

Quarterly Financial Report

For the 3 and 9 months ended
30 September 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



discover the miller difference

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 9 months ended 30 September 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 9 month period ended 30 September 2022 reflect the following:

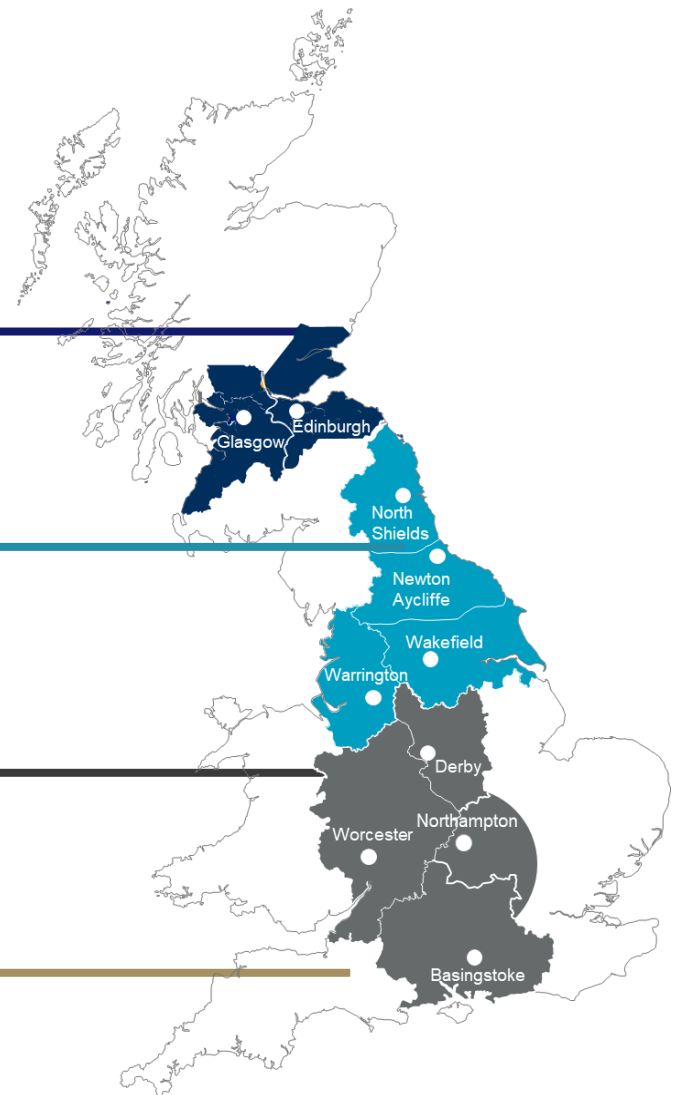
- The unaudited results for the Group for the 6 month period ended 30 September 2022;
- The exclusion of one-off transaction fees reflected in the Group’s financial records;
- The pre-acquisition results for the 3 month period ended 31 March 2022 which has been extracted from the unaudited records of 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, 9 and 12 months to 30 September 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 6 months ended 30 Sep 2022 £m	Transaction costs £m	MHGL 3 months ended 31 Mar 2022 £m	Pro forma 9 months ended 30 Sep 2022 £m
Revenue	550.0	-	253.3	803.3
Cost of sales	(418.4)	-	(190.2)	(608.6)
Gross profit	131.6	-	63.1	194.7
Other operating income	0.6	-	0.2	0.8
Administrative expenses	(56.2)	21.1	(15.5)	(50.6)
Group operating profit	76.0	21.1	47.8	144.9
Share of result in joint ventures	0.1	-	0.2	0.3
Operating profit	76.1	21.1	48.0	145.2
Net finance costs	(35.6)	-	(14.6)	(50.2)
Profit before taxation	40.5	21.1	33.4	95.0
Income taxes	(14.8)	-	(7.3)	(22.1)
Profit for the period	25.7	21.1	26.1	72.9

Scotland				
Completions*	ASP (£000)*	Consented landbank**	Active sites*	
843	314	2,019	20	
-5%	+6%	-17%	+25%	
North				
Completions*	ASP (£000)*	Consented landbank**	Active sites*	
1,360	254	6,393	28	
-5%	+2%	+14%	+0%	
Midlands & South				
Completions*	ASP (£000)*	Consented landbank**	Active sites*	
1,524	278	6,114	22	
-0%	-3%	-14%	-15%	
Homes				
Completions*	ASP (£000)*	Consented landbank**	Active sites*	
3,727	278	14,526	70	
-3%	+1%	-4%	+1%	



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



2 Operational and Financial Highlights

Trading for the 9 month period to 30 September 2022

- Continued good performance for the 9 month period against strong comparatives.

