

Quarterly Financial Report

For the 3 and 6 months ended
30 June 2022



Contents

- 1 Introduction
- 2 Operational and Financial Highlights
- 3 Net Debt, Liquidity and Cashflow
- 4 Capital Employed, Inventory and Landbank
- 5 Conclusion
- 6 Group Pro Forma Condensed Consolidated Financial Statements



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1 Introduction



In accordance with the reporting requirements of its offering of £815m (equivalent) Senior Secured Notes, Castle UK Finco plc (“the Group”) is pleased to present its Quarterly Financial Report for the 3 and 6 months ended 30 June 2022.

All figures presented in this report relate to the group of companies headed by the Group. The Group acquired Miller Homes Group Limited and its subsidiaries (“MHGL”) on 31 March 2022. The figures in this report contain pro forma income statement and cashflow figures. These pro forma figures for the 6 month period ended 30 June 2022 reflect the following:

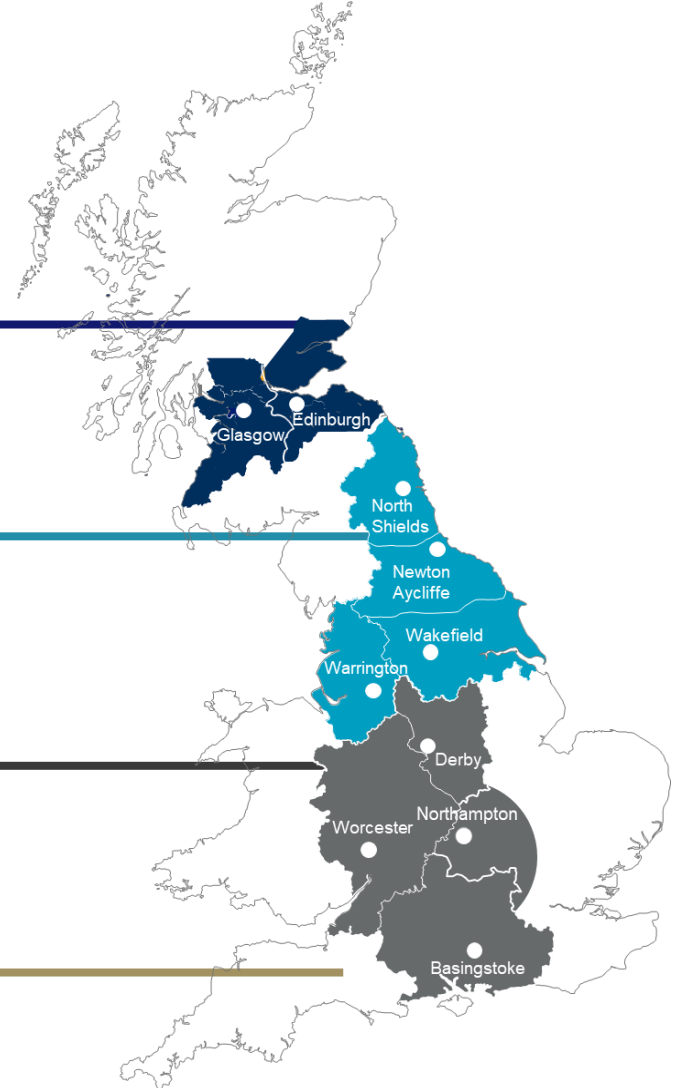
- The unaudited results for the Group for the 3 month period ended 30 June 2022;
- The exclusion of one-off transaction fees reflected in the Group’s financial records;
- The pre-acquisition results for the previous 3 month period ended 31 March 2022 which has been extracted from the unaudited records of MHGL; and
- The Purchase Price Accounting adjustments have still to be finalised and hence the goodwill figure stated in this report is provisional.

The figures for the 3, 6 and 12 months to 30 June 2022 and 2021 are unaudited.

A reconciliation of the pro forma to the statutory figures is provided below for the income statement and on page 29 for the cash flow statement. The pro forma figures have been used throughout this report.

