	(1.1)
Balance at 31 December 2018	**151.0**	**88.6**	**239.6**

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital £m	Retained earnings £m	Total £m
Balance at 6 July 2017	–	–	–
Issue of share capital	151.0	–	151.0
Loss for the period	–	(21.4)	(21.4)
Balance at 31 December 2017	151.0	(21.4)	129.6
Loss for the year	–	(29.9)	(29.9)
Balance at 31 December 2018	**151.0**	**(51.3)**	**99.7**

The notes on pages 50 to 72 form part of the financial statements.

Statements of financial position
as at 31 December 2018

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Assets					
Non-current assets					
Intangible assets	10	**146.2**	146.2	**–**	–
Property, plant and equipment	11	**1.3**	0.7	**–**	–
Investments	12	**21.6**	19.4	**537.4**	537.4
Shared equity loan receivables	13	**13.7**	21.3	**–**	–
Deferred tax	14	**15.9**	25.8	**–**	–
Trade and other receivables	16	**–**	–	**69.3**	–
		198.7	213.4	**606.7**	537.4
Current assets					
Inventories	15	**745.5**	623.4	**–**	–
Trade and other receivables	16	**20.0**	28.8	**6.0**	121.2
Cash and cash equivalents		**98.6**	112.4	**0.2**	31.8
		864.1	764.6	**6.2**	153.0
Total assets		**1,062.8**	978.0	**612.9**	690.4
Liabilities					
Non-current liabilities					
Loans and borrowings	18	**(507.6)**	(564.3)	**(507.6)**	(554.0)
Trade and other payables	17	**(45.2)**	(42.2)	**–**	–
Retirement benefit obligations	29	**(13.0)**	(21.7)	**–**	–
Provisions and deferred income	19	**(3.0)**	(3.2)	**–**	–
		(568.8)	(631.4)	**(507.6)**	(554.0)
Current liabilities					
Loans and borrowings	18	**(10.3)**	–	**–**	–
Trade and other payables	17	**(244.1)**	(188.8)	**(5.6)**	(6.8)
		(254.4)	(188.8)	**(5.6)**	(6.8)
Total liabilities		**(823.2)**	(820.2)	**(513.2)**	(560.8)
Net assets		**239.6**	157.8	**99.7**	129.6
Equity					
Share capital	20	**151.0**	151.0	**151.0**	151.0
Retained earnings		**88.6**	6.8	**(51.3)**	(21.4)
Total equity attributable to owners of the parent		**239.6**	157.8	**99.7**	129.6

The notes on pages 50 to 72 form part of the financial statements. These financial statements were approved by the Board of Directors on 6 March 2019 and were signed on its behalf by:

Chris Endsor
Chief Executive

Ian Murdoch
Chief Financial Officer

Registered number 10854458

Consolidated cash flow statement
for the year ended 31 December 2018

	Note	2018 £m	2017 £m	Proforma 2017 £m
Cash flows from operating activities				
Profit for the period		**82.9**	4.2	87.7
Depreciation		**0.4**	–	–
Amortisation of land option costs		**–**	0.1	0.5
Finance income		**(2.1)**	(0.5)	(2.2)
Finance cost		**51.1**	13.9	24.0
Share of post tax result from joint ventures		**(5.1)**	0.8	0.6
Taxation		**19.2**	3.7	21.6
Operating profit before changes in working capital		**146.4**	22.2	132.2
Working capital movements:				
Movement in trade and other receivables		**16.9**	6.4	(0.1)
Movement in inventories		**(132.6)**	9.6	(75.2)
Movement in trade and other payables		**48.1**	3.6	36.5
Transaction costs	30	**–**	–	(11.2)
Fair value adjustments	30	**–**	–	(8.1)
Cash generated from operations		**78.8**	41.8	74.1
Interest paid		**(24.4)**	–	(3.7)
Corporation tax paid		**(6.2)**	(1.2)	(5.0)
Net cash inflow from operating activities		**48.2**	40.6	65.4
Cash flows from investing activities				
Acquisition of Miller Homes Holdings Limited		**–**	(651.6)	(651.6)
Acquisition of property, plant and equipment		**(1.0)**	(0.1)	(0.4)
Movement in loans with joint ventures		**2.9**	(0.9)	1.3
Net cash inflow/(outflow) from investing activities		**1.9**	(652.6)	(650.7)
Cash flows from financing activities				
Proceeds from issue of share capital		**–**	151.0	151.0
(Repayment)/issue of senior secured notes (net of deferred financing costs)	23	**(20.4)**	404.8	404.8
Movement in other long term borrowings	23	**(43.5)**	145.0	120.3
Decrease in bank borrowings		**–**	–	(19.5)
Net cash (outflow)/inflow from financing activities		**(63.9)**	700.8	656.6
Movement in cash and cash equivalents	23	**(13.8)**	88.8	71.3
Cash and cash equivalents at beginning of year		**112.4**	–	41.1
Cash and cash equivalents acquired with Miller Homes Holdings Limited		**–**	23.6	–
Cash and cash equivalents at end of year	23	**98.6**	112.4	112.4

The notes on pages 50 to 72 form part of the financial statements.

1. Accounting policies

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 in the financial statements. The Parent Company financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- A cash flow statement and related notes;
- Comparative period reconciliations;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

As permitted by Section 408 of the Companies Act 2006 the income statement of the Company is not presented.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings at the reporting date. The results of subsidiary undertakings acquired or disposed of during the year are included in the financial statements 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 shared equity loan receivables which are stated at their fair value.

Going concern

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

New accounting standards effective in 2018

The impact from standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 31 December 2018 are explained in note 31.

Revenue and profit recognition

Revenue principally represents the amounts (excluding value added tax) derived from the sale of new homes, affordable housing contracts and land. Revenue from new home sales represents the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash. Profit is recognised on a per completion basis, by reference to the remaining margin forecast across the development. Revenue from affordable housing contracts is recognised, either in line with the stage of completion, or on physical completion depending upon contract terms. Revenue from land sales is recognised on legal completion.

Jointly controlled entities (equity accounted investees)

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated financial information includes the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment.