	Q3 2022	Q3 2021
Total completions	2,740	2,862
Revenue	£803.3m	£778.7m
Gross profit	£194.7m	£189.4m
Gross margin	24.2%	24.3%
Operating profit	£145.2m	£147.5m
Operating margin	18.1%	18.9%
ROCE *	32.2%	33.0%

- Private sales rate for the 9 months ended 30 September 2022 was 0.75 net reservations per site per week (YTD 2021: 0.92), 19% behind YTD 2021 but still ahead of pre-pandemic levels (YTD 2019: 0.69).
- Forward sales for the next 12 months is £715m (September 2021: £714m). Forward sales continue to be high when compared to pre-pandemic levels, with the current position being 88% ahead of September 2019 (£381m).
- Volumes
 - Volumes for the 9 months ended 30 September 2022 were 2,740 core and joint venture completions. This compares to 2,862 completions in the same period in 2021, a decrease of 4% which was principally due to the timing of site launches and to a lesser extent production related delays.
- Average Selling Price (ASP)
 - YTD 2022 ASP increased by 2% to £281,000 (YTD 2021: £277,000). This reflects 4% increases in both our private and affordable ASP offset by an increased proportion of affordable completions which accounted for 27% of our core completions (YTD 2021: 24%). The weighting of affordable homes is projected to normalise to around 25% of full year core completions.
 - YTD 2022 Private ASP increased to £332,000 (YTD 2021: £320,000), an increase of 4% 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 (YTD 2021: £137,000) reflecting a 4% increase in unit size.

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

Trading *(continued)*

- Revenue
 - Revenue for the 9 months ended 30 September 2022 was £803.3m (YTD 2021: £778.7m), an increase of 3% on YTD 2021 despite reduced volumes. This was due to higher land sales (£22.1m higher) and higher other revenue (£15.8m 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 2% down on the prior year period at £761.2m (YTD 2021: £774.5m) reflecting a 3% reduction in core completions and an increase in the proportion of affordable homes in the current year period.
 - 92% of completions in the 9 months ended 30 September 2022 were sold with client optional upgrades. The average value of client options was £9,800.
- Gross profit
 - Gross profit in the 9 months ended 30 September 2022 was £194.7m (YTD 2021: £189.4m) resulting in a gross margin of 24.2% (YTD 2021: 24.3%).
 - Gross profit per plot in the period was £71,900 (YTD 2021: £67,700), an increase of 6%.
- Administrative expenses
 - Administrative expenses increased to £50.6m in the 9 months ended 30 September 2022 (YTD 2021: £45.0m) which primarily reflects higher headcount following both the December 2021 acquisition of Walker Timber as well as increased recruitment in our core business. Excluding Walker Timber, overheads would have been £48.5m, an increase of 8%, primarily reflecting increased headcount and wage inflation.
- LTM September 2022 EBITDA (excluding exceptional items) was £203.7m (LTM September 2021: £195.4m).

Land

- 5 sites (458 plots) were acquired in Quarter 3, resulting in the acquisition of 16 sites (2,263 plots) in the 9 months ended 30 September 2022. This compares to 17 sites (3,880 plots) being acquired in the equivalent prior year period.
- The owned landbank is 11,220 plots, a 7% decrease on the December 2021 landbank of 12,057 plots. Combined with 3,306 plots in the controlled landbank, this results in a consented landbank of 14,526 plots (Dec 2021: 15,169 plots), representing 3.9 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 39,666 plots (Dec 2021: 39,222 plots).