	Castle UK Finco plc 3 months ended 30 Jun 2022 £m	Transaction costs £m	MHGL 3 months ended 31 Mar 2022 £m	Pro forma 6 months ended 30 Jun 2022 £m
Revenue	281.3	-	253.3	534.6
Cost of sales	(214.1)	-	(190.2)	(404.3)
Gross profit	67.2	-	63.1	130.3
Other operating income	0.2	-	0.2	0.4
Administrative expenses	(39.1)	21.1	(15.5)	(33.5)
Group operating profit	28.3	21.1	47.8	97.2
Share of result in joint ventures	0.2	-	0.2	0.4
Operating profit	28.5	21.1	48.0	97.6
Net finance costs	(17.2)	-	(14.6)	(31.8)
Profit before taxation	11.3	21.1	33.4	65.8
Income taxes	(8.3)	-	(7.3)	(15.6)
Profit for the period	3.0	21.1	26.1	50.2

Scotland Completions*	ASP (£000)*	Consented landbank**	Active sites*
843 -5%	307 +3%	2,230 -8%	18 +12%
North Completions*	ASP (£000)*	Consented landbank**	Active sites*
1,379 -4%	251 +1%	6,696 +19%	28 -1%
Midlands & South Completions*	ASP (£000)*	Consented landbank**	Active sites*
1,570 +3%	272 -5%	6,263 -12%	23 -12%
Miller Homes Completions*	ASP (£000)*	Consented landbank**	Active sites*
3,792 -1%	272 -1%	15,189 +0%	69 -2%



* Last 12 months ending 30 June 2022. Percentage movement compared to year ending 31 December 2021.
 **As at 30 June 2022. Percentage movement compared to 31 December 2021.



2 Operational and Financial Highlights

Trading

- Continued good performance against strong comparatives with prior half year volumes unusually representing 50% of full year volumes.

	H1 2022	H1 2021
Total completions	1,853	1,910
Revenue	£534.6m	£524.7m
Gross profit	£130.3m	£124.6m
Gross margin	24.4%	23.7%
Operating profit	£97.6m	£97.9m
Operating margin	18.3%	18.7%
ROCE *	33.5%	29.9%

- Private sales rate for the 6 months ending 30 June 2022 was 0.85 net reservations per site per week (H1 2021: 0.95), 11% behind H1 2021 but still high by historic standards (H1 2019: 0.73).
- Forward sales for the next 12 months of £757m (H1 2021: £707m), 7% higher than June 2021 and 14% higher than December 2021.
- Volumes
 - Volumes for the 6 months to 30 June 2022 were 1,853 core and joint venture completions. This compares to 1,910 completions in the same period in 2021, a decrease of 3% which was principally due to the timing of new site launches as expected. In addition, half year volumes in 2021 represented 50% of full year volumes when historically it would be 45-48%.
- Average Selling Price (ASP)
 - H1 2022 ASP decreased by 2% to £275,000 (H1 2021: £280,000) despite an increase in both our private and affordable ASP. This is reflective of an increased proportion of affordable completions which accounted for 29% of our core completions in the 6 months to 30 June 2022 (H1 2021: 21%). The weighting of affordable homes is projected to normalise to around 25% of full year core completions.
 - Private ASP increased to £328,000 (H1 2021: £320,000), an increase of 3% which is lower than underlying HPI due to the combined impact of a 3% reduction in unit size in the current year period, and the geographical mix of units sold. Affordable ASP increased to £143,000 (H1 2021: £130,000) reflecting house price inflation, a 4% increase in unit size and an increased weighting of homes sold in the Midlands and South division.

* ROCE calculated for the 12 month periods ending 30 June 2022 and 2021.

Trading *(continued)*

- Revenue
 - H1 2022 revenue was £534.6m (H1 2021: £524.7m), an increase of 2% on H1 2021 despite reduced volumes. This was due to higher land sales (£15.9m higher) and higher other revenue (£11.1m higher) largely due to Walker Timber, with 2022 being its first full year contributing to results following its acquisition in December 2021. Core revenue derived from house sales was 3% down on the prior year period at £503.4m (H1 2021: 520.5m) reflecting a 2% reduction in core completions and an increase in the proportion of affordable completions in the current year period.
- Gross profit
 - Gross profit in the 6 months ended 30 June 2022 was £130.3m (H1 2021: £124.6m), a 5% increase on the prior year period.
 - Gross margin was 24.4% and compares with 23.7% in H1 2021. The improvement reflects the favourable HPI/CPI dynamic experienced over the last year.
- Administrative expenses
 - Administrative expenses increased to £33.5m in the 6 months to 30 June 2022 (H1 2021: £29.4m) which primarily reflects a higher headcount following both the December 2021 acquisition of Walker Timber Limited as well as increased recruitment in our core business. Excluding Walker Timber, overheads would have been £32.1m, an increase of 9%, primarily reflecting the increased headcount and wage inflation.
- LTM June 2022 EBITDA (excluding exceptional items) is £206m (LTM June 2021: £183m), an increase of 12%, reflecting the recovery from the impact of the first COVID-19 lockdown during Q2 2020.

