miller homes

Miller Homes Group (Finco) plc

Annual Report & Financial Statements 2023

Welcome to miller homes

Miller Homes is one of the UK's largest, privately owned national homebuilders. We build in attractive locations with a focus on constructing high-quality homes and designing developments that allow communities to flourish.

Our purpose is 'to create great places where people and planet prosper'. This starts with an exceptional workplace where our people can succeed. We build responsibly and create places where our customers thrive. We recognise that strong partnerships help us achieve our goals. Together, we are working towards a sustainable future for our business, people and customers.

We are proud of the reputation we have built since we were established in 1934. As well as desirable homes, our customers enjoy an award-winning personalised experience, both digitally and in person. That is part of the reason why we are recognised with a 5-star rating in the HBF National New Homes Customer Satisfaction Survey.

Accreditations

5 STAR HOME BUILDER CUSTOMER SATISFACTION HBF 2023

NHBC Pride in the Job Awards 2023

INVESTORS IN PEOPLE We invest in people Platinum

Trustpilot

Excellent

View our Corporate website
millerhomes.co.uk/corporate

2023 Highlights

Financial highlights[1]

Revenue
£1,016m
-13%

Operating profit
£146m
-17%[4]

Adjusted operating profit[2]
£157m
-28%

Adjusted operating margin[2]
15.5%
-3.0%

Free cashflow
£93m
-39%

Return on capital employed (ROCE)
24.0%
-11.4%

Non-financial highlights

Completions
3,585
-10%

Consented landbank
14,060
+1%

Carbon intensity[3]
1.70
+2%

Waste diversion[3]
98%
Unchanged

HBF customer satisfaction
5 Star
Unchanged

Investors in People accreditation
Platinum
Unchanged

1 Movements are based on 12-month proforma figures as opposed to 9 month statutory figures to aid comparability. A reconciliation of the proforma Income Statement is provided on page 33
2 Adjusted for a £11.3m exceptional fire safety charge
3 Tonnes of carbon equivalent (TCO_2e) per 100sqm of homes built (market-based data, excludes Walker Timber)
4 Movement based on proforma operating profit including exceptional items

Front cover picture: Langley Gate, York, Yorkshire
Inside cover picture: Roman Croft, Priorslee, West Midlands

Contents

Chairman's statement

I am very pleased to report on what is a commendable performance for the Group.

Chris Endsor
Chairman

The challenging market backdrop following the sudden spike in mortgage rates in autumn 2022, combined with significant inflationary pressures, made 2023 a tougher year for everyone in our industry.

Market

Throughout the year, our customers experienced an affordability squeeze, through a combination of cost-of-living pressures and elevated mortgage rates, which, even though lower than their 2022 peak, remained high compared to the past decade. Exacerbated by historically low levels of consumer confidence, and a combination of these headwinds, sales rates fell below the long-term industry average. At the start of the year, many commentators had predicted a significant drop in house prices. This caused customers to postpone, or at best delay, their home purchase, which is almost certainly the most significant buying decision they will make. However, despite adverse commentary, our prices remained stable, with our average sales price being slightly above 2022.

Performance

Sales volumes fell 10% from the previous year. This is the first reduction in volumes experienced by the Group since 2012, other than 2020 caused by the COVID-19 national lockdowns. Volumes have fallen across the sector and, for context, the average reduction experienced by our listed competitors was around 20%. One of the reasons for our drop in volumes was due to curtailing land-buying in the second half of 2022, in response to the economic and political uncertainty at that time. This affected sales outlets in 2023, which were flat, year on year, when our plan prior to the September 2022 mini-budget had been to achieve a 15% increase in 2023.

Against the backdrop of significant headwinds, it was encouraging that house prices remained stable. There has historically been a correlation between house-price inflation and cost inflation, but this relationship was broken in 2023 when we saw flat pricing and cost inflation. At 3%, our cost inflation was at the lower end of the range reported by our competitors, and limited the erosion in our gross margins, which remained strong at 22%[1].

In the testing trading conditions described, the resilient performance in the year demonstrates the strength of our business model and the ability of our proven senior management team in acting decisively to make the right decisions during 2023. Our patient and selective approach to land-buying in 2023 limited the number of acquisitions to 17 sites, but has led to a healthy pipeline of high-quality land opportunities, at or above our standard intake margins, with favourable payment terms. With a significant cash balance of £194m, the Group will be able to invest in attractive land deals in 2024, to fuel the business for future profitable growth.

Strategy

The business enters its 90th year in 2024, a fact that provides demonstrable evidence of its strength and durability throughout a variety of economic cycles. The foundations of the Group lie in a combination of three factors – land, customers and people – which together ensure a sustainable business for the long term.

These are the pillars of our strategy, and you will be able to read about this in more detail on page 6.

Every element of our business falls within land, customers and people, and in the CEO's statement you will see that Stewart uses the strategy as the lens through which to report on our operational activity across the year.

Pictured: Orchard Park, Quorn, East Midlands

1 Adjusted for exceptional fire safety charge

Sustainability

We launched our refreshed sustainability strategy, A Better Place, in March, and the feedback received has been extremely positive. A Better Place is aligned to the wider corporate strategy, with a focus on working hard at being a business where our employees, suppliers and subcontractors feel motivated to contribute to our vision of building high-quality, energy-efficient homes, and creating better communities for our customers. I have been very encouraged by the way our teams have embraced many of the new initiatives, such as developing proposals for our net zero target, working on new nature measures and piloting new waste reduction initiatives. As you will see on page 36, we have made significant progress in the year, but will be aiming to do even more to meet the demanding medium and long-term targets we have set.

Building responsibly

In 2022, we signed the Developer Pledge to remediate buildings over 11 metres high that have potential fire safety issues in England, which was followed by the more detailed Self Remediation Contract in 2023. In Scotland, we are working with the Scottish Government to put in place a similar scheme but, in the meantime, have continued remediation and mitigating works ensuring the safety of residents. We held a provision of £28.8m at the start of the year, and the identification of additional legacy properties in England has necessitated a further exceptional charge of £11.3m in the year. These additional properties were built in the late 1990s by entities subsequently acquired by Miller Homes, for which we had no records.

Collaboration

On behalf of the Board, I would like to express my thanks and gratitude to everyone who has worked for or with Miller Homes during the year. The pace and standard of delivery means hard work. However, harder times require even more strength and resolve, and I am ever grateful for the fortitude shown by all at Miller Homes, which has underpinned the resilient performance I have described. I am also indebted to our supply chain partners for their help in navigating such a market environment.

> "The business enters its 90th year in 2024, a fact that provides demonstrable evidence of its strength and durability throughout a variety of economic cycles."
>
> **Chris Endsor**
> Chairman

Pictured: The Calders, Cliviger, North West

Outlook

2023 was undoubtedly a challenging year for the sector, with headwinds in the form of elevated mortgage rates, persistently high inflation and an increasingly uncertain planning environment. It would appear that both mortgage rates and inflation have peaked, which will help our customers and also our supply chain.

The planning environment has become even more politicised, and it was reassuring that the current frustrations in the industry were recognised by the Competition and Markets Authority as part of their market study.

I hope a General Election will unblock the hiatus caused by many local authorities failing to publish their Local Plans and addressing the resourcing issues in local planning authorities would be welcome. The trajectory in rents, together with the resilience in house prices over the last 12 to 18 months demonstrates the protracted under-supply of new homes, and I am sure this point will feature prominently in political debates this year.

We are buoyed by an order book that, while down on recent years, is still ahead of 2019, and a significant cash balance that provides us with the firepower to take advantage of attractive land opportunities. Therefore, with the hope that the economic headwinds of 2023 are subsiding, we enter 2024 in good spirits and with reason for cautious optimism.

Chris Endsor
Chairman

27 March 2024

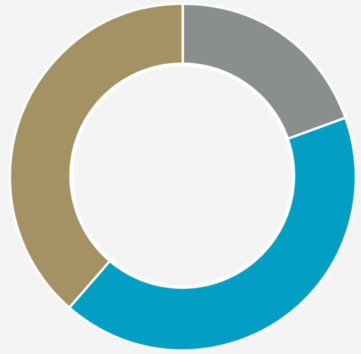
At a glance

We are strategically positioned across ten regions, with two regions in Scotland, four in the North of England, and a further four in the Midlands and South of England.

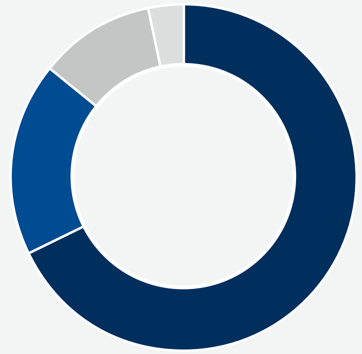
We build homes in suburban and edge-of-urban locations to meet the housing demands of these regional markets We have a strong presence in sought-after locations that benefit from being both highly desirable and affordable compared to London and the South East.

Where we operate

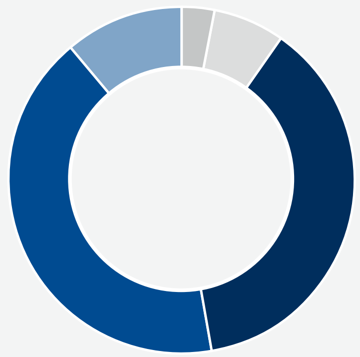
Completions by region
Over 80% of our completions are in England with a relatively even split across the divisions in the North of England, Midlands and South of England with the balance in Scotland. In 2023, we completed a total of 3,585 units across our ten regions. While we have experienced small decreases both in Scotland, and Midlands and South of England, the North of England experienced growth of 1% compared to 2022 due to increased sales outlets.



Completions by tenure
We operate a three-tenure sales model of private, affordable and partnership homes. Private homes are sold to individuals with a very small proportion of investor sales. Affordable homes are prescribed by planning obligations on a site-by-site basis and sold to registered providers albeit the recent introduction of First Homes is resulting in more discounted sales directly to individuals. Partnership homes are typically comprised of our smaller two to three bedroom housetypes. They are generally delivered on our larger sites and sold to either registered providers or Private Rental Sector (PRS) institutions. The smaller unit size of partnership homes means the Average Selling Price (ASP) is significantly lower than that of private homes. Lastly, we operate a small number of joint ventures with sales achieved across all three tenures.



Private completions by house type
We are a homebuilder that sells apartments through to five-bedroom executive homes. Around 80% of the homes we sell are three and four-bed family homes. This helps cover the spectrum of purchasers from first-time buyers (30% of all private completions) to cash buyers (21% of all private completions).



Pictured: Southcrest Rise, Kenilworth, West Midlands

Our integrated Group strategy

Our strategy has evolved to ensure long-term sustainable value generation for all our stakeholders and investors.

Our traditional focus on land, quality housebuilding, people and great customer service remains at the core of our strategy, but these focus areas have been reinforced by the components of our sustainability strategy – A Better Place launched in 2023.

This revised approach transitions Miller Homes to become an even more integrated organisation with an even greater focus on our culture, actions, behaviours and forward-thinking investments. This will enable our organisation to thrive well into the future and build on our history and legacy.

On the following pages we provide an overview of each of the four pillars of our strategy:

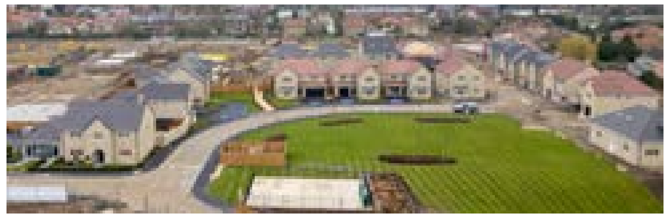
- Invest in high-quality land
- Customer-focused business
- People and society
- A business for the long term

We outline our performance, reference specific KPIs and describe our planned activities for the period ahead.

Read about our sustainability strategy – **A Better Place** on pages 36 to 49

Our integrated Group strategy continued

Invest in high-quality land



Description
Acquiring sufficient land at the appropriate margins and on the right payment terms is necessary to support the Group's aspirations for profitable growth. An important feature of the Group's land strategy is strategic land, as this provides the opportunity of acquiring land at higher margins without being obliged to purchase via option agreements.

Performance
We took a selective approach to land acquisitions during 2023 and renegotiated deals to reflect current market conditions. At the same time, we continued to invest in longer term opportunities through new strategic land options.

The Group acquired 17 sites and 3,222 plots in the year, at or above our desired hurdle rates. The number of purchases compares to 22 sites that finished in the year (with 3,585 home completions), with the result that the owned landbank fell to 10,483 plots (2022: 10,724 plots).

We continued to invest in our strategic landbank, which grew to 43,293 plots (2022: 39,203 plots).

The Group was successful in its application to join the Developer Partner Dynamic Purchasing System, which provides opportunities to acquire land being marketed by Homes England.

Link to KPI
1 3 4 5 6 8 9 10 11

Looking ahead
We undertook significant activity in 2023 to identify new open-market sites, as well as to advance the planning status of strategic sites. These combined efforts have resulted in a pipeline of over 40 sites available to purchase in 2024.

We will be submitting planning applications for 13 strategic sites and over 2,500 plots in 2024, to enable the purchase of these sites in the latter half of 2024 and 2025.

We aim to increase our landbank in absolute terms, while still operating within 3.0 – 3.5 times annual completions.

We plan to increase the proportion of the owned landbank sourced from strategic land, from the current position of 29% towards our medium-term target of 35%.

Customer-focused business

Description
The Group is focused on providing high-quality homes that can be personalised to meet the needs of our customers, within sustainable and enduring communities.

At the same time, we aim to interact with customers to meet their needs in an increasingly digital world.

Performance
There was an improvement in independently assessed quality metrics through National House Building Council (NHBC) Construction Quality Reviews (CQR) and Home Builders Federation (HBF) Customer Satisfaction scores. The CQR score increased to 4.6 (2022: 4.5) and the Customer Satisfaction score improved to 92% (2022: 91%).

Following a comprehensive review of our customer journey procedures, we restructured and invested in our customer service teams, introducing a new role of Customer Support Manager in each region, to ensure a personalised customer experience during the first year of ownership.

Our customer communications and meeting structure throughout the home buying process were revised, introducing additional touchpoints for customers to inspect their new home before purchase, while also increasing the build time to allow additional inspections and quality checks.

The MyMillerHome app is available to customers before purchase allowing access to an option visualiser to personalise their home prior to reservation. Increased functionality has appealed to customers with over 30,000 app downloads.

Our ability to allow customers to select their home online continues to be well received, with 56% (2022: 50%) of our 2023 reservations initially made online.

Link to KPI
1 2 6 7 8 11

Looking ahead
There are a number of initiatives for 2024 aimed at improving our 9-month HBF Customer Satisfaction score.

A newly designed consumer website planned for 2024 aims to provide customers with more 3D imagery of our street scenes, product, site plans and internal video walk throughs of our homes. We continue to improve the app to allow communication with customers after their home purchase and add to our app as a one-stop portal for customers.

People and society

Description
We are focused on creating a better place for all our people by offering attractive health and wellbeing initiatives, putting safety first, being open and inclusive, and by helping people realise their full potential through training and development opportunities.

Performance
Staff with site-based activities have undertaken Construction Skills Certification Scheme (CSCS) training.