Cash and leverage

- Free cash flow for the 3 months to 30 September 2022 was £5.6m outflow (Q3 2021: £52.2m inflow) driven by increased development spend and net land investment.
- Our cash balance at the quarter end was £101m, 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 86%, based on net inventory of £829m and net debt of £714m** and compares to 90% at 30 June 2022.
- Net leverage is 3.5x, based on LTM EBITDA (excluding exceptional items) of £204m and net debt of £714m. This compares to the the net leverage position at 30 June 2022 of 3.4x.
- The embedded land bank value*** is £1,889m (Jun 2022: £1,901m) which represents 2.7x net debt, in line with the previous report.

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

** Excludes the capitalisation of bond financing costs (£37.7m).

*** Embedded landbank value is the gross development value of our owned landbank less estimated remaining development costs and net land payables plus the net option value of the strategic landbank for plots in the landbank at 30 September 2022 based on the June 2022 baseline for selling prices.

Financial Highlights

Revenue for the 3 months to 30 September 2022 increased by 5.8% to £268.7m (Q3 2021: £254.0m), reflecting an 8.4% increase in ASP, an increase in land sales (£6.2m) and an increase in other revenue relating to Walker Timber (£4.7m) offset by a 6.4% decrease in core completions.

Gross profit for the 3 months to 30 September 2022 was £64.4m (Q3 2021: £64.8m). Gross margin in the 3 month period was 24.0% (Q3 2021: 25.5%).

Administrative expenses for the 3 months to 30 September 2022 totalled £17.1m (Q3 2021: £15.6m). The increase of £1.5m 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 September 2022 were £18.4m (Q3 2021: £10.2m). The increase primarily reflects the refinancing which took place on 31 March 2022.

	3 months ended 30 Sep 2022 £m	3 months ended 30 Sep 2021 £m	% change	9 months ended 30 Sep 2022 £m	9 months ended 30 Sep 2021 £m	% change
Revenue	268.7	254.0	5.8	803.3	778.7	3.2
Cost of sales	(204.3)	(189.2)	(8.0)	(608.6)	(589.3)	(3.3)
Gross profit	64.4	64.8	(0.6)	194.7	189.4	2.8
Other operating income	0.4	0.1	300.0	0.8	0.8	-
Administrative expenses	(17.1)	(15.6)	(9.6)	(50.6)	(45.0)	(12.4)
Group operating profit	47.7	49.3	(3.2)	144.9	145.2	(0.2)
Share of result in joint ventures	(0.1)	0.3	(133.3)	0.3	2.3	(87.0)
Operating profit	47.6	49.6	(4.0)	145.2	147.5	(1.6)
Net finance costs	(18.4)	(10.2)	(80.4)	(50.2)	(32.6)	(54.0)
Profit before taxation	29.2	39.4	(25.9)	95.0	114.9	(17.3)
Income taxes	(6.5)	(7.4)	12.2	(22.1)	(24.4)	9.4
Profit for the period	22.7	32.0	(29.1)	72.9	90.5	(19.4)
<i>Gross margin %</i>	24.0%	25.5%	-150bps	24.2%	24.3%	-10bps
<i>Operating margin %</i>	17.7%	19.5%	-180bps	18.1%	18.9%	-80bps
Profit for the period	22.7	32.0	(29.1)	72.9	90.5	(19.4)
Income taxes	6.5	7.4	12.2	22.1	24.4	9.4
Net finance costs	18.4	10.2	(80.4)	50.2	32.6	(54.0)
Depreciation	0.9	0.6	(50.0)	2.0	2.0	-
EBITDA	48.5	50.2	(3.4)	147.2	149.5	(1.5)

* The Financial Highlights commentary on pages 10 and 11 compares the results for the 3 month period ended 30 September 2022 with the 3 month period ended 30 September 2021.

Financial Highlights

Analysis of revenues, completions and ASP



Private revenue for the 3 months ended 30 September 2022 increased by 6.3% to £228.0m (Q3 2021: £214.4m) due to a higher ASP. Affordable revenue decreased by 24.7% to £29.8m (Q3 2021: £39.6m) due principally to lower completions.

Other revenue of £4.7m (Q3 2021: £nil) is revenue from the sale of timber products by Walker Timber following its acquisition in December 2021.