Land

- 11 sites (1,805 plots) were acquired in H1 2022 which compared to 12 sites (3,091 plots) being acquired in H1 2021.
- The owned landbank is 11,742 plots, a 3% decrease on the December 2021 landbank of 12,057 plots. Combined with 3,447 plots in the controlled landbank, this results in a consented landbank of 15,189 plots (Dec 2021: 15,169 plots), representing 4.1 years' supply (Dec 2021: 4.0 years), based on the last 12 months' completions.
- The strategic landbank has remained at similar levels to December 2021, with 39,416 plots (Dec 2021: 39,222 plots).
- There is a strong pipeline of land opportunities at over 6,000 plots in 2022.

Cash and leverage

- Free cash flow in 3 months to 30 June 2022 was £22m (Q2 2021: £51m) driven by increased development spend and working capital timing differences principally related to an increased bonus payment in Q2 2022 and the timing of receipt of affordable housing staged payments.
- Our cash balance at the quarter end was £121m, and the £180m RCF remains undrawn other than an outstanding avalised promissory note of £15.6m related to deferred payments on a land acquisition that occurred in December 2021 and a working capital facility for an aggregate amount of approximately £0.43m.
- Net LTV* is 90%, based on net inventory of £775m and net debt of £694m** and compares to 91% at 31 March 2022.
- Net leverage is 3.4x, based on LTM EBITDA (excluding exceptional items) of £206m and net debt of £694m. This is consistent with the net leverage position at 31 March 2022.
- The embedded land bank value*** is £1,901m which represents 2.7x net debt and is 2% higher than 31 March 2022 (Mar 2022: £1,871m).

* LTV: Loan to value is net debt divided by net inventory (inventory less land payables).

** Excludes the capitalisation of bond financing costs (£39.3m).

*** Embedded landbank value is the gross development value of our owned landbank less estimated remaining development costs and land payables plus the net option value of the strategic landbank.

Financial Highlights



Revenue for the 3 months to 30 June 2022 increased by 6.7% to £281.3m (Q2 2021: £263.6m), reflecting a 4.8% increase in core completions and 1.1% increase in ASP, an increase in other revenue relating to Walker Timber (£5.2m) offset by a decrease in land sales (£2.8m).

Gross profit for the 3 months to 30 June 2022 was £67.2m (Q2 2021: £62.8m). Gross margin in the 3 month period was 23.9% (Q2 2021: 23.8%).

Administrative expenses for the 3 months to 30 June 2022 totalled £18.0m (Q2 2021: £15.1m). The increase of £2.9m has primarily been driven by a higher wage roll, partly as a result of the increased headcount. The acquisition of Walker Timber in December 2021 accounted for £0.7m of the increase.

Net finance costs in the 3 month period ended 30 June 2022 were £17.2m (Q2 2021: £10.2m). The increase primarily reflects the refinancing which took place on 31 March 2022.

	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	% change	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m	% change
Revenue	281.3	263.6	6.7	534.6	524.7	1.9
Cost of sales	(214.1)	(200.8)	(6.6)	(404.3)	(400.1)	(1.0)
Gross profit	67.2	62.8	7.0	130.3	124.6	4.6
Other operating income	0.2	0.4	(50.0)	0.4	0.7	(42.9)
Administrative expenses	(18.0)	(15.1)	(19.2)	(33.5)	(29.4)	(13.9)
Group operating profit	49.4	48.1	2.7	97.2	95.9	1.4
Share of result in joint ventures	0.2	1.2	(83.3)	0.4	2.0	(80.0)
Operating profit	49.6	49.3	0.6	97.6	97.9	(0.3)
Net finance costs	(17.2)	(10.2)	(68.6)	(31.8)	(22.4)	(42.0)
Profit before taxation	32.4	39.1	(17.1)	65.8	75.5	(12.8)
Income taxes	(8.3)	(9.7)	14.4	(15.6)	(17.0)	8.2
Profit for the period	24.1	29.4	(18.0)	50.2	58.5	(14.2)
<i>Gross margin %</i>	23.9%	23.8%	+10bps	24.4%	23.7%	+70bps
<i>Operating margin %</i>	17.6%	18.7%	-110bps	18.3%	18.7%	-40bps
Profit for the period	24.1	29.4	(18.0)	50.2	58.5	(14.2)
Income taxes	8.3	9.7	14.4	15.6	17.0	8.2
Net finance costs	17.2	10.2	(68.6)	31.8	22.4	(42.0)
Depreciation	0.6	0.7	14.3	1.2	1.4	14.3
EBITDA	50.2	50.0	0.4	98.8	99.3	(0.5)

Financial Highlights

Analysis of revenues, completions and ASP

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Private revenue increased by 3.8% to £243.0m (Q2 2021: £234.0m). Affordable revenue increased by 23.5% to £33.1m (Q2 2021: £26.8m).