1. Accounting policies continued

Net finance costs

Finance costs comprise interest payable on senior secured notes, bank loans and amounts owed to Group undertakings, the unwinding of the discount from nominal to present day value of trade payables on extended terms (land payables) and interest on retirement benefit obligations. Finance income comprises the unwinding of the discount from nominal to present day value of trade receivables on extended terms (land debtors) and interest on loans to joint ventures. Interest income and interest payable is recognised in the income statement on an accruals basis.

Income taxes

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.

Operating leases

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

Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

– Brand value: Indefinite life

The fair value on acquisition was calculated based on an external valuation of the value of the brand.

Impairment excluding inventories and deferred tax assets

Non-financial assets

For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or "CGU".

For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1. Accounting policies continued

Impairment excluding inventories and deferred tax assets continued

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. 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

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

Shared equity loan receivables

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 shared equity loan receivables and are stated at fair value as described in note 13. Gains and losses arising from changes in fair value are recognised directly in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value in relation to land and work in progress 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 cost in the income statement over the deferral period.

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. Accordingly, impairments and gains and losses on the sale of part exchange properties are classified within other operating income, with the sales proceeds of part exchange properties not being included in revenue.

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 and expected credit losses.

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.

Cash and cash equivalents

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

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.

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 using the effective interest method.

Retirement benefit obligations

The Group participates in The Miller Group Limited Group Personal Pension Plan, a 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 Group operates a defined benefit pension scheme. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses. The scheme was closed to future accrual in 2010.

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.

Segmental reporting

The Directors regularly review the Group's performance and balance sheet position at both a consolidated and divisional level. Each division is an operating segment as defined by IFRS 8 in that the Directors assess performance and allocate resources at this level. All of the divisions have been aggregated in to one reporting segment on the basis that they share similar economic characteristics including:

- National supply agreements are in place for key inputs including materials;
- Debt is raised centrally and the cost of capital is the same at each division; and
- Sales demand at each division is subject to the same macro-economic factors, such as mortgage availability and government policy.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numeric disclosures are necessary.

Additional information on average selling prices and unit sales split between divisions and customer type has been included in the Strategic report. The Directors do not, however, consider these categories to be separate reportable segments as they review the entire operations at a consolidated and divisional level when assessing performance and making decisions about the allocation of resources.

Impact of standards and interpretations in issue but not yet effective

The following adopted IFRSs have been issued but have not been applied to these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 16 Leases (effective date 1 January 2019)
  The standard requires the recognition of a right of use asset and a corresponding lease liability on the Balance Sheet. In the income statement, the existing operating lease charge, which is currently recognised within operating profit, will be replaced by a depreciation charge in respect of the right of use asset. In addition there will be an interest cost in relation to the lease liability which will be recognised within finance costs. The Group is continuing its assessment of the impact of the standard on the Group's results and financial position but it is not currently expected the standard will have a material impact on reported results. The majority of the Group's lease commitments will be brought onto the Statement of financial position together with corresponding right of use assets. It will not affect the Group's cash flows.

2. Operating profit

Operating profit is stated after charging the following:

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Depreciation	**0.4**	–	–
Operating lease rentals			
– land and buildings	**1.3**	0.3	1.2
– other	**1.2**	0.3	1.2

	2018 £000	2017 £000
Auditor's remuneration:		
Audit of the Group's financial statements	**31**	32
Audit of financial statements of subsidiaries and joint ventures pursuant to legislation	**125**	105
Other services relating to corporate finance activities	**–**	994
Other services relating to taxation	**48**	43
All other services	**7**	43

The comparative auditor's remuneration is for the audit of the full year accounts of subsidiary undertakings as it is not practicable to split between periods.

3. Revenue and other operating income

Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is explained in note 31. The Group generates revenue primarily from the sale of new homes. Other sources of revenue are land sales and rental income.

Major product lines

	2018 £m	Restated 2017 £m	Proforma 2017 £m
Sale of new homes	**736.8**	196.0	645.0
Land sales	**8.5**	0.1	26.6
Other revenue	**1.7**	0.5	2.4
	747.0	196.6	674.0

Timing of revenue recognition

	2018 £m	Restated 2017 £m	Proforma 2017 £m
Products and services transferred at a point in time	**696.5**	185.2	635.4
Products and services transferred over time	**50.5**	11.4	38.6
	747.0	196.6	674.0

Contract balances

The following table provides information about balances arising from contracts with customers:

	2018 £m	2017 £m
Receivables included in trade receivables	**5.8**	2.6
Receivables included in amounts recoverable on contracts	**2.7**	3.2
Payables included within trade creditors	**(1.0)**	(1.3)

Amounts included in trade receivables relate to work billed but not paid on Housing Association contracts. Amounts recoverable on contracts represent amounts receivable but not yet billed at the year end. Amounts included within payables represent advance consideration received from customers on Housing Association contracts.

The amount of £1.3m that was included in trade payables at last year end was included in revenue in the year. The amount of £1.0m included in trade payables at the year end represents cash received not recognised as revenue in the year.

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date:

	2020 £m	2021 £m	2022 onwards £m
	25.7	12.9	0.8

No information is provided about remaining performance obligations at 31 December 2018 that have an expected duration of one year or less, as allowed by IFRS 15.

Other operating income

Other operating income includes the profit/loss on sale of part exchange properties and management fees on joint ventures. During the year part exchange units costing £46.6m (2017: £14.1m) were acquired and part exchange units with a value of £44.5m (2017: £6.7m) were sold.

4. Staff numbers and costs

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

	2018 Number	3 months 2017 Number	Proforma 2017 Number
Production	**384**	363	354
Sales	**108**	106	105
Administration	**405**	381	371
	897	850	830

The aggregate payroll costs of these persons were as follows:

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Wages and salaries	**52.2**	11.0	44.0
Social security costs	**5.7**	1.3	4.9
Pension costs	**3.4**	0.6	2.3
	61.3	12.9	51.2

5. Remuneration of key management

Key management comprises the six Directors listed on page 38 as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Retirement benefits accrued to six (2017: five) members of key management under money purchase schemes. Key management remuneration, including Directors, comprised:

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Salary and other benefits	**1.7**	0.4	1.4
Annual bonus	**1.3**	0.4	1.3
Other pension costs	**0.1**	–	0.1
	3.1	0.8	2.8

In respect of the Directors who held office during the year, remuneration comprised:

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Salary and other benefits	**1.0**	0.3	1.0
Annual bonus	**0.8**	0.2	0.8
	1.8	0.5	1.8

Retirement benefits are accruing to six (2017: three) Directors under money purchase schemes. The aggregate emoluments of the highest paid Director was £921,000 (3 months 2017: £231,000) and contributions were paid by the Group to his money purchase pension scheme of £10,000 (3 months 2017: £3,000).