Core completions decreased by 6.4% to 881 units (Q3 2021: 941 units). Private completions increased by 0.1% to 670 units (Q3 2021: 669 units). Affordable completions decreased by 22.4% to 211 units (Q3 2021: 272 units) as full year volumes trend back to 25% of overall completions.

ASP for the 3 month period increased by 8.4% to £293,000 (Q3 2021: £270,000).

Private ASP increased by 5.9% to £340,000 (Q3 2021: £321,000) primarily due to house price inflation offset by a slight decrease in unit size. Affordable ASP decreased by 3.0% to £141,000 (Q3 2021: £146,000) reflecting a higher proportion of affordable completions in the North Division where ASP is lower. The overall increase in ASP of 8.4% is greater than the respective increase and decrease in private and affordable completions due to a decrease in the proportion of affordable completions in the period to 24% (Q3 2021: 29%).

	3 months ended 30 Sep 2022	3 months ended 30 Sep 2021	9 months ended 30 Sep 2022	9 months ended 30 Sep 2021
	£m	£m	£m	£m
Private revenue	228.0	214.4	656.8	684.3
Affordable revenue	29.8	39.6	104.4	90.2
Land sales	6.2	-	26.3	4.2
Other	4.7	-	15.8	-
Total revenue	268.7	254.0	803.3	778.7
	Units	Units	Units	Units
Private completions	670	669	1,977	2,139
Affordable completions	211	272	732	660
Core completions	881	941	2,709	2,799
Joint venture completions	6	11	31	63
Total completions	887	952	2,740	2,862
	£'000	£'000	£'000	£'000
Private ASP	340	321	332	320
Affordable ASP	141	146	143	137
Total ASP	293	270	281	277

* The Financial Highlights commentary on pages 10 and 11 compares the results for the 3 month period ended 30 September 2022 with the 3 month period ended 30 September 2021.



3 Net Debt, Liquidity and Cashflow

Net Debt, Liquidity and Cashflow

Net cash outflow from operating activities for the 3 months ended 30 September 2022 was £17.3m (Q3 2021: £39.1m inflow), a reduction of £56.4m. This is primarily driven by higher development spend (£42.7m) as well as higher net land spend (£13.4m) following the acquisition of 2 higher value sites in our West Midlands and Southern regions in September 2022. The variance for the 9 month period is £147.2m which primarily reflects higher development spend (£86.4m), a higher interest charge (£16.0m), a higher staff incentive payment in April 2022 (£14.4m), lower core turnover (£13.3m), lower part exchange cash receipts (£5.9m) as well as other working capital movements.

Net cash outflow from investing activities for the 3 months ended 30 September 2022 was £3.1m (Q3 2021: £2.8m inflow) reflecting funding provided to new JVs established in the last 12 months.

There were no cashflows from financing activities in the 3 months to 30 September 2022 (Q3 2021: £nil).

	As at 30 Sep 2022 £m
Senior Secured Notes	(815.0)
Deferred financing costs	37.7
Cash and cash equivalents	100.7
Total external net debt	(676.6)

	3 months ended 30 Sep 2022 £m	3 months ended 30 Sep 2021 £m	9 months ended 30 Sep 2022 £m	9 months ended 30 Sep 2021 £m
Net cashflow from operating activities	(17.3)	39.1	(13.7)	133.5
Net cashflow from investing activities	(3.1)	2.8	(923.5)	(8.0)
Net cashflow from financing activities	-	-	898.0	(100.0)
Movement in cash and cash equivalents	(20.6)	41.9	(39.2)	25.5
Transaction costs	-	-	(21.1)	-
Cash and cash equivalents at beginning of period	121.3	227.0	161.0	242.8
Cash and cash equivalents acquired with Wallace Land Investments and Management Limited	-	-	-	0.6
Cash and cash equivalents at end of period	100.7	268.9	100.7	268.9

Net Debt, Liquidity and Cashflow

Free cash flow for the 3 months ended 30 September 2022 was an outflow of £5.6m compared to an inflow of £52.2m in the prior year period, which represents a variance of £57.8m. The variance has been driven primarily by increased development spend in the period and higher net land spend following the acquisition of 2 higher value sites in our West Midlands and Southern regions.