Other revenue of £5.2m (Q2 2021: £nil) is revenue from the sale of timber products by Walker Timber following its acquisition in December 2021.

Core completions increased by 4.8% to 968 units (Q2 2021: 924 units). Private completions increased by 1.1% to 735 units (Q2 2021: 727 units). Affordable completions increased by 18.3% to 233 units (Q2 2021: 197 units).

ASP increased by 1.1% to £285,000 (Q2 2021: £282,000). Private ASP increased by 2.7% to £331,000 (Q2 2021: £322,000) primarily due to house price inflation offset by a slight decrease in unit size.

Affordable ASP increased by 4.4% to £142,000 (Q2 2021: £136,000) reflecting an increase in the size of our affordable homes. The overall increase in ASP of 1.1% is less than the respective increase of both private and affordable completions due to an increase in the proportion of affordable completions in the period to 24% (Q2 2021: 21%).

	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
Private revenue	243.0	234.0	428.8	469.9
Affordable revenue	33.1	26.8	74.6	50.6
Land sales	-	2.8	20.1	4.2
Other	5.2	-	11.1	-
Total revenue	281.3	263.6	534.6	524.7

	Units	Units	Units	Units
Private completions	735	727	1,307	1,470
Affordable completions	233	197	521	388
Core completions	968	924	1,828	1,858
Joint venture completions	12	28	25	52
Total completions	980	952	1,853	1,910

	£000	£000	£000	£000
Private ASP	331	322	328	320
Affordable ASP	142	136	143	130
Total ASP	285	282	275	280

A modern bedroom interior featuring a large bed with a dark, tufted quilt and a white sheet. The headboard is upholstered in a reddish-brown fabric. The wall behind the bed is covered in light teal, paneled wallpaper. Two black bedside lamps are mounted on the wall. To the right, a doorway leads to a bathroom with a white sink and a mirror. A small potted plant is visible in the foreground on the right.

3 Net Debt, Liquidity and Cashflow

Net Debt, Liquidity and Cashflow

Net cash inflow from operating activities for the 3 months ended 30 June 2022 was £6.0m (Q2 2021: £47.4m inflow), a reduction of £41.4m. The variance for the 6 month period is £90.6m which primarily reflects higher development spend (£38.2m), higher corporation tax (£8.6m) and higher interest (£6.0m) as well as a higher bonus payment in 2022.

Net cash inflow from investing activities for the 3 months ended 31 June 2022 was £2.1m (Q2 2021: £14.5m outflow). The majority of the variance is due to the Wallace Land acquisition in the prior year period.

Net cash outflow from financing activities for the 3 months ended 30 June 2022 was £4.3m (Q2 2021: £nil) and reflected the original issue discount on the senior secured notes (£8.4m) offset by a reduction in the amount of transaction costs allocated to arrangement fees (£4.1m).

	As at 30 Jun 2022
	£m
Senior Secured Notes	(815.0)
Deferred financing costs	39.3
Cash and cash equivalents	121.3
Total external net debt	(654.4)

	3 months ended 30 Jun 2022	3 months ended 30 Jun 2021	6 months ended 30 Jun 2022	6 months ended 30 Jun 2021
	£m	£m	£m	£m
Net cashflow from operating activities	6.0	47.4	3.8	94.4
Net cashflow from investing activities	2.1	(14.5)	(920.4)	(10.8)
Net cashflow from financing activities	(4.3)	-	898.0	(100.0)
Movement in cash and cash equivalents	3.8	32.9	(18.6)	(16.4)
Transaction costs	(3.5)	-	(21.1)	-
Cash and cash equivalents at beginning of period	121.0	193.5	161.0	242.8
Cash and cash equivalents acquired with Wallace Land Investments and Management Limited	-	0.6	-	0.6
Cash and cash equivalents at end of period	121.3	227.0	121.3	227.0

Net Debt, Liquidity and Cashflow

Free cash flow for the 3 months ended 30 June 2022 was £21.5m compared to an inflow of £50.8m for the 3 months ended 30 June 2021, which represents a variance of £29.3m. Working capital accounted for £26.2m of the variance which is due to a higher bonus payment in the current year period, and the timing of receipt of affordable housing staged payments, with more cash received in Q2 2021.

For the 6 month period, the variance in free cashflow is £71.3m which reflects a combination of increased development spend (£38.2m), working capital (£18.7m) and joint ventures (£10.4m). The working capital movement is primarily due to the one-off £12m pension contribution made on Closing and the joint venture movement reflects a new joint venture in our Southern region.