6. Finance cost

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Interest payable on senior secured notes, bank loans and overdrafts	**28.2**	6.9	11.6
Interest payable on amounts owed to immediate Parent Company	**14.4**	3.5	4.1
Imputed interest on land payables on deferred terms	**8.0**	1.4	5.3
Finance costs related to retirement benefit obligations	**0.5**	0.3	1.2
Write off of unamortised arrangement fees under previous bank facilities	**–**	1.8	1.8
	51.1	13.9	24.0

7. Finance income

	2018 £m	Restated 3 months 2017 £m	Proforma 2017 £m
Imputed interest on land sales on deferred terms	**0.6**	0.3	0.9
Interest on loans to joint ventures	**0.8**	0.2	0.8
Other	**0.7**	–	0.5
	2.1	0.5	2.2

8. Income taxes

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Current tax charge:			
Current year	**(8.0)**	(2.2)	(7.5)
Prior years	**(1.0)**	–	–
Total current tax	**(9.0)**	(2.2)	(7.5)
Deferred tax charge:			
Current year	**(11.5)**	(2.6)	(15.2)
Prior years	**1.3**	1.1	1.1
Total deferred tax (note 14)	**(10.2)**	(1.5)	(14.1)
Tax charge for the period	**(19.2)**	(3.7)	(21.6)

Reconciliation of effective tax rate

	2018 £m	3 months 2017 £m	Proforma 2017 £m
Profit before tax	**102.1**	7.9	109.3
Tax using the UK corporate tax rate (see below)	**(19.4)**	(1.5)	(21.0)
Effects of:			
Permanent differences	**(1.1)**	(3.4)	(1.8)
Adjustment in respect of prior years	**0.3**	1.1	1.1
Adjustment in respect of joint ventures	**1.0**	0.1	0.1
Total charge for the period	**(19.2)**	(3.7)	(21.6)

8. Income taxes continued

Current tax has been charged at 19% (2017: 19%) in the reconciliation above. The corporate tax rate will reduce to 17% from 1 April 2020.

A corporate tax rate of 19% (2017: 19%) is applied to deferred tax, except for temporary differences expected to reverse after the 17% rate becomes effective.

9. Dividends

There were no dividends to equity shareholders in the year ended 31 December 2018 (2017: £nil).

10. Intangible assets

Group	Goodwill £m	Brand value £m	Total £m
Cost			
Balance at 6 July 2017	–	–	–
Acquisitions through business combinations	92.2	54.0	146.2
At 31 December 2017 and 2018	**92.2**	**54.0**	**146.2**
Net book value			
At 31 December 2017 and 2018	**92.2**	**54.0**	**146.2**

Amortisation and impairment

Intangible assets are deemed to have an indefinite economic life and are therefore not amortised. Their carrying values are tested for impairment at least annually. The latest impairment review was performed at December 2018. The recoverable amount is determined using a 'value in use' calculation with key assumptions being discount rate, growth rate and projected gross margin. A post tax discount rate of 7% is used reflecting the Group's risk adjusted WACC. Other assumptions are based upon expectations of future performance. The values used are consistent with the Group's forecasts for future years. The Directors believe these assumptions are appropriate and sensitivity analysis indicates that changes in the key assumptions would maintain a reasonable amount of headroom over the carrying value.

11. Property, plant and equipment

Cost	Plant and equipment £m
At 6 July 2017	–
On acquisition	1.8
Additions	0.1
At 31 December 2017	1.9
Additions	1.0
At 31 December 2018	**2.9**
Accumulated depreciation	£m
At 6 July 2017	–
On acquisition	1.2
At 31 December 2017	1.2
Charge for the year	0.4
At 31 December 2018	**1.6**
Net book value	
At 31 December 2017	0.7
At 31 December 2018	**1.3**

12. Investments

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Investment in joint ventures	**21.6**	19.4	**–**	–
Investment in subsidiaries	**–**	–	**537.4**	537.4
	21.6	19.4	**537.4**	537.4

	Group	
Investment in joint ventures	**2018 £m**	2017 £m
At beginning of period	**19.4**	–
On acquisition	**–**	19.3
Share of profits/(losses)	**5.1**	(0.8)
Movement in shareholder loans	**(2.9)**	0.9
At end of period	**21.6**	19.4

The total of the Group's profit before taxation from interests in joint ventures and associates is £6.1m (2017: loss of £0.6m).

The Group has an interest in five active joint ventures, Miller Wates (Didcot) Limited, Miller Wates (Southwater) Limited, Miller Wates (Wallingford) Limited, Miller Wates (Chalgrove) Limited and Miller Wates (Bracklesham) Limited. It holds 50% of the ordinary share capital of each and all are incorporated in the UK and engage in the principal activity of residential housebuilding.

The Group's share of assets and liabilities of joint ventures is shown below:

	Group	
	2018 £m	2017 £m
Current assets	**27.4**	27.1
Current liabilities	**(23.9)**	(28.7)
Loans provided to joint ventures	**18.1**	21.0
	21.6	19.4

The Group's pre tax share of joint venture income and expenses is shown below:

	Group	
	2018 £m	2017 £m
Income	**33.4**	4.8
Expenses	**(27.3)**	(5.4)
	6.1	(0.6)

	Company	
Investment in subsidiaries	**2018 £m**	2017 £m
At beginning of period	**537.4**	–
Additions	**–**	537.4
At end of period	**537.4**	537.4

12. Investments continued

The subsidiary undertakings that are significant to the Group and traded during the year are set out below:

Subsidiary undertakings	Nature of business
Miller Homes Holdings Limited	Residential housebuilding
Miller Homes Limited	Residential housebuilding
Miller (Telford South) Limited	Residential housebuilding
Miller Framwellgate Limited	Residential housebuilding
Miller Homes St Neots Limited	Residential housebuilding

Each subsidiary undertaking listed above is incorporated in the United Kingdom and is 100% owned.