For the 9 month period, the variance in free cashflow is £129.1m. This principally reflects abnormally strong cash generation in 2021 when free cashflow exceeded EBITDA and compares to the pre pandemic average of c50% of EBITDA. The action taken with respect to land spend is likely to result in free cashflow in excess of 60% of EBITDA for the full year.

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 Sep 2022	3 months ended 30 Sep 2021	9 months ended 30 Sep 2022	9 months ended 30 Sep 2021
	£m	£m	£m	£m
EBITDA	48.5	50.2	147.2	149.5
Net land investment (in excess of)/less than cost of sales	(9.6)	4.8	(19.7)	(6.5)
Development spend (in excess of)/less than cost of sales	(44.8)	(8.0)	(62.2)	12.8
Change in working capital	1.9	0.6	(28.6)	(11.3)
Cash flows from JVs (not included in EBITDA)	(2.2)	2.5	(8.2)	6.9
Shared equity loan receivables	0.3	0.5	1.1	2.1
Other	0.3	1.6	1.1	6.3
Free cash flow*	(5.6)	52.2	30.7	159.8
Net land spend (included in cost of sales)	39.8	40.9	106.7	133.4
Net land investment in excess of cost of sales	9.6	(4.8)	19.7	6.5
Total net land spend	49.4	36.1	126.4	139.9
Free cash flow pre net land spend	43.8	88.3	157.1	299.7

*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 is £690.0m as at 30 September 2022 (Dec 2021: £595.5m) primarily due to higher net inventory, higher land sale debtors and a higher retirement benefit asset offset by higher subcontractor accruals.

Return on capital employed is 32.2% compared to 33.0% for the 12 months ended 30 September 2021.

	As at and for the 12 months ended 30 Sep 2022 £m	As at and for the 12 months ended 31 Dec 2021 £m	As at and for the 12 months ended 30 Sep 2021 £m
Net assets	553.6	496.1	467.3
Net external debt	676.6	241.4	177.2
Intercompany loan	-	-	50.3
Intangible assets *	(540.2)	(142.0)	(132.7)
Capital employed **	690.0	595.5	562.1
Operating profit (pre exceptional items) ***	201.3	203.6	192.7
ROCE (%)	32.2%	34.4%	33.0%

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

*** Operating profit for the 12 months ended 30 September 2022 reflects the pro forma results of Castle UK Finco plc for the 9 months ended 30 September 2022, plus the 3 months ended 31 December 2021 for Miller Homes Group Limited.

Capital Employed, Inventory and Landbank

The Group acquired or unconditionally contracted on 16 sites (2,263 plots) in the 9 month period to 30 September 2022, which compares to 17 sites (3,880 plots) in the prior year period.

The owned landbank at 30 September 2022 has decreased to 11,220 plots (Gross development value: £3.4bn). All owned land which has a detailed planning permission is being developed.

The consented landbank has decreased to 14,526 plots (Dec 2021: 15,169 plots). Based on the last 12 months' core completions of 3,727 units, this represents 3.9 years' supply (Dec 2021: 4.0 years).

The strategic landbank has remained largely stable at 39,666 plots (Dec 2021: 39,222 plots).

	As at 30 Sep 2022	As at 31 Dec 2021	As at 30 Sep 2021
	£m	£m	£m
Net inventory			
Land	539.5	569.5	499.2
Work in progress	397.4	321.6	306.4
Part exchange properties	0.5	0.3	1.0
Inventory	937.4	891.4	806.6
Land payables	(108.3)	(144.3)	(107.4)
Net inventory	829.1	747.1	699.2

	£m	£m	£m
Embedded landbank value			
Estimated GDV	3,352.9	3,415.2	n/a
Estimated remaining development costs	(1,616.3)	(1,657.0)	n/a
Net land payables	(98.3)	(145.8)	n/a
Net proceeds from owned landbank	1,638.3	1,612.4	n/a
Net option value of strategic landbank	251.0	253.8	n/a
Total	1,889.3	1,866.2	n/a

	Plots	Plots	Plots
Landbank			
Owned / unconditional	11,220	12,057	11,520
Controlled	3,306	3,112	3,101
Consented	14,526	15,169	14,621
Strategic	39,666	39,222	37,188
Total	54,192	54,391	51,809