As the Group has continued to generate significant levels of cash, there are a number of available options. These include additional land purchases, bond redemptions or shareholder distributions and the Group (or any of its subsidiaries) or affiliates of the sponsor may from time to time purchase Senior Secured Notes.

	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
EBITDA	50.2	50.0	98.8	99.3
Net land investment in excess of cost of sales	(3.5)	(15.7)	(10.1)	(11.3)
Development spend (in excess of)/less than cost of sales	(9.9)	2.4	(17.4)	20.8
Change in working capital	(18.5)	7.7	(30.6)	(11.9)
Cash flows from JVs (not included in EBITDA)	2.0	1.5	(6.0)	4.4
Shared equity loan receivables	0.8	0.8	0.8	1.6
Other	0.4	4.1	0.8	4.7
Free cash flow*	21.5	50.8	36.3	107.6
Net land spend (included in cost of sales)	43.1	46.2	66.9	92.5
Net land investment in excess of cost of sales	3.5	16.4	10.1	12.0
Total net land spend	46.6	62.6	77.0	104.5
Free cash flow pre net land spend	68.1	113.4	113.3	212.1

*Free cashflow represents the cash movement per the pro forma consolidated 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.



4 Capital Employed, Inventory and Landbank

Capital Employed, Inventory and Landbank



Capital employed is £645.0m as at 30 June 2022 (Dec 2021: £595.5m) primarily due to higher land sale debtors, a higher retirement benefit asset and higher net inventory.

Return on capital employed is 33.5% compared to 29.9% for the 12 months ended 30 June 2021 as we surpass pre-pandemic levels of profitability.

	As at and for the 12 months ended 30 Jun 2022 £m	As at and for the 12 months ended 31 Dec 2021 £m	As at and for the 12 months ended 30 Jun 2021 £m
Net assets	530.8	496.1	436.1
Net external debt	654.4	241.4	218.3
Intercompany loan	-	-	49.1
Intangible assets *	(540.2)	(142.0)	(135.9)
Capital employed **	645.0	595.5	567.6
Operating profit (pre exceptional items) ***	203.3	203.6	180.3
ROCE (%)	33.5	34.4	29.9

* Intangible assets include a deferred tax liability on the brand value. At the time of this report the Purchase Price Accounting adjustments have not been finalised and hence the goodwill figure within intangible assets is provisional.

** Capital employed as at 30 June 2022 reflects the position of Castle Finco UK plc. Capital employed as at 31 December and 30 June 2021 reflects the position of Miller Homes Group Holdings plc.

*** Operating profit for the 12 months ended 30 June 2022 reflects the pro forma results of Castle Finco UK plc for the 6 months ended 30 June 2022, plus the 6 months ended 31 December 2021 for Miller Homes Group Limited.

Capital Employed, Inventory and Landbank

The Group acquired or unconditionally contracted on 11 sites (1,805 plots) in the 6 month period to 30 June 2022, which compares to 12 sites (3,091 plots) in the prior year period.

The owned landbank at 30 June 2022 has decreased to 11,742 plots (Gross development value: £3.5bn). All owned land which has a detailed planning permission is being developed.

The consented landbank has increased to 15,189 plots (Dec 2021: 15,169 plots). Based on the last 12 months' core completions of 3,745 units, this represents 4.1 years' supply (Dec 2021: 4.0 years).

The strategic landbank has remained largely stable at 39,416 plots (Dec 2021: 39,222 plots).

	As at 30 Jun 2022	As at 31 Dec 2021	As at 30 Jun 2021
	£m	£m	£m
Land	547.6	569.5	488.4
Work in progress	355.2	321.6	302.2
Part exchange properties	0.6	0.3	1.7
Inventory	903.4	891.4	792.3
Land payables	(128.9)	(144.3)	(88.4)
Net inventory	774.5	747.1	703.9

Embedded landbank value	£m	£m	£m
Estimated GDV	3,462.2	3,415.2	n/a
Estimated remaining development costs	(1,695.0)	(1,657.0)	n/a
Net land payables	(115.0)	(145.8)	n/a
Net proceeds from owned landbank	1,652.2	1,612.4	n/a
Net option value of strategic landbank	248.6	253.8	n/a
Total	1,900.8	1,866.2	n/a

Landbank	Plots	Plots	Plots
Owned / unconditional	11,742	12,057	11,672
Controlled	3,447	3,112	2,710
Consented	15,189	15,169	14,382
Strategic	39,416	39,222	37,802
Total	54,605	54,391	52,184