Details of all Group companies are given in note 32.

13. Shared equity loan receivables

	Group	
	2018 £m	2017 £m
At start of period	**21.3**	–
On acquisition	**–**	22.8
Redemptions (net of fair value movements)	**(7.6)**	(1.5)
At end of period	**13.7**	21.3

Shared equity loan receivables comprise loans which were granted as part of sales transactions under the Group's MiWay scheme and the government HomeBuy Direct and FirstBuy shared equity schemes. They 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 Group, discounted to present day values. The fair value of anticipated cash receipts takes into 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 year. 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. The Directors expect an average maturity profile of between 5 and 10 years from the balance sheet date.

14. Deferred tax

	Group					
	Trading losses £m	Retirement benefit obligations £m	Capital allowances £m	Other temporary differences £m	Other intangibles £m	Total £m
At 6 July 2017	–	–	–	–	–	–
On acquisition	30.0	7.2	0.3	(0.2)	(9.2)	28.1
Other comprehensive income charge	–	(0.8)	–	–	–	(0.8)
Income statement (charge)/credit	(2.2)	(2.5)	–	3.2	–	(1.5)
At 31 December 2017	27.8	3.9	0.3	3.0	(9.2)	25.8
Other comprehensive income credit	–	0.3	–	–	–	0.3
Income statement charge	(7.9)	(1.9)	(0.1)	(0.3)	–	(10.2)
At 31 December 2018	**19.9**	**2.3**	**0.2**	**2.7**	**(9.2)**	**15.9**

A deferred tax asset has been recognised in respect of the tax amount of trading losses, retirement benefit obligations, capital allowances, other temporary differences and other intangibles. The Directors consider that based on future profit projections, it is probable that the deferred tax asset will be utilised.

15. Inventories

	Group	
	2018 £m	2017 £m
Land	**448.3**	382.5
Work in progress	**281.2**	227.9
Part exchange properties	**16.0**	13.0
	745.5	623.4

Land and work in progress recognised as cost of sales in the year to 31 December 2018 amounted to £551.1m (2017: £145.4m). The write-down of stocks to net realisable value in the year amounted to £1.2m (2017: £nil). The write-down is included in cost of sales.

16. Trade and other receivables

	Group		Company	
Current	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Trade receivables	**6.2**	15.7	**–**	–
Amounts recoverable on contracts	**2.7**	3.2	**–**	–
Amounts owed by ultimate Parent Company	**6.0**	6.0	**6.0**	6.0
Other receivables	**3.5**	2.4	**–**	–
Prepayments and accrued income	**1.6**	1.5	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**–**	115.2
	20.0	28.8	**6.0**	121.2

	Group		Company	
Non-current	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Amounts owed by subsidiary undertakings	**–**	–	**69.3**	–

17. Trade and other payables

	Group		Company	
Current	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Trade payables	**89.7**	72.2	**–**	–
Other payables	**14.9**	13.8	**–**	–
Land payables (see below)	**98.3**	65.1	**–**	–
Accruals and deferred income	**35.9**	35.2	**5.6**	6.8
Corporation tax	**5.3**	2.5	**–**	–
	244.1	188.8	**5.6**	6.8

	Group	
Non-current	**2018 £m**	2017 £m
Land payables (see below)	**45.2**	42.2

17. Trade and other payables continued

Land payables

The Group undertakes land purchases on deferred terms. The deferred creditor is recorded at fair value being the price paid for the land discounted to the present day value. The difference between the nominal value and the initial fair value is amortised over the deferred period and charged to finance costs, increasing the land payable 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 payables at the balance sheet date is as follows:

	Balance £m	Total contracted cash payments £m	Due less than 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m
As at 31 December 2017	107.3	112.1	65.1	34.0	13.0
As at 31 December 2018	**143.5**	**150.9**	**98.3**	**36.1**	**16.5**

18. Loans and other borrowings

	Group	
Current	**2018 £m**	2017 £m
Other loans	**10.3**	–

	Group		Company	
Non-current	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Senior secured notes (net of deferred financing costs)	**388.2**	405.5	**388.2**	405.5
Amounts owed to immediate parent undertaking	**119.4**	148.5	**119.4**	148.5
Other loans	**–**	10.3	**–**	–
	507.6	564.3	**507.6**	554.0

Senior secured notes

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

	Group and Company	
	2018 £m	2017 £m
Floating (at Libor plus 5.25%) due 2023	**161.0**	175.0
Fixed (at 5.5%) due 2024	**244.0**	250.0
Deferred financing costs	**(16.8)**	(19.5)
	388.2	405.5

The senior secured notes are secured by a debenture and floating charge over the assets of the Group and a pledge over the shares of certain of its principal subsidiaries.

18. Loans and other borrowings continued

Other loans
Other loans relate to the Group's interest in Telford NHT (2011) LLP, an entity established to provide residential property for rental purposes which was divested in January 2019.

Amounts owed to immediate parent undertaking
Amounts are repayable in 2027. Interest accrues at 10% per annum.

19. Provisions and deferred income

	Group		
	Property £m	Other £m	Total £m
At start of year	1.8	1.4	3.2
Utilised during the year	(0.4)	–	(0.4)
Created in year	0.1	0.1	0.2
At end of year	**1.5**	**1.5**	**3.0**

The property provision covers the shortfall on commercial leases, rates and related service charges to the end of the onerous lease and the estimated costs to make good dilapidations on occupied properties.

Other provisions represent legal and constructive obligations. The remaining provisions are expected to be utilised over the next three years.

20. Share capital

	2018 £m	2017 £m
Allotted, called up and fully paid		
151,000,000 ordinary shares of £1 each	**151.0**	151.0

21. Financial instruments

The Group's financial instruments comprise senior secured notes, cash, loans, trade and other receivables, other financial assets and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations.