We launched various wellbeing initiatives, with a particular focus on those related to financial and mental health.

Our revised company car scheme has resulted in 95% of our fleet being either hybrid or electric.

We increased the number of training days to 3.1 per person (2022: 2.9).

Link to KPI
10 12

Looking ahead
We will launch a new HR system in 2024, enabling real-time access to holidays and training records, with improved onboarding.

We will launch an Early Talent initiative, aiming for participant numbers to exceed 5% of the overall workforce.

We have doubled the number of qualified mental health first aiders in the business (c80). In addition to this, we continue to build on our partnerships with construction industry charity, The Lighthouse Club, and Andy's Man Club, promoting wellbeing initiatives and offering mental health support to employees.

A staff engagement survey is planned for 2024, with the previous survey having taken place in 2022.

A business for the long term

Description
The land investment cycle typically spans a three to five year horizon, and so it is important to plan for changes to macroeconomic conditions and industry-specific legislation that could occur over this period.

Our strategy is to operate in mid-market regional locations, which are generally less susceptible to significant market movements.

We aim to grow the business in a considered way, such that organic growth can be supported by the free cashflow generated, with targeted free cashflow of 50% of EBITDA over the medium term.

Performance
We redesigned our housetype portfolio to ensure compliance with Part L building requirements.

The Partnerships model was expanded and volumes increased from 7% to 11% in the year.

We reappraised new land acquisitions to ensure intake margins were robust and met hurdle rates, in light of persistent cost inflation and firm, but at best flat, selling prices.

Free cash of £93m generated in the year, which represented 58% of EBITDA.

Link to KPI
3 4 5 6 7 9 10 11 12

Looking ahead
We have already started on the next evolution of our housetypes, to comply with Future Homes Standards in 2025.

The roll-out of the Partnerships model, such that output increases towards the medium-term target of 20% of overall volumes.

A cost reduction exercise will be undertaken in collaboration with our supply chain partners, in light of the significant levels of cost inflation experienced pre-COVID-19. This will lower our cost base and, in turn, ensure we remain competitive in the land market.

Key to KPIs
1 Revenue
2 Average selling price
3 Adjusted gross margin
4 Adjusted operating margin
5 Return on capital employed
6 Free cash flow
7 Forward sales
8 Private sales rate
9 Consented landbank
10 Strategic landbank
11 Customer satisfaction
12 Health and safety

Our integrated Group strategy continued

Strategy in action case studies

Group strategy

Invest in high-quality land

Investing in higher-margin strategic land

New land is crucial to our business, supporting our success and growth. At Bridgewood Green in Collingham, Yorkshire, we purchased a site, initially secured through an option agreement.

Securing land at different stages of the planning process helps us balance our portfolio and financial returns by combining immediate and strategic land opportunities. We acquire immediate land on the open market once it has at least outline planning consent, whereas strategic opportunities are those without any planning status, where we can add significant value to the process and secure higher returns.

At Bridgewood Green, in Collingham, we submitted an outline application for a greenfield site allocated for housing in the Leeds Local Plan, which was subsequently approved. Following this, our regional team drew up detailed proposals for the reserved matters application, aiming to create a diverse range of family housing that would be sensitive to the local environment and character, and contribute to a sustainable development. Consent was granted in late 2021, and we acquired the site shortly thereafter.

We have contributed to local transport improvements, as well as to helping combat local flooding in the village. We also supported the local sports association, and hope to build upon this relationship.

The development will provide 129 high-quality homes through to mid-2026 in the heart of what is known as the Golden Triangle of Yorkshire. In a region where competition is strong, we now have a premium sales outlet with above-average financial returns, thanks to our commitment to medium term strategic land opportunities and our commercially focused land teams.

Key statistic

129

high-quality homes will be provided through to 2026

Link to A Better Place – our sustainability strategy

Group strategy

Customer-focused business

Improving the customer journey

We welcomed the introduction of the New Homes Quality Code (NHQC), which offers our customers additional reassurance on the quality of their home and the service they receive.

Our procedures for ensuring quality homes and customer service were already rigorous – we have achieved a 5-star rating in the HBF Customer Satisfaction survey for 12 of the last 13 years.

However, we always strive to improve, and in 2023 we introduced new internal systems that allow us to track our customers' home buying journey in real time, from reservation through to completion and beyond.

Using bespoke software, we have brought together extensive data sources to evaluate a range of areas throughout the customer journey, from response times and complaint management, to assessing performance and identifying improvement opportunities.

The MyMillerHome app and customer portal was a first for the industry, and has now been downloaded over 30,000 times. It provides customers with details of their new home, meetings and all the information they require to navigate the customer journey through to purchase. Our digital customer journey ensures both we and our customers can track all stages of the build and sales process, and allows us to closely monitor our compliance with the NHQC.

Key statistic

30,000

downloads of the MyMillerHome app

Link to A Better Place – our sustainability strategy

Our integrated Group strategy continued

Strategy in action case studies

People and society

Increased investment in training for employees at every level

For development and training, we know one size does not fit all, and so in 2023, we refined our approach.

We have doubled the number of training events available to our staff, as well as ensuring they include a more blended approach of online and in-person sessions. The range of courses we now offer includes sessions for those new to the business, through to more strategic leadership programmes, ensuring we deliver the right training to the right employee at the right time.

In 2023, we introduced our Management Essentials programme. This helps employees become highly capable people managers in key areas such as recruitment, performance management and staff development. In addition to the specific topics, we include current workplace topics such as diversity and inclusion, and mental-health awareness, so managers and leaders can be confident and knowledgeable in what can be difficult issues. Management Essentials has been hugely popular, with over 475 individuals taking part.

The learning and development team has also focused on addressing the training needs identified in our employees' annual Personal Development Reviews, targeting training to where it was requested most.

On average during the year, each employee received 3.1 training days, reflecting both our commitment to, and the enthusiasm of our employees for, improving skills and career progression.

Key statistic

475

individuals are taking part in our Management Essentials programme

Link to A Better Place – our sustainability strategy

A business for the long term

Developing our Partnership model

As part of our strategy to increase our annual output from 3,600 to 6,000 homes, we aim to increase the sale of partnership units, mostly for the rental market.

Working with both Registered Providers (RPs) and Private Rented Sector (PRS) institutions in recent years, we have sold around 300 homes a year primarily to regional RPs. Our aim is to grow this to over 1,000 homes a year, underpinned by our 40,000-unit strategic landbank, which contains larger-than-average sites in areas we believe suit these additional tenures.

Partnership homes on developments of 200+ units will complement our existing offering of both private and affordable homes as already delivered at Kedleston Grange (pictured above). Collaborating more with RPs and PRS providers means we can buy larger sites without the need to divest land parcels to other housebuilders, avoiding direct competition on larger sites.

The partners we work with value the quality of our homes we build, our ability to complete on time, and our locations.

An example of this is Stanton Cross, a 28-acre site in a highly sought-after area of Wellingborough, Northamptonshire. It is part of a comprehensive development, with outline planning permission granted in 2008 for a sustainable urban extension of up to 3,100 homes. In December 2023, we acquired a land parcel there, where we plan to build 347 homes –150 private, 180 partnership and 17 affordable, offering a mix of two, three, and four-bedroom homes. We are providing the partnership units to Legal and General, with the contract agreed simultaneously with the land purchase, substantially de-risking our investment.

Key statistic

397

partnership homes sold in 2023. Our aim is to grow this to over 1,000 homes a year

Link to A Better Place – our sustainability strategy

Market review

The cost-of-living crisis, persistently high inflation and rising interest rates dominated domestic headlines in 2023, and were foremost in our customers' minds when considering a home move.

Our market is affected by the availability and affordability of mortgages, and levels of consumer confidence. Notwithstanding these dynamics, our market and its longer-term outlook are underpinned by unemployment remaining low, and the continuing under-supply and strong demand for housing. Understanding customer sentiment, and having a cushion afforded by our strong forward-sold position, were vital to our performance in these challenging market conditions.

Pictured: Garshake Gardens, Dumbarton, Scotland West

Key to risks

1. Economic conditions, mortgage supply and rates
2. Land availability
3. Availability and cost of materials and subcontractors
4. Government regulation
5. Fire safety
6. Safety, health and environment (SHE)
7. Reputation
8. Attract and retain employees
9. IT
10. Availability of finance
11. Fraud
12. Pensions

Increasing interest rates and mortgage affordability

The Bank of England base rate increased from 3.5% to 5.25% during the year. With inflation pressures easing during the latter half of the year and predictions that it would come back in line with the Bank of England's target in the latter half of 2024, this led to financial markets pricing in interest rate reductions in 2024, in turn translating into falling mortgage rates in the latter part of 2023.

Potential impact

Due to falling mortgage rates, the latter part of the year improved for mortgage lending, with more available products and a downward trend in interest rates. For our typical customer, there were options available for mitigating against higher rates, such as increasing the mortgage term.

Opportunities

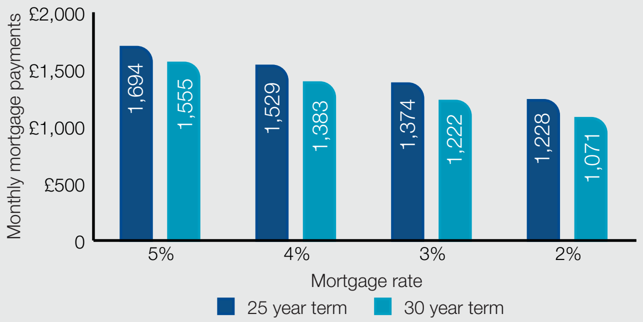
Throughout the year, monthly expenditure became an important consideration for customers, making the lower running costs of a new home more attractive than customers' existing home running costs, with a saving of over £2,000 on the average household's annual energy bill compared to an average EPC D rated second hand property. A new product only available to the new-home sector has been launched in 2024 which reduces monthly costs in the first couple of years of the mortgage through assistance from homebuilders.

Our response

Our sales teams are trained to help customers by guiding them to independent, local, specialist new-home mortgage brokers and we participate in schemes to assist our customers.

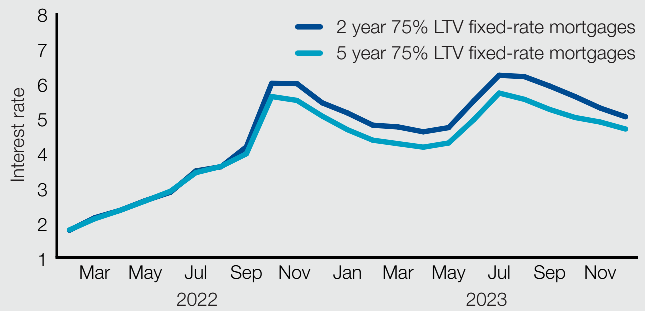
Link to risk 1 10 12

85% Loan to Value (LTV) for a £341,000 (average cost of a Miller home) over 25 and 30-year term.



Source: Threshold Mortgages

Bank of England quoted 75% LTV mortgage rates February 2022 to December 2023



Source: Bank of England

Consumer confidence

At the beginning of the year, the GfK Consumer Confidence index fell to -45, mainly due to high inflation and cost-of-living pressures. Inflation moderating from 8.8% to 4.2% contributed to the index recovering to -22 by the end of the year, closer to the long-running average of -11.

Potential impact

There is generally a link between consumer confidence and housing transaction levels and prices.

Opportunities

A period of either stability, or modest improvement, in consumer confidence should result in an increased demand for new homes in 2024.

Our response

We offer customers incentives tailored to their needs, including part exchange, help finding a deposit, or other cash incentives.

Link to risk 1 2 10

GfK Consumer Confidence Index 2013 to 2023

Source: GfK

Housing supply

In September 2023, a report commissioned by the HBF showed overwhelming public support for new homes, with 78% of respondents agreeing there is a UK housing crisis, and 68% saying building more homes is vital to resolving the problem. The findings of the CMA market study have underpinned this view. The 210,320 homes built in 2022/23 (Source: ONS) is significantly below the UK Government target of 300,000. That target is based on net migration of 170,000 a year, whereas it was 470,000 in 2022 and 770,000 in 2023. This means the target figure itself is significantly short of real housing need.

Potential impact

Year on year, the disparity between supply and demand of homes has a significant impact on society. The inability to secure a home at prices that are affordable affects family life, inter-generational fairness and homelessness.

Opportunities

Seeking to deliver higher volumes, we welcome any initiative that will increase housing supply, primarily by reform of the planning system. We recognise the significant benefits new housing contributes to society, the environment and economy.

Our response

We have doubled delivery of our homes, from c1,500 in 2012 to c3,600 in 2023, with an operational platform to build 6,000 homes in the medium term.

Link to risk 1 2 3 4

Government regulations and policies

In 2023, planning policy in England has been in a state of flux, local planning systems are collapsing through lack of investment and there were three different housing ministers, exacerbating the policy vacuum.

Potential impact

A revised National Planning Policy Framework was published in December 2023. Most commentators believe it will water down housing targets and so reduce newly consented land, making meeting UK Government targets increasingly unlikely.

Opportunities

All political parties accept there is a housing crisis and remain committed to 300,000 new homes a year in England. Therefore, the planning system needs to support sustainable new developments. When that happens, our strategic landbank is well placed to benefit and we are ready to play our part.

Our response

We support reforms to the planning system that would create sustainable development sites and support production.

Link to risk 4 5 6 7

Market review continued

House prices

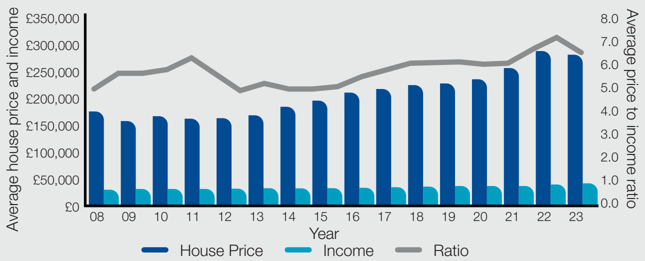
In 2023, headline prices were largely flat, though by using incentives, we experienced a modest fall in like-for-like pricing. While Halifax reported a 1.7% increase for the year, Nationwide reported a 1.8% decrease. However, all indices show house prices as resilient in 2023, underpinned by the imbalance in demand and supply.

Potential impact
The relative stability in house-prices mitigated any meaningful impact on our margins and together with tenacious sales rates, provided us with the confidence to re-enter the land market.

Opportunities
At the end of 2023, there were encouraging signs of mortgage rates edging down and forecasts showing that inflation may return to target in 2024. An increase in median incomes across the UK in 2023 also strengthened affordability, a trend we expect to continue in 2024, with consumer confidence also forecast to improve.

Our response
We would welcome stability in mortgage rates. A return to a “normal”, less-volatile market would enable consumer confidence to return and make moderate house-price growth possible.

House price, income and ratio 16-year time series since 2008



Source: Lloyds Banking Group

Link to risk 1 2 10

Skills and labour shortages

Our approach to managing our skills needs is based on a combination of training and developing our own people and utilising a robust and loyal network of subcontractors. The regional focus of our business means we are less reliant on EU labour than businesses that operate in London.

Potential impact
Following higher output per site in 2021 and 2022, we worked closely with our subcontractors, sharing our plans and helping develop their businesses to ensure they have adequate capacity to manage our future requirements.