5 Conclusion

- We are now fully sold for 2022, with our sales focus on converting reservations to exchanged contracts and building our order book for 2023.
- As previously predicted, we are seeing a normalisation in sales rates, particularly due to the return of a quieter summer selling period, unlike the Covid impacted years of 2020 and 2021 where sales rates were not impacted by the summer holiday season. Consequently, our sales rate since the half year is 0.55 which is broadly comparable to the 2019 rate of 0.66 and 2018 rate of 0.53 although down on 2021's rate of 0.84.
- It is worth noting that the use of incentives continues to be minimal with 97% of all reservations since the half year taken without the use of either of part-exchange or Help to Buy. This compares to 90% in the prior year period.
- Cost inflation is currently running at around 10% and is being mitigated by growth in selling prices as we continue to manage the balance of revenue and inflationary pressures effectively.
- In relation to land, we have a significant pipeline of opportunities to fuel the growth in outlet numbers in 2023 and beyond. We will take a selective approach based on both intake margin and payment terms whilst at the same time remaining agile based on prevailing market conditions.
- On construction quality, we measure this in a variety of ways, including the independent Construction Quality Reviews undertaken by NHBC. Our score in the current year is 4.5, a 5% improvement on the prior year.
- We retained our 5-star rating for customer satisfaction in the Home Builders Federation (HBF) New Home Customer Satisfaction survey in March 2022 and continue to deliver 5 star levels of customer satisfaction.
- Significant progress has been made during this year in setting both ESG targets and action plans to ensure their achievement. These targets will be published with our full year results and will include a target of an 80% reduction in our carbon emissions by 2025.



6 Group Pro Forma Condensed Consolidated Financial Statements

Pro Forma Consolidated Income Statement

for the 3 and 6 month periods ended 30 June 2022



	Note	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
Revenue		281.3	263.6	534.6	524.7
Cost of sales		(214.1)	(200.8)	(404.3)	(400.1)
Gross profit		67.2	62.8	130.3	124.6
Other operating income		0.2	0.4	0.4	0.7
Administrative expenses		(18.0)	(15.1)	(33.5)	(29.4)
Group operating profit		49.4	48.1	97.2	95.9
Share of result in joint ventures		0.2	1.2	0.4	2.0
Operating profit		49.6	49.3	97.6	97.9
Finance costs	4	(17.4)	(10.2)	(32.1)	(22.6)
Finance income	5	0.2	-	0.3	0.2
Net finance costs		(17.2)	(10.2)	(31.8)	(22.4)
Profit before taxation		32.4	39.1	65.8	75.5
Income taxes		(8.3)	(9.7)	(15.6)	(17.0)
Profit for the period		24.1	29.4	50.2	58.5

The results for the 3 and 6 month periods ended 30 June 2022 have been prepared on a pro forma basis as described on page 4.

The results for the 3 and 6 month periods ended 30 June 2022 and 2021 are unaudited.

Consolidated Statement of Financial Position



	Note	As at 30 Jun 2022 £m	As at 31 Dec 2021 £m	As at 30 Jun 2021 £m
Assets				
Non-current assets				
Intangible assets (incl goodwill)	6	553.7	155.5	146.2
Property, plant and equipment		6.7	6.5	1.3
Right of use assets		5.8	6.7	5.4
Investment in joint ventures		10.1	4.1	5.9
Shared equity loan receivables		3.8	4.6	5.4
Retirement benefit obligations		20.2	7.2	-
		600.3	184.6	164.2
Current assets				
Inventories	7	903.4	891.4	792.3
Trade and other receivables		58.5	38.0	34.8
Cash and cash equivalents		121.3	161.0	227.0
		1,083.2	1,090.4	1,054.1
Total assets		1,683.5	1,275.0	1,218.3

Consolidated Statement of Financial Position *(continued)*



	Note	As at 30 Jun 2022 £m	As at 31 Dec 2021 £m	As at 30 Jun 2021 £m
Liabilities				
Non-current liabilities				
Loans and borrowings	8	(775.7)	(402.4)	(494.4)
Trade and other payables		(47.2)	(59.0)	(28.0)
Deferred tax		(11.7)	(9.9)	(10.7)
Lease liabilities		(4.3)	(5.1)	(4.0)
Provisions and deferred income		(12.3)	(12.8)	(2.7)
		(851.2)	(489.2)	(539.8)
Current liabilities				
Trade and other payables		(299.6)	(287.8)	(240.7)
Lease liabilities		(1.9)	(1.9)	(1.7)
		(301.5)	(289.7)	(242.4)
Total liabilities		(1,152.7)	(778.9)	(782.2)
Net assets		530.8	496.1	436.1
Equity				
Share capital		527.9	151.0	151.0
Retained earnings		2.9	345.1	285.1
Total equity attributable to owners of the parent		530.8	496.1	436.1

The June 2022 figures represent the accounts of Castle UK Finco plc. The December 2021 and June 2021 figures represent the accounts of Miller Homes Group Holdings plc.