5 Conclusion

- Our sales rate since the half year is 0.46 which compares to 0.83 in 2021 and 0.61 in 2019. The ASP of private reservations taken in the second half of the year was £339,000 and compares to £323,000 for the equivalent period in 2021.
- FY22 completions are likely to be in the region of 3,900 units. Current forward sales for FY23 are £437m of which 59% is exchanged.
- Selling prices achieved on reservations taken since the end of September have reduced by an average of 2% but remain ahead of our June baseline.
- Cost inflation for FY22 is currently running at around 10% with the pace of increase declining in recent months.
- In relation to land, we have taken a more cautious approach to both purchases and commitments in recent months. Accordingly, our expectation for FY22 is to acquire around 2,800 units (2021: 5,475 units) with net land spend of £160m which compares to £220m last year.
- Based on our expectation of full year completions, year end cash is likely to be around £160m.
- On cladding, the provision made at FY21 was based on all known issues at that time which was supported by the scope of the Developer Pledge signed in February 2022 by all major housebuilders, which undertakes to remediate all life critical fire safety issues. The current contract proposed extends liability beyond what was included in the Pledge to include legacy buildings, meaning developments constructed prior to their ownership by Miller. Investigations are underway and whilst overall numbers remain low, further provisioning is anticipated and an update will be provided once we have more clarity.
- We have recently been accredited by Investors in People, achieving their highest Platinum standard, a level only achieved by 4% of construction companies.

Floor Tiling
Upgrade to...

Floor Coverings
Upgrade to...

Create your perfect...

Kitchens
Already Included...

Upgrade to...

6 Group Pro Forma Condensed Consolidated Financial Statements



Pro Forma Consolidated Income Statement

for the 3 and 9 month periods ended 30 September 2022



	Note	3 months ended 30 Sep 2022 £m	3 months ended 30 Sep 2021 £m	9 months ended 30 Sep 2022 £m	9 months ended 30 Sep 2021 £m
Revenue		268.7	254.0	803.3	778.7
Cost of sales		(204.3)	(189.2)	(608.6)	(589.3)
Gross profit		64.4	64.8	194.7	189.4
Other operating income		0.4	0.1	0.8	0.8
Administrative expenses		(17.1)	(15.6)	(50.6)	(45.0)
Group operating profit		47.7	49.3	144.9	145.2
Share of result in joint ventures		(0.1)	0.3	0.3	2.3
Operating profit		47.6	49.6	145.2	147.5
Finance costs	4	(18.5)	(10.3)	(50.6)	(32.9)
Finance income	5	0.1	0.1	0.4	0.3
Net finance costs		(18.4)	(10.2)	(50.2)	(32.6)
Profit before taxation		29.2	39.4	95.0	114.9
Income taxes		(6.5)	(7.4)	(22.1)	(24.4)
Profit for the period		22.7	32.0	72.9	90.5

The results for the 3 and 9 month periods ended 30 September 2022 have been prepared on a pro forma basis as described on page 4.

The results for the 3 and 9 month periods ended 30 September 2022 and 2021 are unaudited.

Consolidated Statement of Financial Position



	Note	As at 30 Sep 2022 £m	As at 31 Dec 2021 £m	As at 30 Sep 2021 £m
Assets				
Non-current assets				
Intangible assets (incl goodwill)	6	553.7	155.5	146.2
Property, plant and equipment		7.2	6.5	1.3
Right of use assets		5.2	6.7	4.8
Investment in joint ventures		12.3	4.1	3.4
Shared equity loan receivables		3.6	4.6	4.9
Retirement benefit obligations		20.2	7.2	-
		602.2	184.6	160.6
Current assets				
Inventories	7	937.4	891.4	806.6
Trade and other receivables		51.8	38.0	41.4
Cash and cash equivalents		100.7	161.0	268.9
		1,089.9	1,090.4	1,116.9
Total assets		1,692.1	1,275.0	1,277.5