Opportunities
By helping our subcontractors manage the impact of new legislation, we build commitment and loyalty. We have also committed to improving communication with our subcontractors through the introduction of a new portal.

Our response
In the short term, we are conscious of the need to bring new talent into our workforce, supporting 41 trainees and apprentices across the business in 2023. In the longer term, we are mindful that to substantially increase output, in line with the UK Government’s targets for new homes, we will need to develop off-site building techniques and consider options for automating some of our construction processes. This is an area we are already exploring with our timber kit business, Walker Timber.

Link to risk 3 8

Renting versus buying

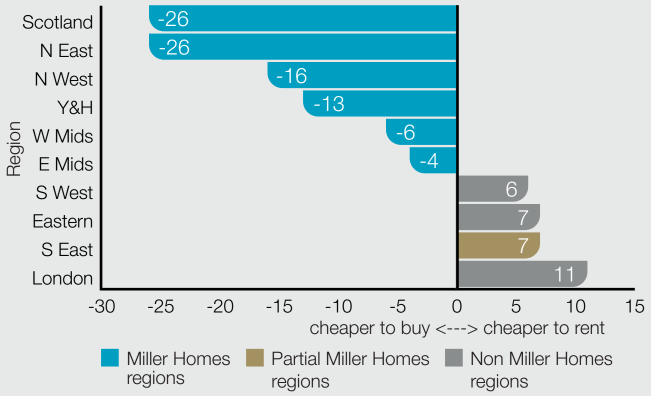
Despite higher mortgage rates in 2023 than in the previous ten years, in most areas it was still cheaper to buy than rent, due mainly to a 6.2% increase in UK private rental prices in 2023 (source: ONS).

Potential impact
In August 2023, Zoopla highlighted that in most of our regional locations, buying was still cheaper than renting. Since then, interest rates have reduced by 1% and the direction is positive.

Opportunities
We are confident that buying rather than renting remains a financially attractive option for customers in the majority of our regional markets. Modifications to previous tax benefits, and legally required climate retrofits to decarbonise stock are resulting in many landlords selling their properties, reducing rental availability and pushing rents higher.

Our response
We recognise one of the barriers to home ownership is being able to fund a deposit. We welcome products such as Skipton Building Society’s innovative Track Record Mortgage that offers 100% loan to value provided customers have made rental payments for at least 12 months.

Mortgage Costs as a % of Rent



Source: Zoopla, based on 4.5% product rate at 85% LTV for 30 years

Link to risk 1 4

Energy-efficient homes

Rising energy costs have been a major factor for the increased cost of living in the UK. As new-build homes are cheaper to run than older stock, it has made them more attractive to customers. In England, from June 2023, all homes had to be built to comply with building regulations that make them 31% more carbon efficient to run. The changes planned through Future Homes Standards in 2025 are likely to result in a 75% reduction in carbon emissions when compared with homes built before June 2023. Scotland is on a similar path.

Potential impact
These new regulations increase the cost associated with building our homes. With advanced knowledge of new regulations, we can factor these costs in when assessing and valuing new land opportunities, ensuring we protect our margins.

Opportunities
There is an increasing divergence between the running cost of new and second-hand homes. In July 2023, the HBF’s Watt A Save Report found that the average annual energy bill for a new house is now £1,259, compared with £3,458 for older houses, delivering a substantial 64% saving.

Our response
We have an in-house team that manages our house-type range. They work with the Future Homes Hub, an independent organisation established to facilitate collaboration within the construction industry to meet the UK Government’s net zero and environmental targets, redesigning our house types to meet new and emerging standards.

Link to risk 2 4

Key to risk

1. Economic conditions, mortgage supply and rates
2. Land availability
3. Availability and cost of materials and subcontractors
4. Government regulation
5. Fire safety
6. Safety, health and environment (SHE)
7. Reputation
8. Attract and retain employees
9. IT
10. Availability of finance
11. Fraud
12. Pensions

See our **risk section** on pages 62 to 67
See our **strategy** on pages 07 to 13

Our business model

Within the following four pages we articulate how our business model generates value for our stakeholders and what makes us different as an organisation within our marketplace.

Pages 18 to 19 — Inputs and key resources; What we do
Pages 20 to 21 — What differentiates us; Value we create for stakeholders

Inputs and key resources

People
To achieve our strategic objectives, the support of committed employees alongside skilled, loyal subcontractors is essential. Our business supports around 3,750 people daily, through a combination of c1,250 directly employed staff and c2,500 subcontractors.

Expertise, know-how and track record
Miller Homes has been building homes since 1934, and has an established record of satisfying our customers and creating enduring communities. We have inherent knowledge and expertise in the best techniques and materials to create desirable high-quality homes. With an emphasis on placemaking, an understanding of our customers' needs helps us design homes and developments that meet and exceed expectations. Technology helps us make informed operational choices and take a consistent approach across our regional businesses. We have an award-winning personalised customer-service experience.

Multi-tenure sales channels
We have historically sold private and affordable homes. More recently, we have developed relationships with many RPs and PRS institutions, to create an additional tenure beyond private and affordable homes. These partnerships are particularly valuable on larger sites, which consume more cash, and these contracts provide both accelerated volumes and certainty of revenue.

Landbank
We have two principal land sources: land acquired on the open market, and strategic land that we secure initially through an option agreement and promote through the planning system. Around 70% of our owned landbank is land sourced from the open market, with the balance being former strategic land we have purchased following the receipt of planning. We acquire land with a minimum of outline planning consent, and 84% of our owned landbank has an implementable planning consent.

Relationships
We work with a variety of stakeholders, including local communities, local authorities, landowners, suppliers, subcontractors, our employees and, ultimately, our customers. Therefore, we must establish, maintain and nurture effective working relationships with all stakeholders to ensure we understand their needs and concerns, and build strong and lasting relationships. We adjust our policies, processes and procedures to meet our stakeholders' needs and construct high-quality new homes.

Read more on pages 34 to 35

What we do

01 Land

What we do
We identify opportunities in popular locations suitable for family homes. When acquiring land, we have both gross margin and ROCE targets. Site location is important in ensuring there will be sufficient customer demand to achieve our required selling prices and sales rate and deliver sustainable communities.

How we add value
We add value to land both before and after purchase using innovative layouts. Margins are enhanced through our strategic landbank, which provides us with security of land supply allowing a more selective approach to purchasing land on the open market.

02 Planning, design and innovation

What we do
We work with local communities to design high-quality homes in sustainable developments resulting in successful planning outcomes. We use standard house types across the Group, tailored externally to suit each location. Our in-house design team develop these house types, which in 2023 accounted for 96% of private completions.

How we add value
Our developments create direct and indirect jobs, provide affordable homes, make improvements to local road networks, and create or contribute towards new education and community facilities. Our portfolio of house types provides flexible layouts that can be adapted to our customers' needs.

03 Procurement

What we do
Our central procurement team sources the vast majority of our housebuilding materials from national suppliers, ensuring consistency, quality and cost efficiency.

How we add value
Centralised purchasing ensures optimum prices and helps our suppliers manage quality and delivery times effectively.

04 Production

What we do
Suitably qualified employees manage our construction sites, with construction activities typically outsourced to local contractors. We adopt a partnership approach with our subcontractors, many of whom have worked with us for several years. The use of standard house types not only provides cost certainty but also increases building familiarity for our construction teams.

How we add value
We have a well-defined quality assurance process, which is further supported through NHBC CQRs undertaken for all the key building stages of every home constructed and providing our warranties. Our build quality is also measured by the HBF Customer Satisfaction Survey.

05 Sales

What we do
Our sales managers focus on securing reservations and exchanging contracts before private homes are completed. Increased use of digital marketing has allowed a more analytical and targeted approach to sales, and enables customers to reserve their homes and select optional upgrades online.

How we add value
We regularly adapt our sales platforms and customer journey to ensure we remain relevant and satisfy the demands of our customers. We were the first major homebuilder to create a digital platform to facilitate the reservation of home purchases online and the selection and purchase of optional upgrades. In 2023, 56% of customers initially reserved online and 78% of customers purchased optional upgrades at an average value of £10,700.

06 Customer service

What we do
We have invested in and restructured our customer service teams and a dedicated customer relationship manager is assigned to each customer prior to the home being handed over, who then stays in touch with the customer once they have moved in. This helps build trust between us, our customers and our site teams and improves communication and helps to ensure customers' needs are met.

How we add value
We believe excellent levels of customer service enhance our brand value, and assist both sales rates and selling prices. Our new structure for customer service is helping us improve our customer satisfaction scores.

Quality homes

Our business model continued

What differentiates us

Consistent business processes

There is a high degree of consistency in how we run and oversee our ten regional businesses.

- Land: We use a bespoke land appraisal system, with all acquisitions approved by the CEO, CFO and General Counsel.
- Planning: Our portfolio of standard house types provides design and cost certainty as well as build familiarity.
- Procurement: Centralising purchases ensures consistency of product quality, and optimum prices.
- Production: A well-defined quality assurance process supported by NHBC reviews.
- Sales: A digital CRM system to record all aspects of the customer journey and ensure a consistent approach to leads.
- Customer service: A consistent process across all regions, with dashboards monitoring compliance with the NHQB Code of Conduct.

Diversification

Our regional network provides a platform for creating 6,000 homes a year, subject to market conditions, demand and continued land investment over the medium term. Diversification helps us achieve this target.

- Regional diversification: Each regional business is capable of building around 600 homes a year, and each represents around 10% of the Group target.
- Tenure diversification: We are expanding our Partnership model to around 20% of overall Group volumes in the medium term. This will reduce reliance on private homes, which are expected to fall to around 60% with affordable homes making up the 20% balance.
- Customer diversification: We offer a broad range of house types on our developments, typically from two to five bedrooms supplemented with a small proportion of apartments. Three and four-bedroom homes account for 79% of our private completions. This helps cover the spectrum of purchasers from first-time buyers (30% of all private completions) to cash buyers (21% of all private completions).

Agility

We have a number of levers that allow us to adapt to changes in market conditions.

- Land purchases: Strategic land agreements provide flexibility with security of supply but without the obligation to purchase, and at a value to be agreed at the point of purchase, rather than when entering the option agreement itself.
- Outsourced subcontractor model: Our in-house production team manages our developments using regional subcontractors, ensuring a flexible, low-fixed-cost base.
- Sales incentivisation: We can offer a tailored package of incentives, such as part exchange and stamp duty contributions, to enhance sales rates if required, in contrast to the second-hand market.

Pictured: Trinity Green, Chester-le-Street, North East

How we do business

ESG

We are a purpose-led organisation focused on long-term success – creating better places where people and planet prosper.

Our sustainability strategy, A Better Place, facilitates a culture across Miller Homes that encourages working towards a sustainable future (E), For the benefit of everyone (S), Done the right way (G).

We are focused on doing the right things and making the right choices across the whole organisation. There are ongoing initiatives minimising the environmental impact of our operations and supporting the supply chain to act responsibly and take action to reduce their impacts. We are developing more energy-efficient homes for our customers, and improving the habitats, biodiversity and local environments of our developments.

This approach to the way we conduct ourselves further builds our brand reputation and provides us with an additional competitive advantage.

a better place

Read more about our sustainability strategy – **A Better Place** on pages 36 to 49

To specifically read about

A sustainable future (E) read pages 38 to 41

For the benefit of everyone (S) read pages 42 to 45

Done the right way (G) read pages 46 to 47

The value we create

Society

We go beyond simply building homes. We help create communities with the infrastructure that will support local needs for years to come, including good access to open spaces, amenities, transport connections, schools and workplaces. We contribute to Government finances both directly and indirectly.

£96m
Contribution to Government finances

Shareholders

We provide investors with timely and relevant information through regular communications, to allow speedy and informed decision making. We seek to achieve regular, stable and predictable returns for our investors.

£93m
Free cash generated

Supply chain

We support our subcontractors and supply chain partners, so they too have sustainable businesses, adopt safe working practices and invest for the future. Our visible order book and significant land pipeline help plan capacity. We collaborate on continuous improvement initiatives, and pay promptly.

£700m
Payments made to supply chain

Customers

We hand our customers the keys to homes built to the highest standards, customised to their needs, in the area they want to live. Our various house types provide homes at price points accessible to first-time buyers and families with a need for more space.

92%
HBF 5* rating for customer satisfaction

Employees

Our employees receive fair pay, benefits, professional development opportunities and a clear career path. We aim for a positive work environment, with equal opportunities throughout the organisation. Recognising and acknowledging employees' achievements, both big and small, reinforces a positive culture of appreciation.

21,453
Hours of training completed

Key performance indicators

The Group consistently reports against a suite of financial and non-financial metrics.

Key to strategic priorities

Invest in high-quality land

Customer-focused business

People and society

A business for the long term

Key to KPI type

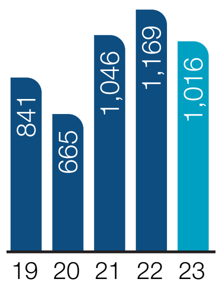
F Financial

NF Non-financial

1 Revenue (£m) F

£1,016m

-13%



Definition
This represents revenue that is predominantly generated through the sale of new private, affordable and partnership homes; and to a lesser extent, revenue from the sale of land, where it is capital-efficient to sell a portion of larger sites; and revenue from external sales generated by Walker Timber.

Performance
Revenue decreased by 13% in 2023 due mainly to an 11% reduction in core completions, which was as a result of weaker market conditions, with sales outlets broadly stable.

Link to Group strategy

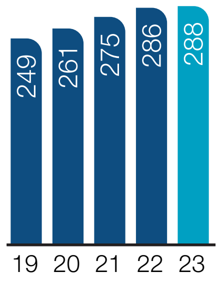
[1] Movements and 2022 figures are based on 12-month proforma results as opposed to 9 month statutory results to aid comparability. A reconciliation of the proforma Income Statement is provided on page 33

[2] Figures for 2018-2021 are for Miller Homes Group Limited which was acquired by the Group in March 2022

2 Average selling price (ASP) (£000) F

£287,700

unchanged



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

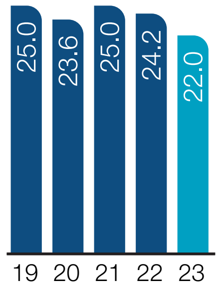
Performance
ASP increased marginally to £287,700 (2022: £286,500), despite the proportion of higher-value private-home completions falling to 70% (2022: 74%). Private ASP was 1% ahead at £341,300 (2022: £337,700). This compared to increases of 12% and 13%, respectively, in the ASPs of affordable homes and partnership homes to £157,700 (2022: £141,000) and £171,400 (2022: £151,200), respectively.

Link to Group strategy

3 Adjusted gross margin (%) F

22.0%

-2.2%



Definition
This represents gross profit, excluding exceptional items, divided by revenue. It measures the Group's underlying profitability before administrative expenses.

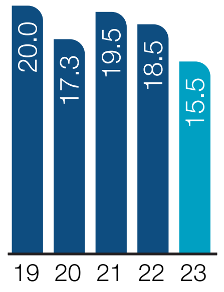
Performance
The reduction in 2023 was mainly because of the impact of cost inflation of around 3%, which, unlike previous years, we could not mitigate through increased selling prices.