The December 2021 figures are audited. The June 2022 and June 2021 figures are unaudited.

Pro Forma Consolidated Cashflow Statement

for the 3 and 6 month periods ended 30 June 2022

	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
Cash flows from operating activities				
Profit for the period	24.1	29.4	50.2	58.5
Depreciation	0.6	0.7	1.2	1.4
Finance income	(0.2)	-	(0.3)	(0.2)
Finance cost	17.4	10.2	32.1	22.6
Share of post tax result from joint ventures	(0.2)	(1.2)	(0.4)	(2.0)
Taxation	8.3	9.7	15.6	17.0
Operating profit before changes in working capital	50.0	48.8	98.4	97.3
Working capital movements:				
Movement in trade and other receivables	(16.7)	2.2	(25.8)	(10.4)
Movement in inventories	(17.8)	1.5	(15.4)	29.4
Movement in trade and other payables	3.8	12.2	(15.4)	1.5
Cash generated from operations	19.3	64.7	41.8	117.8
Interest paid	(5.3)	(12.2)	(21.6)	(13.0)
Corporation tax paid	(8.0)	(5.1)	(16.4)	(10.4)
Net cashflow from operating activities	6.0	47.4	3.8	94.4
Cash flows from investing activities				
Acquisition of Miller Homes Group Limited	-	-	(914.4)	-
Acquisition of Wallace Land Investments and Management Limited	-	(17.2)	-	(17.2)
Acquisition of property, plant and equipment	(0.1)	-	(0.5)	-
Movement in loans with joint ventures	2.2	2.7	(5.5)	6.4
Net cashflow from investing activities	2.1	(14.5)	(920.4)	(10.8)
Cash flows from financing activities				
Proceeds from issue of share capital	-	-	527.9	-
Issue of senior secured notes/ bridge Facility (net of deferred financing costs)	(4.3)	-	774.1	-
Repayment of senior secured notes	-	-	(404.0)	-
Decrease in other long term borrowings	-	-	-	(100.0)
Net cashflow from financing activities	(4.3)	-	898.0	(100.0)
Movement in cash and cash equivalents	3.8	32.9	(18.6)	(16.4)
Transaction costs	(3.5)	-	(21.1)	-
Cash and cash equivalents at beginning of period	121.0	193.5	161.0	242.8
Cash and cash equivalents acquired with Wallace Land Investments and Management Limited	-	0.6	-	0.6
Cash and cash equivalents at end of period	121.3	227.0	121.3	227.0

1. Reconciliation of net cash flow to net debt

	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
Movement in cash and cash equivalents	3.8	33.5	(18.6)	(15.8)
Issue of Senior Secured Notes (net of arrangement fees)	4.3	-	(774.1)	-
Repayment of Senior Secured Notes	-	-	404.0	-
Decrease in other long term borrowings	-	-	-	100.0
Transaction costs	(3.5)	-	(21.1)	-
Non-cash movement*	(1.6)	(2.0)	(3.2)	(6.2)
Movement in net debt in period	3.0	31.5	(413.0)	78.0
Net debt at beginning of period	(657.4)	(298.9)	(241.4)	(345.4)
Net debt at end of period	(654.4)	(267.4)	(654.4)	(267.4)

Net debt comprises:	As at 30 Jun 2022 £m	As at 31 Dec 2021 £m	As at 30 Jun 2021 £m
External net debt	(654.4)	(241.4)	(218.3)
Intercompany loan	-	-	(49.1)
Net debt at end of period	(654.4)	(241.4)	(267.4)

*The non-cash movement for the 3 months ended 30 June 2022 represents £1.6m (Q2 2021: £0.8m) of arrangement fee amortisation. Q2 2021 also included £1.2m of rolled up interest on the unsecured shareholder loan notes which have since been repaid.

*The non-cash movement for the 6 months ended 30 June 2022 represents £3.2m (H1 2021: £1.6m) of arrangement fee amortisation. H1 2021 also included £4.6m of rolled up interest on the unsecured shareholder loan notes which have since been repaid.

2. Reporting entity

Castle UK Finco plc (the “Company”) is a Company domiciled in England and Wales. The pro forma condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and reflect the underlying trading results of Miller Homes Group Limited.

The financial statements did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 and were given an unqualified audit opinion.

3. Accounting policies

The preparation of these pro forma condensed consolidated financial statements is based on the accounting policies set out in the audited financial statements of Miller Homes Group Limited.