Measurement of fair values
The fair value of the Group's financial assets and liabilities is set out in the table below. There is no difference between the fair value and carrying value of any financial assets and financial liabilities.

	2018 £m	2017 £m
Financial assets measured at fair value		
Shared equity loan receivables	**13.7**	21.3
Financial assets not measured at fair value		
Trade and other receivables	**20.0**	28.8
Cash and cash equivalents	**98.6**	112.4
Financial liabilities not measured at fair value		
Trade and other payables (excluding land payables)	**145.8**	123.7
Land payables	**143.5**	107.3
Interest bearing loans and borrowings	**517.9**	564.3

21. Financial instruments continued

Measurement of fair values continued

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 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Shared equity loan receivables				
As at 31 December 2017	–	–	21.3	21.3
As at 31 December 2018	**–**	**–**	**13.7**	**13.7**

Valuation technique for shared equity loan receivables

The fair value is determined by considering the expected payment profile using the discounted present value of expected future cash flows. The major unobservable inputs include the expected timing of redemption payments, management's estimates of the market value of the properties and of the appropriate risk adjusted discount rate to determine present value of the cash flows. A discount rate of 8.3% (2017: 8.3%) has been applied. The estimated fair value would increase if the risk adjusted discount rate was reduced, and the fair value would also be impacted by any change in the estimate of the timing of redemption receipts. There are a number of uncertainties inherent in such estimates, which would impact on the carrying value of shared equity loan receivables.

Financial risk

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

(i) 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 receivables are good and therefore credit risk is low.

The Group has £13.7m (2017: £21.3m) of shared equity loan receivables 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 2018 is represented by the carrying amount of each financial asset.

(ii) Liquidity risk

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

The day to day working capital requirements of the Group are provided through cash on balance sheet and a revolving credit facility which is committed until 2023. The Group manages its funding requirements by monitoring cash flows against forecast requirements on a weekly basis.

(iii) 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.

21. Financial instruments continued

Financial risk continued

(iv) Interest rate risk

Interest rate risk reflects the Group's exposure to interest rates in the market. An element of the senior secured notes is subject to floating interest rates based on LIBOR. The Group has reduced its exposure to interest rate movements through the issue of fixed rate notes.

For the 12 months ended 31 December 2018, it is estimated that an increase of 1% in interest rates would increase the Group's net finance costs by £1.6m (2017: £1.5m).

The maturity of the financial liabilities has been disclosed in note 18.

Capital management

The Directors' policy is to maintain a strong balance sheet so as to promote shareholder, customer and creditor confidence and to sustain the future development of the business. The Group is currently financed by a combination of equity share capital, shareholder loans and senior secured notes all of which are long term in nature.

Management of cash and cash equivalents and net debt

The management of cash and net debt remains a principal focus of the Directors, together with the ability to service and repay debt. The Directors have considered the forecasts of future profitability and cash generation and consider that these forecasts support the going concern assertion.

22. Reconciliation of net cash flow to net debt

	2018 £m	2017 £m
Movement in cash and cash equivalents	**(13.8)**	88.8
Movement in senior secured notes	**17.3**	(405.5)
Movement in long term borrowings	**29.1**	(148.5)
Movement in net debt in period	**32.6**	(465.2)
Net debt at beginning of period	**(451.9)**	–
Net debt acquired with Miller Homes Holdings Limited	**–**	13.3
Net debt at end of period	**(419.3)**	(451.9)

23. Analysis of net debt

	31 December 2017 £m	Cash flow £m	Non cash movement £m	**31 December 2018 £m**
Cash and cash equivalents	112.4	(13.8)	–	**98.6**
Senior secured notes	(405.5)	20.4	(3.1)	**(388.2)**
Other loans	(10.3)	–	–	**(10.3)**
Net external debt	(303.4)	6.6	(3.1)	**(299.9)**
Amounts owed to immediate parent undertaking	(148.5)	43.5	(14.4)	**(119.4)**
Net debt	(451.9)	**50.1**	**(17.5)**	**(419.3)**

24. Commitments

At the year end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2018		31 December 2017	
	Land & Buildings £m	**Other £m**	Land & Buildings £m	Other £m
Lease expiring:				
Within one year	**1.3**	**1.6**	1.1	1.6
Between two and five years	**4.1**	**1.8**	3.4	2.3
Greater than five years	**2.0**	**–**	2.0	–

25. Contingent liabilities

Certain 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.

26. Accounting estimates and judgements

Carrying value of inventories

Inventories of land and development work in progress are stated 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. 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 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. The Group reviews the carrying value of its inventories on a quarterly basis with these reviews performed on a site by site basis using forecast sales prices and anticipated costs to complete based on a combination of the specific trading conditions of each site in addition to future anticipated general market conditions. Net realisable value represents the estimated selling price of units less all estimated costs of completion, including an appropriate allocation of overheads.

Recognition of deferred tax asset

As at 31 December 2018, the Group has recognised a deferred tax asset of £15.9m, of which £19.9m relates to trading losses that are available to offset trading profits in future years. The judgement to recognise the deferred tax asset is dependent upon an assessment made by the Directors in relation to the future profitability of the Group and hence recovery of the asset. The future profitability of the Group is dependent upon a variety of factors, some of which are influenced by macroeconomic conditions.

Carrying value of shared equity loan receivables

The Group holds shared equity loan receivables representing loans provided to customers under the Group's MiWay or governmental HomeBuy Direct and FirstBuy shared equity schemes. The repayment profile of these loans varies from a term of 10 years in the case of the Group's MiWay shared equity scheme to 25 years in the case of governmental shared equity schemes HomeBuy Direct and FirstBuy. The loans are held at the present value of the expected future cashflows taking into account a number of factors, namely the expected market value of the property at the time of loan repayment, the likely date of repayment and default rates. Accordingly, there are a number of uncertainties which would impact the carrying value of this asset class.

27. Related party transactions

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' are given in note 5.