Link to Group strategy

4 Adjusted operating margin (%) F

15.5%

-3.0%



Definition
This represents operating profit, excluding exceptional items, divided by revenue. It measures the Group's underlying profitability after administrative expenses.

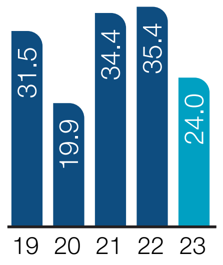
Performance
The reduction in 2023 principally reflects lower gross margins as explained previously, and lower recoveries of administrative expenses. In relation to the latter, while they were relatively flat year on year in absolute terms, the reduction in completions and, in turn, revenue, resulted in administrative expenses as a percentage of revenue increasing to 6.8% (2022: 5.8%).

Link to Group strategy

5 Return on capital employed (%) F

24.0%

-11.4%



Definition
This represents operating profit excluding exceptional items, expressed as a percentage of average tangible capital employed, which is the average of the opening and closing balances of tangible capital employed for each financial year.

Tangible capital employed of £678.7m (2022: £628.2m) represents net assets of £585.8m (2022: £537.1m) excluding loans and borrowings of £798.3m (2022: £801.0m), cash of £194.2m (2022: £189.8m), lease liabilities of £7.6m (2022: £8.3m), intangibles of £551.7m (2022: £551.7m), a foreign-exchange swap asset of £10.1m (2022: £19.7m) and deferred tax on intangible assets of £43.0m (2022: £43.0m).

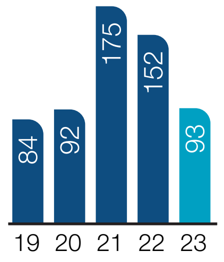
Performance
The decrease in the year reflects a 28% decrease in operating profit pre-exceptional items combined with a reduction in capital turn (as defined by revenue divided by average tangible capital employed) to 1.6 times (2022: 1.9 times). This reflected the impact of lower sales rates and increased inventory levels.

Link to Group strategy

6 Free cashflow (£m) F

£93m

-39%



Definition
This represents cash generated in the year of £4.4m excluding cash flows from financing activities of £3.5m, investing activities (other than movement in loans to joint ventures) of £1.3m, corporation tax paid of £16.9m, interest paid of £66.4m and transaction costs.

Performance
Free cash generation of £92.5m was down on the prior year figure of £151.6m. Free cash generated in the year equated to an EBITDA conversion ratio of 58%, which is higher than the Group's medium-term target of 50%.

Link to Group strategy

Key performance indicators continued

Key to strategic priorities

- Invest in high-quality land
- Customer-focused business
- People and society
- A business for the long term

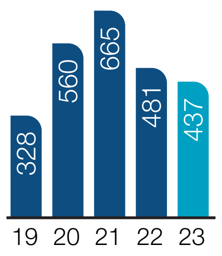
Key to KPI type

- F Financial
- NF Non-financial

7 Forward sales (£m) F

£437m

-9%



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

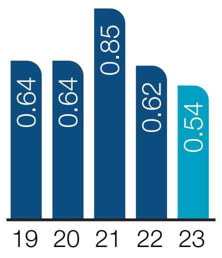
Performance
Forward sales decreased by 9% to £437m (2022: £481m). The reduction in the year reflected the unwinding of an abnormally high opening position that had accrued over the previous two years following increased demand and supply constraints caused by COVID-19. The 2023 year-end balance of £437m is still significantly ahead of the last pre-pandemic year, in 2019, of £328m.

Link to Group strategy

8 Private sales rate (per site week) NF

0.54

-13%



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

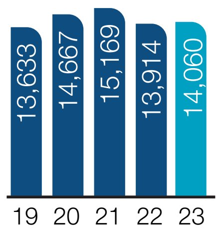
Performance
The private sales rate fell by 13% in 2023 and is also similarly lower than our average sales rate over the last ten years (excluding the 2020 – 21 COVID-19 period). This reduction was largely caused by a subdued start to 2023 as a consequence of the more challenging sales conditions in Q4 2022 following the September 2022 mini-budget.

Link to Group strategy

9 Consented landbank (plots) NF

14,060

+1%



Definition
This represents land from the Group's owned and controlled landbanks. All land in the consented landbank benefits from at least an outline planning consent, or a resolution to grant planning consent.

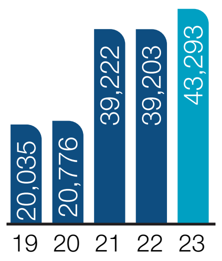
Performance
The owned landbank fell by 2% to 10,483 plots (2022: 10,724 plots). Although we re-entered the land market in early 2023, negotiations with vendors were protracted as we sought to secure favourable terms. This resulted in a relatively modest number of purchases in 2023 at 17 sites, but has led to a significant pipeline of acquisition opportunities for 2024. The controlled landbank increased slightly to 3,577 plots (2022: 3,190 plots), resulting in an overall consented landbank of 14,060 plots (2022: 13,914 plots).

Link to Group strategy

10 Strategic landbank (plots) NF

43,293

+10%



Definition
This represents land the Group has secured via either an option to purchase at a future date or a promotion agreement triggered 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.

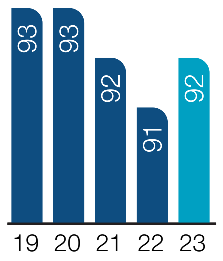
Performance
The strategic landbank increased to 43,293 plots (2022: 39,203 plots) as the Group sought to underpin its medium-term growth aspirations. The increase largely reflected the impact of new option agreements entered into during the year offset by site acquisitions with the associated plots transferred to the owned landbank.

Link to Group strategy

11 Customer satisfaction (%) NF

92%

+1%



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

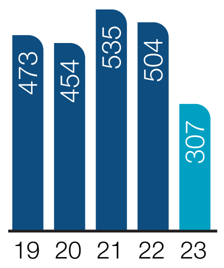
Performance
The Group redesigned its customer journey processes during the year and, in March 2023, was awarded the HBF five-star rating for customer satisfaction for the 12th time in the last 13 years.

Link to Group strategy

12 Health and safety NF

307

-39%



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

Performance
There was a 39% improvement in the AIR score in the year, which was attributed to a concerted engagement strategy between site management teams and subcontractors aimed at reducing the number of reportable accidents.

Link to Group strategy

[1] Movements and 2022 figures are based on 12-month proforma results as opposed to 9 month statutory results to aid comparability. A reconciliation of the proforma Income Statement is provided on page 33

[2] Figures for 2018-2021 are for Miller Homes Group Limited which was acquired by the Group in March 2022

Chief Executive Officer's statement

We performed strongly in 2023 and took strategic actions that have positioned us well for 2024.

Stewart Lynes
Chief Executive Officer

Operational highlights

- Average sales price largely unchanged at £288,000 despite an increase in incentive levels
- A significant decline in cost inflation in 2023 which we mitigated to 3%
- New Partnership division launched with target to grow this to 20% of overall volumes
- Re-entered the land market in a cautious way with 3,222 plots acquired in the year resulting in a 2% reduction in the owned landbank of 10,483 plots

Key statistics

22.0%
-2.2%
adjusted gross margin[1]

£437m
-9.0%
forward sales

1 Gross margin excludes exceptional items of £11.3m. Movements based on 12 month proforma results as opposed to 9 month statutory results to aid comparability
2 Operating profit of £145.8m excluding exceptional items of £11.3m

Overview of the year

In what was a challenging market environment in 2023, the Group has achieved a strong set of results. The mortgage rate spike in the autumn of 2022, and the persistence of high levels of inflation, have had a major impact on the economy, our sector and consumer confidence generally. My objective at the start of the year was to protect the business in what was clearly going to be an uncertain year, and to protect the people who rely on us, including approximately 1,250 direct and 2,500 indirect employees.

This called for a back-to-basics mindset, refocusing on some of the key disciplines behind our enduring success – developing our people, improving customer satisfaction, setting ambitious cost-control targets, and re-emphasising our sales focus. Just as important was maintaining a discipline on land acquisition, which is key to a successful homebuilding business. We had paused land acquisitions in the second half of 2022 and then restarted on a selective basis at the beginning of 2023. These decisions have enabled us to build a strong foundation for taking our business forward in 2024 and beyond with a healthy land pipeline and strong order book. Other actions include formulating a 2024 cost-reduction strategy, and expanding our Partnerships model, which allows us to build additional volumes primarily for the rental market.

Summary of performance

Sales rates rebounded from the lows experienced in Q4 2022, yet overall were still below 2022 and the long-term average for the sector. Overall completions were 3,585 (2022: 3,970), which includes joint venture completions of 110 homes (2022: 49). The reduction in volumes was most pronounced in private home sales, which fell to 2,432 (2022: 2,887) with affordable home sales of 646 (2022: 751), whereas partnership volumes increased to 397 homes (2022: 283 homes).

Accordingly, adjusted operating profit[2] fell to £157.1m (2022: £216.6m) with approximately two thirds of this reduction due to lower volumes and one third caused by weaker margins, principally reflecting cost inflation that we could not offset by increased selling prices. Due to strong relationships, we worked with our suppliers and subcontractors to help alleviate some of the inflationary impacts. Through a combination of careful cost management, the retendering of framework and supply packages, and supplier negotiation, we mitigated overall cost inflation in 2023 to around 3%, with most of the adverse impact experienced in the first half of the year.

Cash generation was strong, resulting in a year-end cash balance of £194.2m (2022: £189.8m). We remained patient in the land market, renegotiating deals to ensure we achieved our desired intake margin and payment terms, and acquired 17 sites. In 2023, our marketing strategy for homes focused on deal-led initiatives, which resulted in incentives of around 5%, which we largely accommodated within our dealing margins, resulting in net selling prices being broadly stable.

Our strategy

In theory, what makes a great homebuilding business is straightforward. Acquiring the right sites in the right locations is our raw material. That is a skill in itself, but then the additional expertise is to combine the landbank with excellent people who can manage and oversee every step of the process, through procurement, production, sales and service, to the desired outcome of happy customers. If you succeed in these three elements of land, customers and people you have a sustainable business for the long term.

Four pillars form our strategy, with A Better Place, our sustainability strategy as the overarching consideration to be applied to everything we do.

Invest in high-quality land

Land is key to our business model. We have grown our business by maintaining a disciplined and rigorous approach to land acquisition. In 2023 we renegotiated a significant number of deals to reflect market conditions and ensure they met our desired hurdle rates. To identify land that supports our required sales rates and selling prices and that will deliver sustainable communities, we focus on areas of high demand in edge-of-urban or suburban locations, close to good schools, employment opportunities and transport links. In 2023, we acquired 3,222 plots (2022: 3,008) on 17 sites – although we finished 22 sites during the year, so the total number of sites has reduced. The average site acquired, at 190 plots, is higher than in previous years, but we have de-risked larger sites through agreements to sell Partnership homes. We have high-quality land in the pipeline, and options and flexibility to invest further in 2024 subject to market conditions.

Consented landbank
All land within our consented landbank of 14,060 plots (2022: 13,914) has a minimum of outline planning consent. Our owned landbank fell to 10,483 plots (2022: 10,724), as plots completed outnumbered those acquired. We prefer to acquire land that has a detailed planning permission and 84% (2022: 84%) of the year-end owned landbank has this status. The remaining 3,577 plots (2022: 3,190) are in our controlled landbank, which we do not yet own, but control through a contract or option agreement. The owned landbank's average selling price (ASP) increased slightly to £301,000 (2022: £298,000). The average plot cost increased marginally to £44,800 (2022: £44,100) and, as a percentage of ASP, increased to 14.9% (2022: 14.8%).

Strategic landbank
To support our aspirations for profitable growth, we continued to invest in our strategic landbank, which we control through either option or promotion agreements but have not yet bought. We promote these sites through the planning system to acquire them at an average 15% discount from market value and only purchase after we receive planning consent, in turn transferring them to the owned landbank. We have a strong record of converting our strategic options, as 29% (2022: 32%) of our current owned landbank was formerly strategic land. The strategic landbank is, in effect, the future of the business, and increased to 43,293 plots (2022: 39,203). The balance-sheet value of £29.4m represents only the cost of the initial agreements and planning promotion costs, and is therefore relatively low.

The planning environment
The significantly delayed revised National Planning Policy Framework (NPPF) in England was published in December 2023. The delay resulted in the plan-led system grinding to a halt, with over 60 Local Plans withdrawn or delayed, contributing to planning consents being at a seven-year low. Similar frustrations exist in Scotland, with Local Development Plans also being revised and likely to stall development in some cases.

> "We mitigated overall cost inflation in 2023 to around 3%, with most of the adverse impact experienced in the first half of the year."
>
> **Stewart Lynes**
> Chief Executive Officer

Pictured: Stoneyetts Village, Moodiesburn, Scotland West

Customer-focused business

We retained our five-star rating for customer satisfaction for the 12th time in 13 years, scoring 92% (2022: 91%). At the end of 2023, we were rated 4.5 on Trustpilot, in the top tier for homebuilders. I believe the key to these favourable ratings is the commitment of our people in providing outstanding levels of service and our digital capability. However, we are not complacent, and have invested heavily in our customer service team, with 27 additional members recruited to that team in the year, an increase of 31.4%. In addition, we restructured the customer journey to emphasise customer service earlier in the process. We believe this will have significant results as customers become familiar with a local name and face they can turn to when they move on.

Chief Executive Officer's statement continued

Digital first
Allowing customers to reserve their home digitally and, thereafter, personalise their home continued to remain popular. In 2017, we were the first homebuilder to enable customers to make an initial reservation. Demand for this facility grew significantly during the pandemic, and remains popular today – 56% of all reservations in 2023 were initially online (2022: 50%). Personalisation is part of the flexibility we offer customers. Despite being a volume homebuilder our customers can make choices about the look and finish of their homes. Our offering is based on a well-designed and well-specified home, where we then encourage the customer to choose where they spend their money on specifying additional personal touches, something they are able to do online, in their own time. In 2023, 78% (2022: 90%) of customers personalised their homes, spending on average an extra £10,700 (2022: £10,200). The MyMillerHome app has been expanded so customers can now access the personalisation features before they even make a reservation. We intend to make further improvements in 2024 that will offer an enhanced digital experience of our house types and the wider development.

New Homes Quality Code
We formally registered with the New Homes Quality Board (NHQB) in January 2023. Quality and customer satisfaction were already at the heart of our business, but the introduction of the Code provided an opportunity to review all our customer procedures, having rebuilt them into our digital platform in recent years. We revised our customer journey, introducing new touchpoints with the customer and improved the information available to our customers, both before and during reservation. Our site teams have new procedures for completion and handover with more customer involvement. As part of this we developed a digital customer journey, from before reservation through occupation and beyond, providing extensive training to our customer-facing teams. The satisfaction scores from the initial customers following the new customer journey are very encouraging. In addition, NHQB completed its first audit of compliance in July 2023, and we achieved a 100% pass rate.