4. Finance costs

	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
Interest payable on senior secured notes, bank loans and overdrafts	15.8	7.4	28.9	14.9
Interest payable on amounts owed to immediate parent company	-	1.2	-	4.6
Imputed interest on land payables on deferred terms	1.5	1.4	3.0	2.8
Finance costs related to employee benefit obligations	-	0.1	-	0.1
Imputed interest on lease liabilities	0.1	0.1	0.2	0.2
	17.4	10.2	32.1	22.6

Notes to the Condensed Consolidated Financial Statements



5. Finance income	3 months ended 30 Jun 2022 £m	3 months ended 30 Jun 2021 £m	6 months ended 30 Jun 2022 £m	6 months ended 30 Jun 2021 £m
Interest on loans to joint ventures	0.1	-	0.1	0.1
Other	0.1	-	0.2	0.1
	0.2	-	0.3	0.2

6. Intangible assets	As at 30 Jun 2022 £m	As at 31 Dec 2021 £m	As at 30 Jun 2021 £m
Goodwill*	499.7	101.5	92.2
Brand value	54.0	54.0	54.0
	553.7	155.5	146.2

7. Inventories	As at 30 Jun 2022 £m	As at 31 Dec 2021 £m	As at 30 Jun 2021 £m
Land	547.6	569.5	488.4
Work in progress	355.2	321.6	302.2
Part exchange properties	0.6	0.3	1.7
	903.4	891.4	792.3

* At the time of this report the Purchase Price Accounting adjustments have not been finalised and hence the goodwill figure within intangible assets is provisional.

8. Loans and borrowings – non-current	As at 30 Jun 2022	As at 31 Dec 2021	As at 30 Jun 2021
	£m	£m	£m
Senior Secured Notes	(815.0)	(404.0)	(455.0)
Deferred financing costs	39.3	1.6	9.7
Intercompany loan (unsecured)	-	-	(49.1)
	(775.7)	(402.4)	(494.4)

Senior Secured Notes: The Group acquired Miller Homes Group Limited on 31 March 2022, funded by a £815m Bridge Facility. On 9 May 2022 the Group issued £815m (equivalent) of Senior Secured Notes and repaid this Bridge Facility.

Pro Forma Consolidated Cashflow Statement

for the 6 month period ended 30 June 2022



Reconciliation of the pro forma cashflow to the unaudited financial records of Castle UK Finco PLC	Castle Finco	Transaction costs	MHGL	Pro forma 6 months ended
	6 months ended 30 Jun 2022		3 months ended 31 Mar 2022	30 Jun 2022
	£m	£m	£m	£m
Cash flows from operating activities				
Profit for the period	3.0	21.1	26.1	50.2
Depreciation	0.6	-	0.6	1.2
Finance income	(0.2)	-	(0.1)	(0.3)
Finance cost	17.4	-	14.7	32.1
Share of post tax result from joint ventures	(0.2)	-	(0.2)	(0.4)
Taxation	8.3	-	7.3	15.6
Operating profit before changes in working capital	28.9	21.1	48.4	98.4
Working capital movements:				
Movement in trade and other receivables	(16.7)	-	(9.1)	(25.8)
Movement in inventories	(17.8)	-	2.4	(15.4)
Movement in trade and other payables	9.6	-	(25.0)	(15.4)
Cash generated from operations	4.0	21.1	16.7	41.8
Interest paid	(5.3)	-	(16.3)	(21.6)
Corporation tax paid	(8.0)	-	(8.4)	(16.4)
Net cashflow from operating activities	(9.3)	21.1	(8.0)	3.8
Cash flows from investing activities				
Acquisition of Miller Homes Group Limited	(914.4)	-	-	(914.4)
Cash acquired with Miller Homes Group Limited	113.9	-	(113.9)	-
Acquisition of property, plant and equipment	(0.1)	-	(0.4)	(0.5)
Movement in loans with joint ventures	2.2	-	(7.7)	(5.5)
Net cashflow from investing activities	(798.4)	-	(122.0)	(920.4)
Cash flows from financing activities				
Proceeds from issue of share capital	527.9	-	-	527.9
Issue of Bridge Facility (net of deferred financing costs)	774.1	-	-	774.1
Repayment of senior secured notes	(373.0)	-	(31.0)	(404.0)
Net cashflow from financing activities	929.0	-	(31.0)	898.0
Movement in cash and cash equivalents	121.3	21.1	(161.0)	(18.6)
Transaction costs	-	(21.1)	-	(21.1)
Cash and cash equivalents at beginning of period	-	-	161.0	161.0
Cash and cash equivalents at end of period	121.3	-	-	121.3