	2018 £m	2017 £m
Amounts owed by joint ventures in respect of outstanding loans and other outstanding payables	**18.1**	21.0
Amounts owed by ultimate Parent Company	**6.0**	6.0
Amounts owed to Miller Midco 2 Limited	**(119.4)**	(148.5)
Interest payable to Miller Midco 2 Limited	**(14.4)**	(3.5)
Interest receivable on loans to joint ventures	**0.8**	0.2
Fee payable in respect of management services received from Bridgepoint	**0.3**	0.1

28. Ultimate Parent Company

At 31 December 2018, the Company was a subsidiary undertaking of Miller Midco 2 Limited. The ultimate Parent Company incorporated in the United Kingdom is Miller Homes Group Limited.

The largest group in which the results of this Company are consolidated is that headed by Miller Homes Group Limited. The consolidated financial statements of this Group are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3VZ. The address of the company and of its ultimate and intermediate parent companies is 2 Centro Place, Derby, DE24 8RF.

At the date of approval of these financial statements, the Company was ultimately controlled by Bridgepoint, through BEV Nominees Limited as nominee for funds managed by Bridgepoint Advisers Limited, whose address is 95 Wigmore Street, London, W1U 1FB.

29. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

Contributions during the year	**2018 £m**	3 months 2017 £m
Group defined contribution schemes consolidated income statement charge	**2.6**	0.5

Defined benefit scheme

Miller Homes Limited is the principal employer of The Miller Group Limited pension scheme. This is a defined benefit scheme which is closed to future accrual.

The assets of the scheme have been calculated at fair (bid) value. The liabilities of the scheme have been calculated at the balance sheet date using the following assumptions:

Principal actuarial assumptions	**2018**	2017
Weighted average assumptions to determine benefit obligations		
Discount rate	**2.85%**	2.6%
Rate of price inflation (RPI)	**3.15%**	3.1%
Weighted average assumptions to determine net cost		
Discount rate	**2.6%**	2.8%
Rate of pension increases	**3.0%**	3.2%
Rate of price inflation (RPI)	**3.1%**	3.3%

Members are assumed to exchange 25% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from the Group's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the scheme liabilities:

Life expectancy	
Retired member aged 65 (male life expectancy at age 65)	21.8 years
Non-retired member aged 45 (male life expectancy at age 65)	22.9 years

The base mortality assumptions are based upon the S2PA mortality tables. Allowance for future increases in life expectancy is made with an annual rate of improvement in mortality of 1.0% assumed.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivities	Change in assumption	Movement in scheme liabilities
Discount rate	Decrease by 0.1% Increase by 0.1%	£2.3m (1.5%) increase £2.2m (1.4%) decrease
Rate of inflation	Increase by 0.1% Decrease by 0.1%	£1.4m (0.9%) increase £1.3m (0.9%) decrease
Life expectancy – future improvements	Increase by 0.1% Decrease by 0.1%	£0.6m (0.4%) increase £0.6m (0.4%) decrease

29. Retirement benefit obligations continued

Defined benefit scheme continued

The amounts recognised in the consolidated income statement were as follows:

	2018 £m	3 months 2017 £m
Interest cost	4.1	1.2
Interest income	(3.6)	(0.9)
Total pension cost recognised in finance costs in the consolidated income statement	0.5	0.3
Total pension cost recognised in administrative expenses	0.7	–
Total pension cost recognised in the consolidated income statement	**1.2**	0.3

The amounts recognised in the consolidated statement of comprehensive income were as follows:

	2018 £m	3 months 2017 £m
Return on scheme assets excluding interest income	7.2	(4.3)
Actuarial (gain)/loss arising from changes in the assumptions underlying the present value of benefit obligations	(5.8)	0.9
Total pension cost/(credit) recognised in the consolidated statement of comprehensive income	**1.4**	(3.4)

The amount included in the consolidated statement of financial position arising from obligations in respect of the scheme is as follows:

	2018 £m	2017 £m
Present value of defined benefit obligations	152.3	160.2
Fair value of scheme assets	(139.3)	(138.5)
Recognised liability for defined benefit obligations	**13.0**	21.7

	2018 £m	2017 £m
Liability for defined benefit obligations at start of period	21.7	–
On acquisition	–	38.0
Contributions	(11.3)	(13.2)
Expense recognised in the consolidated income statement	1.2	0.3
Amounts recognised in the Group statement of comprehensive income	1.4	(3.4)
Liability for defined benefit obligations at end of period	**13.0**	21.7

A deferred tax asset of £2.3m (2017: £3.9m) has been recognised in relation to the retirement benefit obligations (note 14).

Movements in the present value of defined benefit obligations were as follows:

	2018 £m	2017 £m
Present value of defined benefit obligations at start of period	160.2	–
On acquisition	–	161.8
Past service cost	0.7	–
Interest cost	4.1	1.2
Actuarial (gain)/loss on scheme liabilities	(5.8)	0.9
Benefits paid from scheme	(6.9)	(3.7)
Present value of defined benefit obligations at end of period	**152.3**	160.2

29. Retirement benefit obligations continued

Defined benefit scheme continued

Movements in the fair value of scheme assets were as follows:

	2018 £m	2017 £m
Fair value of scheme assets at start of period	138.5	–
On acquisition	–	123.8
Contributions	11.3	13.2
Interest income	3.6	0.9
Actuarial (loss)/gain on scheme assets	(7.2)	4.3
Benefits paid from scheme	(6.9)	(3.7)
Fair value of scheme assets at end of period	**139.3**	138.5

An analysis of scheme assets at the balance sheet date is as follows:

	Percentage of scheme assets
Equity type investments	29.8%
Debt securities	69.3%
Other	0.9%
Total	**100.0%**

Funding

The scheme is subject to the funding legislation outlined in the Pensions Act 2004. This, together with the documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions used in the financial statements. The latest full actuarial valuation, carried out at 30 June 2016, by a qualified independent actuary, showed a deficit of £47.6m.

In line with the requirements noted above the actuarial valuation is agreed between the Group and the trustees and is calculated using prudent, as opposed to best estimate, actuarial assumptions. Following the completion of the triennial actuarial valuation, a revised schedule of contributions was put in place. Under this revised schedule, the Group will pay deficit contributions of £45m over the recovery period of 10 years. The expected employer contribution to the scheme in the year ending 31 December 2019 is £4.8m.