Quality homes with broad customer appeal
To remain competitive, it is important to have a product range that can appeal to many customers, and that is efficient to build, both in land coverage and cost. Integral to this is the use of standard house types. In 2023, 96% (2022: 96%) of private home completions were from our standard types, and our in-house design team reconfigured these standard house types in England, to comply with the Part L building regulation changes that became effective in June 2023. We provide a wide variety of options for customers, from one-bed apartments to five-bed houses, to meet the requirements of our broad customer demographics, which range from first-time buyers and home movers to downsizers. The National House Building Council (NHBC) measures our build quality and service performance yearly, to provide a ten-year warranty to all customers. Its annual assessment of construction quality (known as Construction Quality Reviews) covers 38 build stages, and our score in the year improved to 4.6 from 4.5 in 2022.

People and society

We recognise the importance of effective employee communication, structured training and development programmes to enable career progression, and creating a culture that helps our people thrive and feel valued. Therefore, we have increased our investment in training this year, including leadership and management courses, NHQC training, and bespoke training for our sales and production teams provided through our Academy system. Training increased to 3.1 days per employee (2022: 2.9).

In 2024, we will continue to develop people to grow with the business. From future leaders to apprentices, we need to find and train the next generation of talented people. With the wide range of skill sets and disciplines required, homebuilding can offer career pathways and training to a broad section of the jobs market. This year we have grown our HR team to support our commitment in this area, and are implementing a new HR system in 2024 to improve our employee interface. Our succession planning and retention has improved, with 22% of employees having worked for 10 or more years, and it is pleasing to report that we were able to promote 80 employees during the year.

Safety, health and environment
This year we have improved leadership and energised our regional strategies with the aim of influencing our SHE culture and performance. We created 12 KPIs, a combination of both leading and lagging indicators we track monthly, and improved on eight of them. This approach has helped achieve a number of tangible benefits, including:

- reducing reportable accidents to 307 (2022: 504)
- no major non-conformities raised by internal or external audit of our system
- a five-fold increase in site inspections by regional management teams.

We also recognise our employees may need support for their wellbeing and, during the year, we provided mental-health training, both for office and site-based employees, using specialist organisations. We have also launched financial wellbeing initiatives, which have been positively received.

Charitable giving
During the year, we donated more than £240,000 to nearly 200 local charities and community groups, either through our Community Fund or to charities nominated by our regional offices and business units. The Community Fund, launched in late 2022 has continued to attract high levels of applications and interest. Our employees who make up our 60 Community Fund Ambassadors award the donations to organisations across diverse themes of education, wellbeing, the environment and sport. In addition, each regional business nominates a charity for the year and fundraises accordingly, supporting ten further charities, an activity our teams enjoy participating in.

A business for the long term

The land investment cycle typically spans three to five years, so an ongoing discipline is to plan for the anticipated macroeconomic environment as well as any relevant legislation that is on the horizon. I believe we have been doing that well through our land acquisition strategy and cost-reduction plans, ongoing enhancements to our standard house types, and our digital customer journey. Other elements of fine-tuning our business for the long term include expanding our Partnerships model, developing carbon-neutral principles and overlaying our business strategy with our ESG strategy, which I will now discuss in more detail.

Expanded Partnerships model
We increased our presence in the Partnerships sector, securing three deals with PRS institutions, which is in addition to the extensive relationships we have with Registered Providers. We see this model as becoming a consistent feature of the business, having the potential to achieve around 20% of the Group's volumes over the medium term. It is a model that brings more certainty as it works in both good and more challenging markets, supports our competitiveness in the land market, and offers a favourable funding structure, with forward funding or progressive funding rather than on handover of the completed home.

Supply chain
We have strong enduring relationships with our supply chain partners, which will be important to the success of our business in the coming years. We have a number of solus agreements, which help consistency, and I thank all our supply partners for their support across the year. Our central procurement team introduced several new suppliers this year, and continued to collaborate with our 100 national suppliers on forward order and contractual information, to enable them to operate and invest with confidence. There were no supply shortages affecting our ability to build, and thanks to a reduction in some key commodity prices, including timber, steel and concrete, cost pressures eased in the second half of the year. Together with improved subcontractor availability, this provides some assurance that we can achieve cost deflation in 2024. We also launched a new digital process that enables site managers to call off materials from suppliers, removing existing manual processes.

Future homes
We have begun to develop a new house type portfolio in readiness for the introduction of Future Homes Standards in 2025. Therefore, we are implementing many of the likely principles of the standards for zero-carbon-ready homes, in advance of the formal standards being published. The new standards will require 75% fewer carbon emissions than from homes built under the 2013 regulations and this needs careful thought and planning. Further support for the timber frame business we acquired in 2021 can take place with the new Future Homes Standards in mind.

A Better Place – our ESG strategy
In 2023, we refreshed our ESG strategy – A Better Place – the culmination of a 12-month review to identify the areas we should focus on, and what we needed to do to achieve meaningful change. More importantly, it provides a grounding that we will be able to weave into everything we do as a business. We established 18 targets in eight themes, and will report on them regardless of performance. Our ESG Committee, chaired by our General Counsel, and with members from different functions, meets every two months to monitor and direct progress. We have improved in many of the targets during the year, but many of the initiatives launched this year will bear fruit in future years. 91% of directly contracted electricity supplies across sites and offices are certified renewable, 94% of our car fleet is either hybrid or electric, and waste-management initiatives aim to reduce on-site waste by 13% in 2024.

Colleagues
Before looking ahead, I would first like to record my personal thanks to everyone in the business for the hard work and commitment they have shown in the year. There were some difficult challenges to overcome, and different to those experienced in recent years, but between us, we have achieved some very rewarding results. The decisions made and the work undertaken in 2023 have ensured we have significant cash resources and a healthy forward sales position.

Outlook
Our cash and order book position provides a strong foundation for 2024 and I anticipate we will be trading in a more positive environment for sales, although the planning environment is likely to still be a major issue this side of a General Election and potentially beyond. There is a lack of supply of new homes, and the homebuilding sector should thrive in that environment. But the UK is not going to build anywhere near the number of homes it needs unless there is reform of the planning system. If a forthcoming General Election is a catalyst to resolving this issue, then a stable mortgage market, lenders with a desire to lend, and inflation under control, will combine to bring renewed confidence in the sector. This will enable us to capitalise on our pipeline of exciting land opportunities as we look to grow outlet numbers in the latter half of 2024 and, in turn, volumes in 2025.

Stewart Lynes
Chief Executive Officer
Date: 27 March 2024

Chief Financial Officer's review

Operating profit adjusted for exceptional items decreased by 28% to £157m.

Ian Murdoch
Chief Financial Officer

Financial highlights[1]

- Core completions down by 11%, which was primarily responsible for the 13% revenue decline
- Adjusted gross margin of 22% (2022: 24.2%) with the reduction due to 3% cost inflation, which was not offset by house price inflation[2]
- Adjusted operating profit down by 28% to £157m[2]
- Cash balance of £194m remains at an elevated level and serves to support future land acquisition

Key statistics

15.5%
-3.0%
adjusted operating margin[2]

24.0%
-11.4%
return on capital employed

1 Movements based on 12 month proforma results as opposed to 9 month statutory results to aid comparability. A reconciliation of the proforma income statement is provided on page 33
2 Adjusted margin excludes exceptional items of £11.3m

Operating performance[1]

Revenue was 13% lower at £1,015.9m (2022: £1,169.0m). New home revenue fell to £1,000.0m (2022: £1,123.3m) with other revenue also down to £15.9m (2022: £45.7m). The reduction in revenue from new home sales reflected an 11% decrease in core completions to 3,475 (2022: 3,921), with ASP largely unchanged. Private completions fell by 16% to 2,432 (2022: 2,887) with affordable unit completions down by 14% to 646 (2022: 751). Increased Partnership activity resulted in these units increasing by 40% to 397 (2022: 283). The reduction in other revenue reflected lower land-sale activity with revenue of £6.2m (2022: £26.3m), and declining external revenue from Walker Timber of £9.7m (2022: £19.4m) as supplies internally increase.

Financial overview	2023 Units No.	ASP £000	2022 Units No.	ASP £000
Private	2,432	341	2,887	338
Affordable	646	158	751	141
Partnership	397	171	283	151
Core	3,475	288	3,921	286
JV	110	278	49	327
Total	3,585	287	3,970	287

Core ASP increased to £287,700 (2022: £286,500). There was a combination of factors for this, including:

- a 1% increase in the ASP of private homes to £341,300 (2022: £337,700). This rise was despite increased usage of incentives, and would have been higher but for a 1% decline in the average unit size to 1,155 sq ft (2022: 1,163 sq ft)
- a 12% increase in the ASP of affordable homes to £157,700 (2022: £141,000) due to a 3% increase in average unit size and higher prices on newer sites
- a 13% increase in the ASP of partnership homes to £171,400 (2022: £151,200) due to older sites trading out and being replaced by higher ASP sites

offset by:

- an increase in the proportion of lower-value affordable and partnership homes sold in the year, to 30% of core completions (2022: 26%).

Gross profit adjusted for exceptional items fell by 21% to £223.5m (2022: £282.5m), representing an adjusted gross margin of 22.0% (2022: 24.2%). The reduction in margin was mainly due to cost inflation of around 3%, which was not offset by house price inflation. While core ASP was largely flat year on year at £287,700 (2022: £286,500), this was slightly below the assumed level in our site out-turn forecasts at the start of the year, contributing to the remainder of the margin decline. Accordingly, gross profit per core unit completion declined to £64,300 (2022: £72,000). Gross profit, including exceptional items, was £212.2m (2022: £228.1m). The current year's exceptional charge of £11.3m (2022: £41.7m) reflects the identification of additional legacy properties potentially requiring fire-safety remedial works. Last year's exceptional charge comprised fire safety costs (£20.6m) and acquisition related costs (£21.1m).

Other operating income reflected management fee income earned on joint ventures and, to a lesser extent, the net profit on the resale of part exchange properties, and increased slightly to £1.4m (2022: £1.1m). Administrative expenses increased marginally to £69.0m (2022: £67.5m). This largely reflected an increase in staff costs, which was a function of salary inflation. As a percentage of revenue, administrative expenses have increased to 6.8% (2022: 5.8%). The Group's share of joint-venture profit increased to £1.2m (2022: £0.5m), driven by an increase in completions to 110 units (2022: 49 units) as several new joint ventures came on stream.

Operating profit adjusted for exceptional items of £11.3m decreased by 28% to £157.1m (2022: £216.6m), representing an adjusted operating margin of 15.5% (2022: 18.5%).

Finance cost

The net finance cost increased by £7.8m to £80.1m (2022: £72.3m) which reflected:

- a £15.9m increased charge on the senior secured notes (inclusive of amortised deferred financing costs and non-utilisation fees) to £80.2m (2022: £64.3m), which reflects a full year of the new capital structure and higher interest rates
- a £1.4m imputed interest charge on provisions in the current year, with no such charge in the prior year
- a £0.2m decrease in imputed interest on land sale receipts to £0.5m (2022: £0.7m)
- a £0.1m reduction in other interest receivable to £0.2m (2022: £0.3m)
- a £0.1m increase in lease interest to £0.4m (2022: £0.3m)

offset by:

- a £5.8m increase in bank interest receivable reflecting higher rates on cash on deposit to £5.8m (2022: £nil)
- a £2.2m decrease in imputed interest on land payables to £4.7m (2022: £6.9m)
- a £1.6m decrease in the foreign exchange loss to £0.8m (2022: £2.4m)
- a £0.3m increase in interest receivable from joint ventures to £0.6m (2022: £0.3m)

> "The Group continued to generate significant free cashflows resulting in the year end cash balance of £194m remaining at an elevated level."
>
> **Ian Murdoch**
> Chief Financial Officer

Pictured: Kinglass Meadows, Bo'ness, Scotland East

Taxation

The tax charge in the year was £21.1m (2022: £33.8m), which comprised £15.9m (2022: £28.7m) of corporation tax (including £4.5m (2022: £4.8m) of Residential Property Development Tax) and a £5.2m charge (2022: £5.1m) for deferred tax. The Group has a deferred tax liability at the year end of £41.7m (2022: £34.3m), with the movement mainly due to a corporation tax deduction having been claimed for fire safety costs and the higher pension surplus. At the year end, the main elements are liabilities of £43.0m in respect of the intangible brand asset and £5.2m in respect of the retirement benefit surplus, offset by a £6.6m asset in respect of other temporary differences.

The total contribution to the UK and Scottish Government's finances in 2023, directly through taxes borne by the Group itself and indirectly by payroll and other taxes we collect on behalf of both Governments, was £95.7m (2022: £103.1m).

The total amount of tax is significantly greater than the tax charge shown in our accounts and is an indication of our wider financial contribution to the UK economy. 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 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 free cash. Free cashflow in the year was £92.5m (2022: £151.6m) which equated to a cash conversion from EBITDA ratio of 58% (2022: 69%). This is higher than the medium-term average of 50%, as a result of reduced levels of land spend following the actions taken in the second half of 2022.

Chief Financial Officer’s review continued

Pictured: Langley Gate, York, Yorkshire

The Group has a cash balance of £194.2m (2022: £189.8m) and net indebtedness of £601.6m (2022: £599.8m), the components of which are set out below.

- £425.0m (2022: £425.0m) 7.0% senior secured notes due 2029
- €465m (2022: €465m) Euribor plus 5.5% senior secured floating rate notes due 2028 converted at a year-end closing rate of €1.15 to a sterling equivalent of £403.5m (2022: £412.3m)
- lease liabilities of £7.6m (2022: £8.3m)

offset by:

- a cash balance of £194.2m (2022: £189.8m)
- a swap contract asset of £10.1m (2022: £19.7m)
- deferred financing costs of £30.2m (2022: £36.3m).

In addition, the Group has access to a £194.0m (2022: £180.0m) revolving credit facility (RCF). There are no financial covenants in relation to either the senior secured notes or the RCF. The drawn balance on the RCF is limited to 50% of net inventory.

Balance sheet

A high-quality landbank substantially underpins the Group’s balance sheet. The Group’s net assets increased to £585.8m (2022: £537.1m). Tangible capital employed increased by £50.5m to £678.7m (2022: £628.2m).

Net inventory represents statutory inventory net of land payables and increased by 5% to £808.1m (2022: £772.4m). This reflected an increase in inventories to £896.4m (2022: £868.9m) offset by a reduction in land payables to £88.3m (2022: £96.5m).

The year-end land inventory balance fell to £500.5m (2022: £502.7m), which is due primarily to a 2% decrease in the owned and unconditional landbank to 10,483 plots (2022: 10,724 plots), offset by a marginal increase in the average plot cost to £44,800 (2022: £44,100). As a percentage of ASP, the plot cost is slightly higher than last year at 14.9% (2022: 14.8%). Work in progress has increased by 7% to £386.7m (2022: £363.0m). This reflects a combination of annual build-cost inflation, the impact of the new customer handover processes implemented in 2023, and a slower sales market that led to an increase in the number of completed stock units, excluding show homes, to 107 (2022: 36). Part-exchange inventories have increased to £9.2m (2022: £3.2m), which reflected an increase in the use of part exchange as an incentive to 6% (2022: 2%) of private reservations, albeit this is still relatively low by historic standards.

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 payables have fallen to £88.3m (2022: £96.5m). While we re-entered the land market in 2023 following the pause in the second half of 2022, a number of deals had to be renegotiated to meet our hurdle rates and, accordingly, the number of purchases was limited to 17 sites. The amount payable in the next 12 months similarly fell to £49.3m (2022: £79.3m). Land contracts that 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 is £30.1m (2022: £29.6m), of which £12.3m is likely to be paid in the next 12 months.