Consolidated Statement of Financial Position *(continued)*



	Note	As at 30 Sep 2022 £m	As at 31 Dec 2021 £m	As at 30 Sep 2021 £m
Liabilities				
Non-current liabilities				
Loans and borrowings	8	(777.3)	(402.4)	(496.4)
Trade and other payables		(27.8)	(59.0)	(45.6)
Deferred tax		(12.8)	(9.9)	(9.5)
Lease liabilities		(3.9)	(5.1)	(3.5)
Provisions and deferred income		(12.5)	(12.8)	(2.7)
		(834.3)	(489.2)	(557.7)
Current liabilities				
Trade and other payables		(302.3)	(287.8)	(250.8)
Lease liabilities		(1.9)	(1.9)	(1.7)
		(304.2)	(289.7)	(252.5)
Total liabilities		(1,138.5)	(778.9)	(810.2)
Net assets		553.6	496.1	467.3
Equity				
Share capital		527.9	151.0	151.0
Retained earnings		25.7	345.1	316.3
Total equity attributable to owners of the parent		553.6	496.1	467.3

The September 2022 figures represent the accounts of Castle UK Finco plc. The December 2021 and September 2021 figures represent the accounts of Miller Homes Group Holdings plc (now re-registered as Miller Homes Group Holdings Limited).

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

Pro Forma Consolidated Cashflow Statement

for the 3 and 9 month periods ended 30 September 2022



	3 months ended 30 Sep 2022	3 months ended 30 Sep 2021	9 months ended 30 Sep 2022	9 months ended 30 Sep 2021
	£m	£m	£m	£m
Cash flows from operating activities				
Profit for the period	22.7	32.0	72.9	90.5
Depreciation	0.9	0.6	2.0	2.0
Finance income	(0.1)	(0.1)	(0.4)	(0.3)
Finance cost	18.5	10.3	50.6	32.9
Share of post tax result from joint ventures	0.1	(0.3)	(0.3)	(2.3)
Taxation	6.5	7.4	22.1	24.4
	48.6	49.9	146.9	147.2
Working capital movements:				
Movement in trade and other receivables	7.0	(6.1)	(18.8)	(16.5)
Movement in inventories	(35.8)	(15.8)	(51.2)	13.6
Movement in trade and other payables	(23.0)	21.4	(38.3)	22.9
Cash generated from operations	(3.2)	49.4	38.6	167.2
Interest paid	(8.4)	(1.0)	(30.0)	(14.0)
Corporation tax paid	(5.9)	(9.3)	(22.3)	(19.7)
Net cashflow from operating activities	(17.5)	39.1	(13.7)	133.5
Cash flows from investing activities				
Acquisition of Miller Homes Group Limited	-	-	(914.4)	-
Acquisition of Wallace Land Investments and Management Limited	-	-	-	(17.2)
Acquisition of property, plant and equipment	(0.7)	-	(1.2)	-
Movement in loans with joint ventures	(2.4)	2.8	(7.9)	9.2
Net cashflow from investing activities	(3.1)	2.8	(923.5)	(8.0)
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)	-	-	774.1	-
Repayment of Senior Secured Notes	-	-	(404.0)	-
Decrease in other long term borrowings	-	-	-	(100.0)
Net cashflow from financing activities	-	-	898.0	(100.0)
Movement in cash and cash equivalents	(20.6)	41.9	(39.2)	25.5
Transaction costs	-	-	(21.1)	-
Cash and cash equivalents at beginning of period	121.3	227.0	161.0	242.8
Cash and cash equivalents acquired with Wallace Land Investments and Management Limited	-	-	-	0.6
Cash and cash equivalents at end of period	100.7	268.9	100.7	268.9

1. Reconciliation of net cash flow to net debt	3 months	3 months	9 months	9 months
	ended	ended	ended	ended
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	£m	£m	£m	£m
Movement in cash and cash equivalents	(20.6)	41.9	(39.2)	26.1
Issue of Senior Secured Notes (net of arrangement fees)	-	-	(774.1)	-
Repayment of Senior Secured Notes	-	-	404.0	-
Decrease in intercompany loan classed as debt	-	-	-	100.0
Transaction costs	-	-	(21.1)	-
Non-cash movement*	(1.6)	(2.0)	(4.8)	(8.2)
Movement in net debt in period	(22.2)	39.9	(435.2)	117.9
Net debt at beginning of period	(654.4)	(267.4)	(241.4)	(345.4)
Net debt at end of period	(676.6)	(227.5)	(676.6)	(227.5)