GMP equalisation

The estimated effect of GMP equalisation on the Group's pension liabilities is a past service cost as it relates to pensionable service between 1990 and 1997. The uplift for GMP service for impacted members has been reflected through the consolidated income statement, with any subsequent changes in the estimate to be reflected in other comprehensive income, as the reported pension liabilities at 31 December 2017 did not include any amount in respect of GMP equalisation.

30. Acquisitions of businesses

Acquisitions in the prior period

On 5 October 2017, the Company acquired 100% of the issued share capital of Miller Homes Holdings Limited ('MHHL'), a UK housebuilder, for £651.6m satisfied in cash, the repayment of existing debt and other payments required following the acquisition. In the period to 31 December 2017 the business contributed £32.2m to net profit. If the acquisition had occurred on 6 July 2017, consolidated revenue of the Group for the period to 31 December 2017 would have been £341.1m and net profit would have been £13.8m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 6 July 2017.

30. Acquisitions of businesses continued

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £m
Acquiree's net assets at the acquisition date	
Property, plant and equipment	0.6
Investments	19.3
Intangible assets	54.0
Inventories	631.9
Trade and other receivables	58.0
Cash and cash equivalents	23.6
Interest-bearing loans and borrowings	(10.3)
Trade and other payables	(219.8)
Retirement benefit obligations	(26.0)
Deferred tax asset	28.1
Net identifiable assets and liabilities	**559.4**
Consideration paid	
Initial cash price paid	537.4
Repayment of existing net debt	102.2
Pension scheme funding	12.0
Total consideration	**651.6**
Goodwill on acquisition	**92.2**

Goodwill has arisen on the acquisition reflecting the assembled workforce, management team and future growth prospects of the business.

The Miller Homes brand represents a separately identifiable intangible asset that has been recognised on acquisition and recorded at fair value (see note 10).

As part of the acquisition the Group committed to pay £12.0m to the Miller Group pension scheme. The values shown above reflect the impact of this contribution on the retirement benefit obligations of £38.0m at acquisition.

30. Acquisitions of businesses continued

Proforma financial information

For the purposes of allowing the users of the financial statements to understand the consolidated results of the Group had it been in existence and owned MHHL for the full 12 months of 2017, the following pro-forma financial information is provided within the strategic report, consolidated income statement and supporting notes to the accounts:

	MHGH 3 months to 31 Dec 2017 £m	Fair value adjustments/ transaction costs £m	MHHL 9 months to 30 Sep 2017 £m	Impact of new accounting standards £m	Proforma 12 months to 31 Dec 2017 £m
Revenue	196.6	–	478.1	(0.7)	674.0
Cost of sales	(154.2)	8.1	(358.3)	0.8	(503.6)
Gross profit	42.4	8.1	119.8	0.1	170.4
Other operating income	0.5	–	–	0.9	1.4
Administrative expenses	(20.8)	11.2	(30.5)	–	(40.1)
Group operating profit	22.1	19.3	89.3	1.0	131.7
Share of result in joint ventures	(0.8)	–	0.2	–	(0.6)
Operating profit	21.3	19.3	89.5	1.0	131.1
Net finance costs	(13.4)	–	(7.4)	(1.0)	(21.8)
Profit before taxation	7.9	19.3	82.1	–	109.3
Income taxes	(3.7)	(1.5)	(16.4)	–	(21.6)
Profit for the period	**4.2**	**17.8**	**65.7**	**–**	**87.7**

The information shown above has been prepared as follows:

MHGH plc 3 months to 31 December 2017

This represents the consolidated financial statements of MHGH as restated following the adoption of new accounting standards.

Fair value adjustments/transaction costs

The assets and liabilities of the acquired company require to be reflected at fair value at the date of their acquisition. This resulted in an increase in the value of inventories to an amount £8.1m higher than the original book value. The inventories which were subject to the fair value adjustment were all subsequently sold in the final quarter of 2017 resulting in a higher cost of sales charge.

Transaction costs of £11.2m relating to the acquisition of MHHL were expensed in the 3 months to 31 December 2017.

This adjustment eliminates the effect of fair value accounting and transaction costs (which are both non-recurring and applicable to the prior year only) in the 3 months to 31 December 2017.

MHHL 9 months to 30 September 2017

The financial statements of Miller Homes Group Holdings plc reflect the trading profits of Miller Homes Holdings Limited from the date of acquisition and consequently do not include the profit for the first 9 months of the year.

Impact of new accounting standards

As set out in note 31, the Group has adopted IFRS 9 and IFRS 15 for the first time and the income statement for the 3 months to 31 December 2017 has been restated accordingly. The impact of adoption on the pro forma results for the 9 month pre acquisition period to 30 September 2017 is shown above.

31. Adoption of new accounting standards

The Group has adopted IFRS 9 ‘Financial Instruments’ and IFRS 15 ‘Revenue from Contracts with Customers’ from 1 January 2018. The impact of these standards is as follows:

IFRS 9 ‘Financial Instruments’

Under IAS 39, shared equity loan receivables were held as Available for sale financial assets with changes to fair value recognised in other comprehensive income, with the exception of impairment losses, the impact of changes in future cashflows and interest which were recognised directly in the income statement. On adoption of IFRS 9, the balance has been reclassified as ‘Shared equity loan receivables’ and is measured at fair value through profit and loss in its entirety. Under IAS 39, the unwind of the amortised cost was recognised as a credit to finance income, now this is included in the fair value assessment and therefore any movement in the value is recognised within operating profit in the income statement.

31. Adoption of new accounting standards continued

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. There is no net impact on retained earnings in prior years, as the timing of revenue recognition has not changed under IFRS 15. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenue streams are set out below:

Private new home sales, land sales and turnkey Housing Association sales

Customers obtain control of a unit or parcel of land once the sale is legally complete and monies have been received (with the exception of land sold on deferred terms and housing association receivables). Under IAS 18, revenue was recognised when the risks and rewards were transferred to the customer which was also at the point when monies were received by the Group. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligations are deemed to be satisfied at the point when legal title is transferred to the customer.