Shared equity loan receivables represent the Group’s investment in shared equity loans issued from 2008 to 2013. Redemptions in the year resulted in the investment in these assets falling to £2.8m (2022: £3.5m). The Group carries its shared equity assets at fair value with a provision of £6.5m (2022: £6.7m) being held against the initial carrying value of £9.3m (2022: £10.2m).

Pensions

The defined benefit scheme was closed to new entrants in 1997 and to future accrual in 2010. The scheme’s surplus increased to £14.8m (2022: £8.2m), which reflected interest income of £0.4m and an actuarial gain of £6.2m. This gain was due to a combination of experience gains from the new census data compiled for the 2022 triennial valuation, lower inflation expectations and higher asset returns, which were only partly offset by a decrease in the discount rate applied to the scheme’s liabilities.

To take advantage of increased gilt yields, we agreed with trustees to review our hedging strategy during the year. We have increased our interest rate hedge from 70% to around 95%, largely through investing in gilts and, to a lesser extent, gilt derivatives. No further contributions are payable while the scheme remains in surplus on the technical provisions basis, assuming a discount rate of gilts plus 0.25%.

We now provide pension arrangements for the Group’s employees through a defined contribution scheme, with the annual cost reflected in the income statement amounting to £4.4m (2022: £4.0m).

Risk management

The Board maintains a risk register to identify and manage key business risks. Under IFRS 9, the Group is required to disclose the main risks associated with its financial instruments, namely credit risk, liquidity risk and market risk. These are set out in note 23 of the financial statements. In addition to the adequacy of financial resources, the key financial risks are the valuation of inventory, retirement benefit obligations, provisions and intangible assets, as set out in note 27.

Proforma prior year comparatives

For the purposes of allowing the users of these financial statements to better understand the consolidated results of the Group had it been in existence for the full 12 months of 2022, proforma financial information for the comparative prior year period is provided throughout the Strategic report. The consolidated statutory and proforma income statements are reconciled below, the effect of which is to increase the prior year 9-month statutory operating profit of £93.1m to the 12-month proforma operating profit of £216.6m.

	Finco 9 months to 31 Dec 2022 £m	Include MHGL 3 months pre-acquisition £m	Exclude consolidated fair value adjustments £m	Exclude exceptional costs £m	Proforma 12 months to 31 Dec 2022 £m
Revenue	915.7	253.3	–	–	**1,169.0**
Cost of sales	(750.7)	(190.2)	33.8	20.6	**(886.5)**
Gross profit	165.0	63.1	33.8	20.6	**282.5**
Administrative expenses	(73.1)	(15.5)	–	21.1	**(67.5)**
Other operating income	0.9	0.2	–	–	**1.1**
Group operating profit	92.8	47.8	33.8	41.7	**216.1**
Share of result in joint ventures	0.3	0.2	–	–	**0.5**
Operating profit	93.1	48.0	33.8	41.7	**216.6**
Net finance costs	(63.2)	(9.1)	–	–	**(72.3)**
Profit before taxation	29.9	38.9	33.8	41.7	**144.3**
Income taxes	(12.7)	(7.3)	(7.8)	(6.0)	**(33.8)**
Profit for the period	17.2	31.6	26.0	35.7	**110.5**

The information shown above has been prepared as follows:

Finco 9 months to 31 December 2022

This represents the comparative period consolidated income statement of Miller Homes Group (Finco) plc (“Finco”) shown in these consolidated audited financial statements.

MHGL 3 months pre-acquisition

The financial statements of Finco reflect the trading profits of Miller Homes Group Limited (“MHGL”) from 31 March 2022, the date of acquisition, and consequently do not include the results for the first three months of the comparative period. These have been included in the proforma numbers, to show the results for a full 12-month period.

Fair value adjustments

The assets and liabilities of an 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 higher than the original book value. Of the inventories that were subject to the fair value adjustment, 96% were subsequently sold in the final three quarters of 2022, resulting in a higher cost of sales charge. This adjustment removes the impact of fair value accounting as it is a non-recurring item.

Exceptional costs

Acquisition-related costs of £21.1m and fire-safety-related costs of £20.6m have been excluded as they are exceptional in nature.

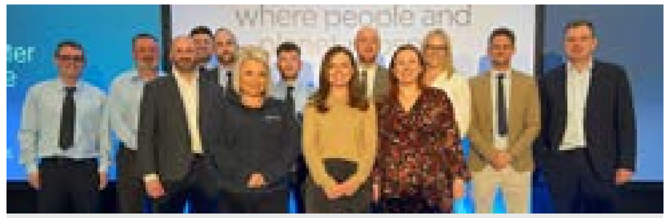
Ian Murdoch
Chief Financial Officer

Date: 27 March 2024

Stakeholder engagement

We regularly and proactively engage with our stakeholders.

Employees



How we engage
- We have increased our involvement with employees on issues they care about, such as health and wellbeing, and charities, through working groups and committees inviting employee feedback.
- We have consulted employees on benefits to inform policy decisions, such as implementing a new policy on our car fleet and promoting electric and hybrid vehicles.
- We have surveyed employees on the support and services we offer to help refresh our strategy.
- Regional Board people-planning sessions informed our People and HR strategy, and all-employee surveys to inform our people-planning process.
- Piloting employee initiatives and incorporating feedback into areas such as maternity coaching and mental health.
- Annual regional roadshows to present updates on performance, strategy and outlook to employees and conduct Q&A sessions.
- Health and safety strategy planning sessions to improve accountability and engagement.

What that means
- Employees championing new initiatives means speedier uptake and smoother implementation.
- Employees are more involved in business plans.
- New initiatives are more likely to be appropriate having had employee input.
- Altering the format of our training to ensure it suits our teams, including webinars, talks, blended learning, digital and classroom.

Shareholders

How we engage
- Executive Directors meet with shareholders at formal Board meetings in person four times each year and regular committee meetings.
- Weekly telephone calls with shareholders and monthly operational virtual meetings.
- Shareholders receive presentations from other members of the senior team.
- Shareholders provided with weekly operational dashboards.

What that means
- During the year, we cemented our communication channels with investor shareholders.
- Formal Board meetings have been reduced in favour of weekly virtual meetings between shareholders and the Executive Team.
- Shareholders have real-time information to allow speedy informed decision making.

Regulators and Government

How we engage
- Meeting with Government departments, including Homes England.
- Advisory position on fire safety matters with the Scottish Government.
- Membership of the New Homes Quality Council.

What that means
- We maintain close relationships with Government, participating in industry working groups to help shape and ensure our awareness of new and emerging legislation.
- We actively engaged with the UK Competition and Markets Authority's market study into the housebuilding sector in England, Scotland and Wales.
- Through participation in the New Homes Quality Council, we can advise on the impact of new regulation.

Banks and funders

How we engage
- Quarterly results published on our website.
- Quarterly result calls with the CEO, CFO and bondholders.
- Regular contact between the CFO and key relationship banks.

What that means
- We increased our RCF by £14m during the year to £194m.
- We engaged with our main mortgage lenders and participated in the OwnNew scheme at the start of 2024.

Customers

How we engage
- A mixture of customer surveys and polls conducted during the year generated over 2,000 responses. We used the findings to incorporate popular features into our homes.
- Over 100 events took place across our regions to showcase new show homes, including events to explain part exchange and introduce customers to independent financial and legal advisers.
- We introduced additional touchpoints as part of our new customer journey, to enhance the customer's experience. We also reviewed our customer service structure and created the new role of Customer Support Managers. This provides a Miller Homes point of contact for our customers before they buy their home, and beyond.
- We have enhanced our customer communications following significant investment in our CRM system. We can now provide customers with timely updates on any live issues, as well as wider development updates.

What that means
- Customers can select their home from a house type range that is not only designed to the best standards, but also includes tried-and-tested feedback from existing owners.
- Customers can be reassured they can afford the home they are buying.
- The enhanced customer journey optimises and streamlines our customer engagement processes. The new Customer Support Manager role simplifies communication and fosters stronger relationships with customers.
- CRM improvements enhance customer satisfaction and overall transparency. By providing regular updates, we are being proactive in improving the overall customer experience and supporting our reputation as a customer-focused organisation.

Communities

How we engage
- Site specific public meetings.
- Regular meetings with local authorities, environmental regulators and NGOs.
- Support for local and national charities.
- Communication with residents neighbouring our developments.
- Engagement with schools to provide learning opportunities.

What that means
- We have established dedicated websites for public consultation with a "live chat" option. This has improved the planning process and encouraged direct communication with our site teams. We are open and transparent with local residents, understanding that communication is key to fostering good relationships.
- We donated over £240,000 to the Miller Homes Community Fund and local regional charities in 2023.
- Our Community Fund has successfully delivered three rounds of funding to date. It is a staff-led charity scheme of more than £100,000 each year supporting local community organisations that promote education, sport, wellbeing or the environment.

Supply chain

How we engage
- Successful long-term collaboration.
- Introducing a new Supplier Code of Conduct.
- Regular engagement with suppliers to gather feedback including through national supplier performance ratings, regional subcontractor ratings and Best Regional Contractor of the Year award.
- Meetings with contractors before starting work on site.
- Providing full communication of our building activity, to enable good planning of resources.

What that means
- Regular engagement with our supply chain provides details of our requirements for meeting our production plans and our associated performance expectations.
- Our long-standing and collaborative arrangements mean our partners understand how we operate, and this approach also ensures continuity of supply and best practice.

A Better Place

Our sustainability strategy

In 2023, we continued to build on the core elements of our A Better Place strategy.

We create better places, where people and planet prosper. This is reflected in the environmental measures we have introduced, our ongoing support for the communities where we operate, and our investment in our people.

During 2023 we completed a number of projects and introduced new policies across the business, focused on minimising the environmental impact of our operations and supply chain, developing more energy-efficient homes for our customers, and improving the habitats, biodiversity and local environments of our developments.

a better place

Environment (E)

A sustainable future

Sustainable living
In 2023, we designed and introduced our Part L house types, which achieve a 31% improvement in carbon-emission targets compared with the previous regulations, while also achieving A or B energy performance certificate (EPC) ratings as standard.

Building responsibly
We completed an assessment of our greenhouse gas emissions to set long-term, science-based targets towards net zero. We worked with our waste-contractor partners to develop a consistent approach to waste management and reporting.

Alignment with the United Nations Sustainable Development Goals ("UNSDGs")

Social (S)

For the benefit of everyone

Thriving teams
In 2023, we reviewed and developed our management and leadership programmes to better meet the needs of our people. We have also increased our provision of wellbeing and mental health support, doubling the number of mental health first aiders within the business.

Healthy communities
Through our Community Fund, we have donated £110,000 to charities and community groups near our current developments. In addition, each regional team supported a nominated charity throughout the year, raising over £130,000 for ten worthy local and national causes.

Happy customers
Ahead of our registration with the New Homes Quality Board (NHQB) in January 2023, we carried out a comprehensive review of all Miller Homes' customer journey procedures, investing in our customer service teams to ensure we continue to offer a smooth and transparent experience for all our customers.

Alignment with the UNSDGs

Governance (G)

Done the right way

Quality homes
In 2023, we continued to review and develop our internal processes, with an emphasis on efficiency and innovation across the business, to provide homes of the highest quality for our customers.

Valued partners
Our new supply chain code of conduct helps our valued suppliers and contractors understand our expectations on a number of key environmental, social and governance issues, such as environmental protection, health and safety, protecting human rights and building quality homes.

Informed investors
Our ESG Committee meets regularly to plan and discuss the progress of our A Better Place strategy, with regular reporting back to our Board and investors.

Alignment with the UNSDGs

Environment (E)

A sustainable future

Reducing carbon emissions in line with science-based targets on our journey to net zero.

Energy-efficient homes

Following significant enhancements to building regulations in 2022, with amendments to Parts L, F and O, we reviewed our existing house types and decided to reduce our portfolio by 29% in England and 20% in Scotland. Our Part L house types achieve a 31% improvement in carbon-emission targets compared with 2013 regulations, while also achieving A or B energy performance certificates (EPC) ratings as standard.

The HBF's Watt A Save Report (July 2023) found that in addition to collectively reducing carbon emissions by over 500,000 tonnes, new-build homebuyers are saving over £400m a year in energy bills, demonstrating the substantial environmental and financial benefits for customers considering buying a new-build home.

Changes to building regulation provided us with an opportunity to compare our product to those of our competitors, and ensure we are at the forefront of quality design and energy efficiency. We are working with the Future Homes Hub as we seek to innovate our house types further, to meet the emerging standards for zero-carbon-ready homes that will be built to comply with the forthcoming Future Homes Standards in 2025.

Renewable energy

We continue to secure renewable energy for our business through green electricity and zero-carbon electricity contracts. During 2023, we switched two regional office contracts and our timber frame manufacturing facility to REGO-backed (Renewable Energy Guarantees of Origin) electricity supplies, with a further regional office contract moving to a zero-carbon tariff. Of all electricity we used in 2023, 84% was from renewable sources. Of those we procured directly, 91% came from renewable sources.

Solar trials

Reducing, and ultimately replacing, diesel use within our business will be critical to meeting carbon-reduction goals. During 2023, we conducted further trials of solar-backed generators and identified equipment that could help reduce diesel consumption for power generation on site by approximately 50%. Reducing generator fuel use is just one element in a package of measures we are assessing to help cut diesel use across our sites. Other approaches under consideration include energy-efficiency improvements to site accommodation, such as automatic controls for equipment and improvements to cabin fabric. We will compile recommendations on a range of measures to address site diesel use during 2024.

Net zero

In line with our commitment to set a net zero target for the business, we completed an assessment of our Scope 1,2 and 3 emissions. We also conducted a series of interviews with key functions across the business, including technical and design, procurement, land, finance and planning teams, to identify the barriers to reaching net zero and the opportunities this might also create. We reviewed our proposed roadmap to net zero with the main functions in November, and will present a proposal for a near-term and long-term science-based target to the ESG Committee and our Executive Team in early 2024. This process will bring our targets in line with climate science, and set out a clear path to achievement within our operations and the homes we build.

Some of our 2023 achievements

91%
of directly procured electricity supply came from renewable sources
(2022: 65%)
Linked to:

13%
reduction in our waste per equivalent unit of build (EUB)
(6.9t/EUB in 2023 (2022: 7.9t/EUB)
Linked to:

98%
diversion from landfill rate
(2022: 98%)
Linked to:

A sustainable future case study

Building responsibly

Waste strategy

Sustainable use of materials, and how we maximise the potential of waste, is key to making our business more sustainable.

During 2023, we selected a number of sites in each of our regions to identify good practice and address the biggest challenges to achieving more sustainable management of resources on site.

We have collaborated with waste contractor partners to develop a consistent approach to waste reporting, as well as identifying opportunities with our site teams to improve waste management, including reusing materials where possible.

Waste per equivalent unit of build (EUB) fell in 2023 to 6.9t/EUB compared with 7.9t/EUB in 2022, and we intend to build on this achievement by improving further in 2024. Ensuring our teams have clear goals and instructions for waste is essential to our plans to establish best practice on waste management across sites in 2024. To help with this, we have developed a new waste management guide for teams, with site-based targets for 2024, supported by communication tools and a new colour-coded waste-signage standard.