Net debt comprises:	As at	As at	As at
	30 Sep 2022	31 Dec 2021	30 Sep 2021
	£m	£m	£m
External net debt	(676.6)	(241.4)	(177.2)
Intercompany loan	-	-	(50.3)
Net debt at end of period	(676.6)	(241.4)	(227.5)

*The non-cash movement for the 3 months ended 30 September 2022 represents £1.6m (Q3 2021: £0.8m) of arrangement fee amortisation. Q3 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 9 months ended 30 September 2022 represents £4.8m (Q3 2021: £2.4m) of arrangement fee amortisation. Q3 2021 also included £5.8m 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 9 month periods ended 30 September 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 Sep 2022 £m	3 months ended 30 Sep 2021 £m	9 months ended 30 Sep 2022 £m	9 months ended 30 Sep 2021 £m
Interest payable on Senior Secured Notes, bank loans and overdrafts	16.9	7.4	45.8	22.3
Interest payable on amounts owed to immediate parent company	-	1.2	-	5.8
Imputed interest on land payables on deferred terms	1.5	1.6	4.5	4.4
Finance costs related to employee benefit obligations	-	-	-	0.1
Imputed interest on lease liabilities	0.1	0.1	0.3	0.3
	18.5	10.3	50.6	32.9

Notes to the Condensed Consolidated Financial Statements



5. Finance income	3 months	3 months	9 months	9 months
	ended	ended	ended	ended
	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
	£m	£m	£m	£m
Interest on loans to joint ventures	0.1	-	0.2	0.1
Other	-	0.1	0.2	0.2
	0.1	0.1	0.4	0.3

6. Intangible assets	As at	As at	As at
	30 Sep 2022	31 Dec 2021	30 Sep 2021
	£m	£m	£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	As at	As at
	30 Sep 2022	31 Dec 2021	30 Sep 2021
	£m	£m	£m
Land	539.5	569.5	499.2
Work in progress	397.4	321.6	306.4
Part exchange properties	0.5	0.3	1.0
	937.4	891.4	806.6

* 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 Sep 2022	As at 31 Dec 2021	As at 30 Sep 2021
	£m	£m	£m
Senior Secured Notes	(815.0)	(404.0)	(455.0)
Deferred financing costs	37.7	1.6	8.9
Intercompany loan (unsecured)	-	-	(50.3)
	(777.3)	(402.4)	(496.4)

Senior Secured Notes: The Group acquired Miller Homes Group Limited on 31 March 2022, funded by an £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 9 month period ended 30 September 2022



Reconciliation of the pro forma cashflow to the unaudited financial records of Castle UK Finco plc	Castle UK Finco 6 months ended 30 Sep 2022 £m	Transaction costs £m	MHGL 3 months ended 31 Mar 2022 £m	Pro forma 9 months ended 30 Sep 2022 £m
Cash flows from operating activities				
Profit for the period	25.7	21.1	26.1	72.9
Depreciation	1.4	-	0.6	2.0
Finance income	(0.3)	-	(0.1)	(0.4)
Finance cost	35.9	-	14.7	50.6
Share of post tax result from joint ventures	(0.1)	-	(0.2)	(0.3)
Taxation	14.8	-	7.3	22.1
	77.4	21.1	48.4	146.9
Working capital movements:				
Movement in trade and other receivables	(9.7)	-	(9.1)	(18.8)
Movement in inventories	(53.6)	-	2.4	(51.2)
Movement in trade and other payables	(13.3)	-	(25.0)	(38.3)
Cash generated from operations	0.8	21.1	16.7	38.6
Interest paid	(13.7)	-	(16.3)	(30.0)
Corporation tax paid	(13.9)	-	(8.4)	(22.3)
Net cashflow from operating activities	(26.8)	21.1	(8.0)	(13.7)
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	(0.8)	-	(0.4)	(1.2)
Movement in loans with joint ventures	(0.2)	-	(7.7)	(7.9)
Net cashflow from investing activities	(801.5)	-	(122.0)	(923.5)
Cash flows from financing activities				
Proceeds from issue of share capital	527.9	-	-	527.9
Issue of Senior Secured Notes/ 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	100.7	21.1	(161.0)	(39.2)
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	100.7	-	-	100.7