Housing Association sales under 'golden brick' arrangements

Under certain contracts with Housing Associations (HA) or Local Councils, the customer controls the asset as the house is being built. This is because the unit is being built on land owned by the HA to an agreed specification and if the contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date. Therefore, revenue from these contracts and associated costs are recognised over time. These contracts were previously accounted for under IAS 11 and IFRIC 15 'Agreements for the Construction of Real Estate' and as such were recognised over time when certain milestones in the development were reached. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised over time.

Part exchange properties and joint venture management fees

Historically, under IAS 18, the purchase and sale of part exchange (PX) properties was treated as a linked transaction with the sale of the new build unit, and as such the net impact of the purchase and sale of a PX property was recognised in cost of sales. Under IFRS 15, this is now a separate transaction as it can no longer be linked with the sale of the new build house. This has not been reclassified as revenue and cost of sales because the Group does not consider the purchase and sale of PX properties to be a principal activity and therefore the net impact has been reclassified to other operating income.

Previously joint venture management fees were included within revenue. As the Group does not consider the management of joint ventures to be a principal activity these have been reclassified to other operating income.

The table below show the impact on adoption of the new accounting standards discussed above:

3 month period to 31 December 2017	As previously reported £m	IFRS 9 (see note) £m	IFRS 15 £m	As restated £m
Revenue	197.1	–	(0.5)	196.6
Cost of sales	(154.2)	–	–	(154.2)
Gross profit	42.9	–	(0.5)	42.4
Other operating income	–	–	0.5	0.5
Administrative expenses	(20.8)	–	–	(20.8)
Group operating profit	22.1	–	–	22.1
Share of loss in joint ventures	(0.8)	–	–	(0.8)
Operating profit	21.3	–	–	21.3
Finance costs	(13.9)	–	–	(13.9)
Finance income	0.5	–	–	0.5
Net finance costs	(13.4)	–	–	(13.4)
Profit before taxation	7.9	–	–	7.9
Income taxes	(3.7)	–	–	(3.7)
Profit for the period	**4.2**	**–**	**–**	**4.2**

Note:
No Available for sale finance income arose in the 3 month period to 31 December 2017. The pro forma information shown in those accounts included Available for sale finance income of £1m which has been reclassified to cost of sales in the 2017 full year pro forma information shown in these financial statements.

32. Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, associates and joint ventures and the effective percentage of equity owned as at 31 December 2018 are disclosed below. All companies are incorporated in the United Kingdom, engaged in housebuilding and associated activities and are owned directly by Miller Homes Holdings Limited unless indicated below:

Fully owned subsidiaries

Dormant

Birch Limited – B
Birch Commercial Limited(i) – B
Birch Homes Limited(i) – B
Arwinrise Limited – C
Cussins Homes (Yorks) Limited – B
Highfields Developments Limited – B
FHL Nominees (No1) Ltd – B
James Miller & Partners Limited – A
Lemmington Estates Limited – B
Miller (Barrow) Limited – A
Miller (Cobblers Hall) Limited – B
Miller (Telford North) Limited – A
Miller Airdrie Limited – B
Miller East Kilbride Limited – A
Miller Fullwood Limited – B
Miller Gadsby (Burton Albion) Limited – B
Miller Homes (Yorkshire) Limited – A
Miller Homes Cambridge Limited – B
Miller Homes Cambuslang Limited – A
Miller Homes City Quay Limited – B
Miller Homes Special Projects Portfolio Limited – A
Miller (Eccles) Limited(ii) – B
Miller Homes Two Limited – A
Miller Maidenhead Limited – B
Miller Residential (Northern) Limited – B
Fairclough Homes Limited – B
Viewton Properties Limited – B
MF Development Company UK Limited – B
MF Development Funding Company UK Limited(iii) – B
Miller Fairclough UK Limited(iv) – B
CDC2020 Limited(v) – B
Fairclough Homes Group Limited(v) – B
MF Strategic Land Limited(v) – B
Lowland Plaid Limited – D
Miller Fairclough Management Services Limited(v) – B
Alderview Homes (Carrickstone) Limited – A
Miller Belmont Limited – A
Land & City Properties (Bollington) Limited – A
L Williams & Co Limited – B
Emerald Shared Equity Limited – B

Trading

Miller Homes Holdings Limited(viii) – A
Miller Framwellgate Limited – B
Miller Homes Limited – A
Miller (Telford South) Limited(ii) – A
Miller Homes St Neots Limited – A
Miller Residential Development Services Limited – A

Joint ventures (all 50%)

Dormant

College Street Residential Developments Limited(vi) – A
Mount Park Developments Limited(vi) – A
Perth Land and Estates Limited(vi) – A
Canniesburn Limited – F
Lancefield Quay Limited – A
Miller Applecross (Edinburgh Quay) Limited – A
Miller Gadsby (Castle Marina) Limited – B
Scotmid-Miller (Great Junction Street) Limited – A
St Andrews Brae Developments Limited – E
Iliad Miller (No 2) Limited(vi) – A
Iliad Miller Limited(vi) – A

Trading

Miller Wates (Didcot) Limited – B
Miller Wates (Southwater) Limited – B
Miller Wates (Wallingford) Limited – B
Miller Wates (Bracklesham) Limited – B
Miller Wates (Chalgrove) Limited – B

Associates (45%)

New Laurieston (Glasgow) Limited – G (Trading)

Limited liability partnerships (33.33%) (Trading)

Telford NHT 2011 LLP(vii) – A

(i) Held via Birch Limited
(ii) Held via Miller Homes Special Projects Portfolio Limited
(iii) Held via MF Development Company UK Limited
(iv) Held via MF Development Funding Company UK Limited
(v) Held via Miller Fairclough UK Limited
(vi) Held via Miller Residential Development Services Limited
(vii) Held via Miller Homes Limited
(viii) Held via Miller Homes Group Holdings plc

The letter shown following the name of each company identifies the address of its registered office as follows:

A – 2 Lochside View, Edinburgh
B – 2 Centro Place, Derby
C – Redburn Court, North Shields
D – 18 Bothwell Street, Glasgow
E – 14-17 Market Street, London
F – 52-54 Rose Street, Aberdeen
G – 3 Cockburn Street, Edinburgh

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