With improved data and work on waste, the next step will be to involve our supply chain, to identify additional ideas to get smarter about the waste produced across our wider value chain.

Link to Group strategy

Environment continued

A sustainable future case study

Sustainable living

Car fleet

We are committed to reducing our carbon emissions. Travelling more sustainably, including the use of electric vehicles in our fleet, is a key tool in helping us meet this target.

In 2023, we started an ambitious project to support our carbon-reduction goal. We launched a new company car portal and introduced a car salary-sacrifice scheme, both of which now offer employees carbon-reduced car options only.

For employees, opting for a hybrid or electric vehicle allows them to contribute towards reducing their own carbon footprint, as well as that of the business. In addition, there are financial benefits, including lower fuel and maintenance costs and, in some cases, tax incentives. It typically costs around three times as much to drive a petrol or diesel car as it does to drive the same distance in an electric vehicle.

Our decision to now make only low-emission and low-CO_2 cars available for selection through our car benefits schemes will ensure our company car fleet is aligned with our sustainability goals. Our company car fleet now consists of 94% hybrid or electric vehicles (with a long-term aim of 100% hybrid or electric vehicles), and employees have responded positively to the addition of the car salary-sacrifice option, and its associated benefits.

Link to Group strategy

A sustainable future continued

Work with Future Homes Hub

As a member of the Future Homes Hub (FHH), we have supported the development of a number of work programmes. We are members of the framework oversight group, the data and reporting group and the design and place and nature groups. We have also been involved in the development and testing of the Hub's whole-life carbon-assessment tool, which will help everyone measure embodied carbon when launched in 2024.

Measures for nature

We have been preparing for the wider implementation of biodiversity net gain (BNG) regulations, and held an awareness event for key teams in November 2023, supported by our ecology consultants. Some of our sites already achieve BNGs of 10% or more.

In addition, we have been working with our peers in the FHH to develop a proposal to voluntarily make a significant increase in the number of measures for nature we deploy on our developments.

Miller Homes has committed to installing one measure per plot over and above those required by planning conditions, following development of a guidance document in 2023. Measures will include swift bricks, hedgehog highways, nest boxes for other bird species, insect bricks, and hibernacula. All these measures will be supported by our existing planting and landscaping schemes, which already provide food and shelter for nature.

Other members of the FHH are expected to make their own commitments in 2024, with the potential to add hundreds of thousands of new measures for nature.

Community support

Every year, we make contributions to support infrastructure, facilities and nature in the communities where we build homes. We have contributed to the development of sports facilities at six of our developments, including provision for a bowling green, a pavilion and a BMX facility. We make significant provision for education through our facilities, either through contributions to the improvement of existing facilities or through building new school facilities.

Although it is sometimes necessary to remove some trees and hedgerows to allow access to sites for development, where possible we protect and retain natural features and enhance them as part of our landscaping schemes.

Since 2019, we have provided for more than 6,000 standard or established trees on our developments, and 190 fruit trees within the landscape plan or as community orchards. We have incorporated woodland enhancements at 11 sites and native hedging on 47 sites since 2019, including more than 16,000 native hedging plants that will create new hedgerows at our Stephenson Meadows site in the North East region when completed. We have also provided over 1,200 nest boxes for birds, over 600 bat boxes, hedgehog highways at 19 sites and wildflower planting at 44 sites.

Task Force on Climate-related Financial Disclosures (TCFD)

During 2023, we also completed our first TCFD assessment process, which we report on page 50.

Waste

In addition to our focus on waste management on site, we have continued to work with contractors to achieve a recycling rate of 83% and a diversion-from-landfill rate of 98%.

Social (S)

For the benefit of everyone

Creating sustainable communities for our people and customers to thrive.

Regional charities
Each year, our regions and business units select a charity they want to support. Collective efforts across the business resulted in over £130,000 of support for these groups.

We introduced a company-wide fundraising initiative, Active April, during the pandemic, and it has continued to grow in popularity among our teams. Over a four-week period, we encourage as many employees to get involved in walking or running, with every mile resulting in a £1 donation to charity. By the end of the month, over 400 employees had walked almost 50,000 miles resulting in the same figure being shared among our charity partners.

Additional fundraising during the year is run on a local level, with a variety of challenges being organised to bring teams together to support their chosen charity.

Wellbeing
As an employer, we recognise we have an important role to play in creating a culture that encourages openness about subjects our employees care about. More than ever this year, employees asked for more information and support on mental, physical and financial wellbeing. We have responded by making further resources available on topics such as mental health, pensions awareness and financial planning. We have also improved communication on the support already available to employees across our offices and sites.

Following targeted awareness-raising campaigns, we have had record numbers of people access our Employee Assistance Programme; almost 40% accessed the training module on financial awareness, with many employees educating themselves through our pension provider's app.

Leadership programme
In line with our approach towards a more segmented learning and development portfolio, we reviewed our leadership and management development programmes to ensure our offering better meets the needs of different employee groups. We now have three different pathways – Stepping into Management, Management Development and our Inspirational Leadership Programme. This approach ensures we provide tailored content to the relevant target audience with topics appropriate to their experience. In 2023, over 475 people attended our management and leadership courses.

For the benefit of everyone case study

Healthy communities

Community Fund

We launched our Community Fund in the latter part of 2022 with the aim of supporting local communities in the areas where we operate.

We launched our Community Fund in the latter part of 2022 with the aim of supporting local communities in the areas where we operate. The fund has an annual value of £110,000, divided equally across our regions and business units, with the money being allocated over two application rounds in the calendar year.

Therefore, 2023 was the first full 12-month period since launch where we provided the two funding rounds. Regional awareness has continued to gather momentum, with significant interest being demonstrated by the quantity and quality of applications received, as well as the ongoing coverage in the local media.

The fund is operated by a team of 60 employees we call Community Fund ambassadors, who review every application and decide the amounts to be awarded. This has been extremely successful as an employee-engagement programme, as well as positively supporting some of the great local initiatives in our regions.

By the end of the year, the ambassadors had awarded funds to almost 200 local groups, whose efforts focus on education, wellbeing, the environment and sport.

Link to Group strategy

Social continued

For the benefit of everyone case study

Happy customers

New Homes Quality Code (NHQC)

To prepare for the introduction of the code, ahead of our registration with the New Homes Quality Board (NHQB) in January 2023, we took the opportunity to carry out a comprehensive review of all our customer journey procedures.

Over the course of more than a year, we examined each stage of the customer journey in detail, and agreed a number of changes to ensure a smooth and transparent customer experience.

We made significant investment in our customer service teams, introducing a new role of Customer Support Manager within each region, to ensure a personalised experience for the first year of ownership. We also established a Quality Committee comprising senior leadership in the business.

Our customer communication and meeting structure throughout the home-buying process was also revised, introducing new opportunities for customers to inspect their new home before purchase, while also increasing the build time to allow additional inspections and quality checks.

We rolled out an extensive training programme across the entire business, with every employee completing training on the New Homes Quality Code. Further comprehensive training was undertaken by sales, site and customer service teams, along with our subcontractor partners.

We are already starting to see positive results from the changes made, and have achieved 5-star builder status for 12 out of the last 13 years.

Link to Group strategy

For the benefit of everyone continued

Financial wellbeing

In September 2023, we marked Pension Awareness Week with an internal campaign to increase staff engagement with financial planning for their future. We focused on two key areas; increasing employee involvement with our pension provider, by promoting their customer app, and encouraging all staff to ensure they have a nominated beneficiary for their pension.

As a result of our Pension Awareness Week campaign, we saw a 19% increase in the number of staff registering to use our pension provider's customer app, and a 61% increase in the number of staff with a nominated beneficiary.

Mental health

In 2023, we ran over 70 days of training on mental health alone. This includes our induction, ensuring new starters immediately understand what support is available to them, and training managers who are well placed to recognise and support mental health issues. We have also piloted a new module for younger employees whose support needs may differ.

The number of mental health first aiders in the business has doubled, to c80, and we also carried out an awareness-raising campaign to increase their profile, to ensure people know who they are and how to get hold of them when needed.

We have formed strategic partnerships with construction industry charity, The Lighthouse Club, supporting initiatives including the Help Inside the Hard Hat campaign, as well as promoting their resources to raise awareness about mental health in the sector.

Our other partner is Andy's Man Club. We have worked closely with their coordinators to present talks to our site and regional teams.

Diversity and inclusion

Our approach

We recognise that a diverse workforce brings strength and energy to our business, and underpins real and sustainable progress. Ultimately, this creates a diverse, open and inclusive culture which fosters, respects and celebrates different perspectives, experience and insights. We have focused on promoting this approach through inclusive leadership behaviour and practices.

Inclusive leadership

Through training and development, we make sure our managers and leaders are clear about our expectations of them as people in positions of responsibility. We expect them to operate in a way that values diversity and equality as, ultimately, we know this will accelerate our progress towards creating a thriving inclusive culture. We promote diversity of development by ensuring our most senior leaders have access to appropriate development, such as our Inspirational Leadership programme.

We equip our managers with the knowledge and practical skills to improve diversity through our training workshops on diversity and inclusion, such as our Management Essentials core training, and Regional Board Workshops specifically on diversity and inclusion.

We also ensure new employees are clear about our stance, through our induction training, which includes a mandatory module on diversity and inclusion.

Career progression

We recognise that we must level the playing field regarding recruitment and promotions. We have introduced standard recruitment tools, and train our managers in interview techniques designed to address bias at key decision points through the employment life cycle. We review our succession plan for all levels annually, as well as monitoring the skills, experience and gender representation across all employee groups.

Inclusive reward

We exceed the minimum statutory requirements in our focus to promote more inclusive reward and benefit practices. As part of this we carry out gender pay gap analysis twice a year, as well as frequent equal-pay checks that ensure early intervention to address any inequality we identify.

Some of our 2023 achievements

94%

of our company car fleet is now electric or hybrid vehicles

Linked to:

£240,000

raised to support charities and community organisations

Linked to:

475

employees attended our management and leadership courses

Linked to:

Governance (G)

Done the right way

Working closely with our people and subcontractors to deliver quality homes in a safe working environment.

Supplier Code of Conduct
During 2023, we released our new supply chain code of conduct to group and regional suppliers, contractors and installers. The Code sets out our expectations on a number of key environmental, social and governance issues, such as environmental protection, health and safety, protecting human rights and building quality homes.

The code, which is available on our corporate website, has been distributed to our supply chain and supports our organisational purpose of creating better places where people and planet prosper.

Construction Quality Reviews
The NHBC carries out Construction Quality Reviews (CQRs) throughout the year, assessing construction quality across a maximum of 38 build stages, including foundation, superstructure, roof, first fix and second fix. We actively focus on quality through reward. In 2023, based on the performance of all our active sites in the UK, we achieved an overall CQR score of 4.6 (2022: 4.5). This score is favourable when compared to the Benchmark Group 1 Builders, by +1.4%.

We are also pleased to report that 59% of our scores are in the excellent category, compared to 49% in 2022.

Some of our 2023 achievements

4.6
Construction Quality Review (CQR) score
(2022: 4.5)
Linked to:

39%
reduction in accident and incident rate (AIR)
307 in 2023 (2022: 504)
Linked to:

100%
compliance on NHQC by NHQB independent audit
Linked to:

Done the right way case study

Quality homes

Health and Safety strategy

We introduced a new strategy across the business this year to promote a culture of accountability for Safety, Health and the Environment (SHE) across all disciplines, and to ensure that safety is everyone's priority.

This has encouraged greater innovation and enhanced performance across the regions. We determined a set of 12 performance-improvement measures, with the selected KPIs (both leading and lagging indicators) being reported on each month. Our total number of accidents reportable (AIR) has reduced considerably, from 504 in 2022, to 307 in 2023.

Other initiatives supporting the regional strategy include functionality enhancements to the SHE app, with real-time reporting and dashboard summaries for reporting efficiency and completing actions. The new functionality has improved internal communications and visibility of our standards, and efforts to continually progress.

Our national SHE awards are now in their 12th year, and continue to grow in recognition across the business. All sites are continually assessed to the Miller Standard and its nine associated KPIs, some of which include site organisation, security, emergency planning, health and wellbeing management and work activities safety.

Regional winners are initially identified and further reviewed by Divisional Managing Directors, Group SHE Director and CEO, to determine the divisional and national winners.

Link to Group strategy

A Better Place continued

KPI table

We are committed to publishing our ESG targets and our progress on an annual basis. In the table below you will find outlined our ESG commitments, the targets we have put in place, the timescales we are working to, and our progress to date.

Environment (E)

Target	By when	2022 progress	2023 progress
Building Responsibly			
An 80% reduction in Scope 1 and Scope 2 emissions (vs 2019)	By 2031 – ongoing	5% reduction[1]	17% reduction[1]
To assess Scope 3 emissions and set a net zero target	Net zero target to be set during 2023	Scope 3 assessment completed	Net zero targets agreed and sent to Science Based Targets initiative for approval
Diversion of waste from landfill of 98%	By 2025	Achieved 98%	Achieved 98%
Diversion of waste from landfill of 100%	By 2030	Achieved 98%	Achieved 98%
Recycling rate of 75%	By 2025	Achieved 81%	Achieved 83%
Recycling rate of 85%	By 2030	Achieved 81%	Achieved 83%
Reduction in waste – tonnes per EBU	End 2023	7.9	6.9
Sustainable Living			
100% of our electricity supplies from renewable sources	By 2024	Achieved 65%[2]	Achieved 90%[2]
100% timber obtained from sustainable sources	Annual	100% of Group's timber suppliers hold PEFC[3] or Forest Stewardship Council (FSC) certification	100% of Group's timber suppliers hold PEFC[3] or FSC certification

Social (S)

Target	By when	2022 progress	2023 progress
Healthy Communities			
To increase engagement in local communities through enhanced charity funding and employee interest	By 2023	Established Community Fund	Over 40% of staff engaged in activities
Target of annual donations of £200,000 per annum	By 2023	Donated £158,000	Donated £240,000
To increase year on year the number of homes that are affordable to the customers in their markets	Annual	26%	30%
Enhanced measures for nature	By 2023	Ongoing	Commitment to one extra measure per plot
Happy Customers			
Achieve higher than 90% in HBF Customer Satisfaction Survey	Annual	91%	92%
Thriving Teams			
Safety first / Reduction in AIRs	Annual	504	307
ISO 45001 and ISO 14001 accreditation		Renewed in 2021 for a 3-year period	On track for renewal in 2024
Improve health and wellbeing of all staff over a 5-year period	Annual	Refreshed the strategy during 2022	Ongoing
Wholesale review of employee benefits	By 2025	Ongoing	Ongoing
Number of skills training days to increase to four days per employee	By 2024	2.9 days	3.1 days
Attain IIP Platinum status	By end of 2023	Achieved	Full employee engagement survey in 2024
Increase the percentage of female employees	By 2023	30%	31%

1 Figures do not include Walker Timber emissions and are reported on a market basis. Absolute emissions are shown without normalisation for production variance
2 Figures do not include Walker Timber, which also secured a REGO-backed contract during 2023. Percentage shown is for directly contracted energy supplies
3 Programme for the Endorsement of Forest Certification

Governance (G)

Target	By when	2022 progress	2023 progress
Quality Homes			
To achieve an annual Construction Quality Rate of 4.2	Annual	4.5	4.6
Informed Investors			
Commitment to publish annual ESG targets and progress against targets	Annual	Achieved	Achieved
Valued Partners			
Responsible supplier and subcontractor policies	By 2023	Ongoing	Policies published

Task Force on Climate-related Financial Disclosures

This is our first year of reporting under TCFD regulations. We understand that we have a responsibility to mitigate our impact on the environment and that there is a need for transparent information on climate risk. Understanding the risks and opportunities facilitates good investment decisions leading to good sustainability decisions.

Task force on climate-related financial disclosures (TCFD)

Our response to the TCFD recommendations
Climate change is a global and urgent challenge. The potential effects of climate change on our business are diverse in type, time frame and size of impact. They therefore require tailored mitigation approaches so the environment and communities where we operate, can continue to thrive.

This statement has been prepared in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Our progress on the TCFD recommendations is set out below.

TCFD pillar	Recommendation	Our response	Future focus
Governance	Describe the Board's oversight of climate-related risks and opportunities	The Board reviewed the list of climate-related risks and opportunities identified as part of this process. Board Committees review ESG-related risks and issues.	The Board will conduct an annual review of climate-related risks and opportunities, and will determine processes for reviewing progress towards climate-related targets.
	Describe management's role in assessing and managing climate-related risks and opportunities	The ESG Committee was set up in January 2022. The Committee meets every two months and is responsible for managing ESG issues (including climate issues).	The Committee will review climate change, including relevant risks and opportunities, as a standing agenda item.
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	We have identified the climate risks and opportunities and prioritised the most material risks (see page 56).	Ongoing review of climate risks and opportunities.
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	We have conducted scenario analysis to understand the likelihood and impact of material risks on our business (see page 57).	We will explore ways to quantify the financial impact of all material risks and opportunities on our business, and to assess supply chain risks beyond direct suppliers.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We have assessed the resilience of our business plan in two different scenarios, based on the likelihood and potential impact of material climate risks (see page 57).	We will continue to monitor the climate risks and opportunities identified, and will factor them into our business plan where appropriate.
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks	We have identified potential risks and opportunities, which were assessed during cross-functional workshops with the Group (see page 60).	We will continue to identify and assess risks and opportunities annually.
	Describe the organisation's processes for managing climate-related risks	Risks are reviewed by the Audit Committee and are monitored by the ESG Committee.	We will develop risk management plans in line with risk mitigation objectives and key risk indicators.
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	We have developed a climate risk register, which will be reviewed twice annually by the ESG Committee, to align with the Risk Register.	Through ongoing monitoring, we will identify risks that may have a financial impact above a certain threshold, which will be integrated into the Risk Register.
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Metrics are currently focused on emissions in our homes (the Dwelling Emissions Rate and EPC rating) and Scope 1 and 2 emissions.	We will develop a more comprehensive suite of metrics to address our material climate risks and opportunities in 2024.
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	Scope 1 and 2 emissions are disclosed in the SECR disclosure on page 61.	We have calculated our Scope 3 emissions, which we will use to set a net zero target and pathway during 2024.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We are currently working towards an 80% reduction in Scope 1 and 2 carbon emissions by 2030.	We will review current targets and explore setting science-based targets in 2024.

Task Force on Climate-related Financial Disclosures continued

Governance

Board oversight
The highest level of governance (the Main Board), made up of Executive and Non-Executive Directors, has ultimate responsibility for overseeing climate-change issues and Miller Homes' performance on key sustainability metrics and targets. At an operational level, the Executive Board has responsibility for ensuring the performance of the business on sustainability metrics and targets. The Main Board and the Executive Board have reviewed and approved the assessment of climate-related risks and opportunities in this statement.

The General Counsel and Company Secretary is the Main Board member responsible for Environmental, Social and Governance (ESG), which includes climate change. In the reporting year, the Main Board reviewed the outcomes of the climate-related risks and opportunities discussion. Climate change is discussed at least annually by the Board, and other ESG matters are on the agenda for all Executive Board meetings. In 2023, this included a review of climate-related risks and opportunities identified as part of the TCFD process. Additionally, climate-related issues are discussed by the Main Board where appropriate.

The Main Board delegates responsibility to the three Board Committees – land, audit, and remuneration – which are responsible for various climate-related initiatives.

The Audit Committee reviews the risk registers and the impact of climate risk on financial reporting for material risks.

The Remuneration Committee reviews Executive pay. They have oversight of setting of remuneration of related ESG targets for senior management.

The Land Approval Committee is tasked with considering material land acquisitions. Decisions are made against a full disclosure of all relevant matters, including changing environmental regulation, biodiversity, water, and air quality.

The Executive Board is ultimately responsible for approving the targets set for ESG (A Better Place) and reviewing annual progress against targets. The Executive Board includes the Chief Executive Officer, the General Counsel and Company Secretary and the Chief Financial Officer. They take an active role in the leadership of the Group and are responsible for the development of Miller Homes' overall strategy.

Role of management
The ESG Committee was established in 2022. The Executive Board has delegated the responsibility of considering and managing climate-related issues and opportunities. The Committee meets every two months. The Committee has targets that typically influence the agenda of meetings, such as targets for waste and carbon reduction.

The ESG Committee comprises senior directors who can identify links between the operational business and ESG strategy. Decisions made by the Committee are ratified by the Executive Board. Operational initiatives arising from ESG Committee decisions (for example, the transition of the car fleet) are implemented by smaller working groups. The involvement of senior operational Directors enables pilot climate-related initiatives and policies and, ultimately, shares best practice across the Group.

All members of the ESG Committee, as well as senior employees within the functional departments, participated in climate-change training in 2023. This training, facilitated by external ESG advisers, contributed to increased awareness of, and engagement with, climate-related risks.

See page 70 for a diagram outlining the governance structure of the Group, including flow of information and support.

Risk management

Identification and prioritisation
We recognise that effective risk identification, assessment and management is an essential part in allowing us to achieve our strategic goals. This is the first year we have identified climate-related risks and opportunities for our business. To do so, we engaged third-party ESG consultants, RSM, to support us in developing an initial list of potential risks and opportunities that could affect homebuilders. The list was developed in consideration of (but not limited to) the following:

- Direct operations, purchases within the supply chain, customers and sales.
- Existing and emerging climate regulatory requirements, such as government building regulations (existing) and carbon pricing (emerging).
- Potential climate outcomes, such as changes to precipitation and heat stress, resulting from varying levels of global warming based on latest available Intergovernmental Panel on Climate Change (IPCC) data.

Cross-functional workshops were held with internal stakeholders and Executives representing key business functions and operations, to qualitatively assess and prioritise each risk and opportunity. The financial, operational and strategic impacts of each risk and opportunity were discussed to determine the significance of each one to our business. The likelihood and potential impact of each risk was rated in line with our overall risk-assessment process, and the most material risks were selected for further analysis and modelling.

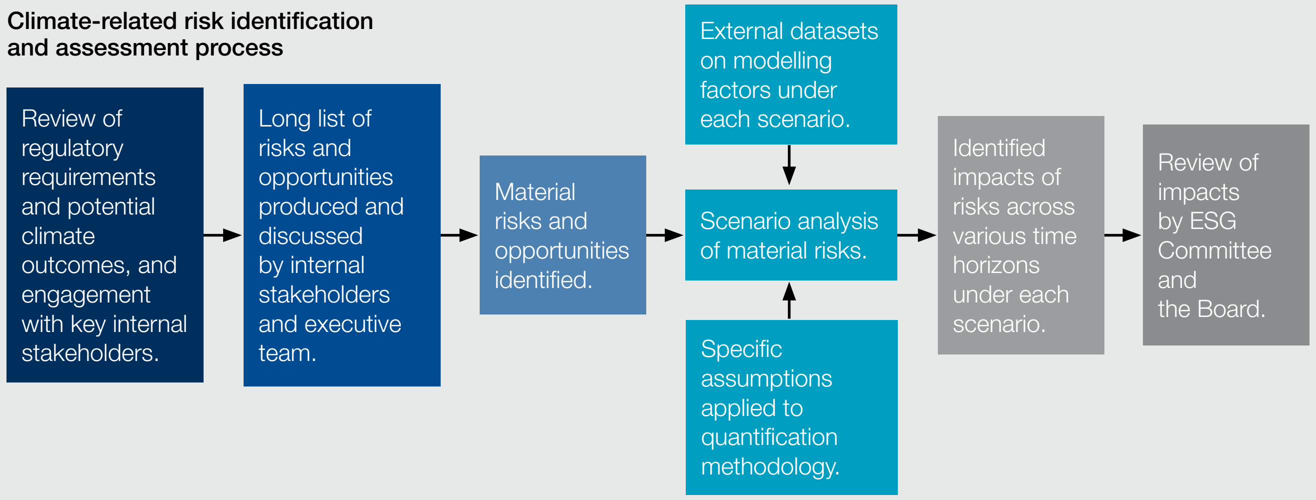
We conduct a formal review of wider risks and opportunities bi-annually, but also acknowledge that climate change is an ongoing issue, and the associated risks and opportunities are evolving. As such, the ESG Committee will continue to identify and assess these on an ongoing basis. Any additional material risks or opportunities that may arise throughout the year, e.g. due to changes in legislation, will be reported to the Executive Board for review.

The diagram below outlines our risk identification, prioritisation and assessment process.

Management and integration
The management and integration of our material risks and opportunities can safeguard business value, but also create it. We have created a climate risk register, which is managed by the ESG Committee. We have assigned accountability and responsibilities for the management of risks on this risk register to relevant Committee members. This management includes ongoing monitoring of potential impact, and integration of climate risks within the Risk Register where they a) have a potential financial impact above a certain threshold, and b) have an impact time frame that is within the Risk Register time frame.

Risks and opportunities will further be integrated into business planning and strategy through the development of an action plan to mitigate risks and capitalise on opportunities in 2024, which will be managed by the ESG Committee and overseen by the Executive Board.

Climate-related risk identification and assessment process



Task Force on Climate-related Financial Disclosures continued

Strategy

By understanding the impact of the principal physical and transition climate risks and opportunities on our business, we are better able to increase our resilience to the impact of climate change. Physical risks refer to the adverse physical consequences of climate change, such as flooding or wildfires. Transition risks refer to policy, legal, market, and technological changes that occur as part of the transition to a low-carbon economy. We used the following time frames to assess climate risks and opportunities:

Time frame	Years	Reason
Short term	2 – 3 years 2025 – 2026	Aligns with the time horizon used for the Business Plan.
Medium term	7 years 2030	Aligns with climate-science recommendations to set interim targets by 2030, and Paris Agreement requirements for global greenhouse gas emissions to decline by 43% by 2030.
Long term	27 years 2050	Aligns with Paris Agreement and with UK policy to reach net zero by 2050.

In collaboration with our external consultants, we conducted further analysis on our material climate risks through scenario analysis, which allowed us to assess their potential financial and operational impacts on our business across the short, medium and long term.

Scenario analysis: methodology

We used various climate scenarios that depict contrasting climate-change pathways to understand the associated likelihood and impact of physical and transition risks. Risks were assessed both quantitatively and qualitatively. Physical risks manifest over a longer period of time under scenario modelling, while transition risks are anticipated to occur in a relatively shorter time frame. Transition risks were therefore analysed across the short, medium, and long term, while detailed scenario analysis for physical risks was only performed across the medium and long term.

Physical-risk analysis was conducted by assessing a range of climate outcomes across UK regions. We used our strategic land portfolio to base future planning on the current climate pathway.

Our physical risk analysis was limited by a lack of data for Scotland. There was additional limitation as supply chain data was only analysed for direct (Tier 1) UK suppliers.

In our first year of reporting climate risks, assessing our Tier 1 supplier resilience to physical climate-change impacts is a good starting point.

Carbon-pricing data was assessed by analysing the effect of three different scenarios on spend on carbon-intensive raw materials, using data from 2022 and spend-based emission factors from the Department for Environment, Food & Rural Affairs. The modelling assumes that sourcing of materials across all time frames will remain consistent, which is unlikely. However, it has supported us in understanding our potential exposure.

Scenario used	Temperature rise post 2050	Description	Risks observed
Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 2.6	Below 2°C	A significant reduction in emissions, aiming to limit global warming to below 2°C by 2100. This is achieved through stringent environmental legislation and increased use of sustainable energy sources.	Physical risks
IPCC RCP 8.5	Above 4°C	The continuation of current emissions trends without significant mitigation efforts is a future with very high greenhouse gas emissions, leading to severe global warming.	Physical risks
Bank of England's Climate Biennial Exploratory Scenario (CBES) – Early Action	1.8°C	Early, ambitious climate policy with gradual intensification of carbon taxes and other policies over time.	Transition risks
CBES – Late Action	1.8°C	Introduction of climate-change policies to reach net zero after a significant delay, resulting in the need for more drastic and disorderly policies measures.	Transition risks
CBES – No Additional Action	3.3°C	Maintenance of current effort levels to address climate change, resulting in continued increases in global temperature levels and chronic changes in climate outcomes.	Transition risks

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Results of scenario analysis

Physical risks

The table below provides qualitative assessments of our material physical risks under two scenarios, to support our understanding of the potential impacts of various climate outcomes on Miller Homes. Each risk has been assigned a risk rating by the Executive Board, based on the Directors' knowledge of business operations and strategy. Risks have also been assigned impact ratings across the scenarios, which are based on the likelihood of each risk occurring in the scenario, and the potential size of impact.

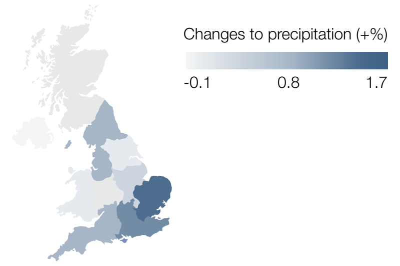
Physical risks

Risk	Risk rating	Risk description	Below 2°C	Above 4°C	Our response
Subsidence **Impact time frame:** Long term	Medium	Changes in temperature and rainfall affect soil volume due to moisture changes in the ground, leading to subsidence.	There is some increased risk of subsidence in South East England. Regulations largely keep the impact of physical risks that contribute to subsidence at manageable levels. **Low impact**	Higher risk of subsidence in South East England in the medium term, which shifts to North West England in the long term due to increased precipitation in this region. **Medium impact**	We have a diversified portfolio across the UK. Operations in Scotland are at lower risk of subsidence due to its soil type. We conduct ongoing monitoring across our portfolio. We are also exploring piling requirements and enhanced foundations at applicable developments and have assessed any financial impacts of these additional works to be minimal.
Supply chain resilience **Impact time frame:** Long term	Medium	Disruption to supply chain due to physical climate change globally and potential for damage to resources.	UK suppliers face some exposure to adverse weather events, but impacts remain at a manageable level, and manufacturing and logistics are able to continue without much disruption. **Low impact**	Suppliers will be exposed to increased precipitation, air temperature and heat stress in the long run, which could affect productivity and cause some supply chain disruptions. **Medium impact**	We have an agile supply chain and can switch suppliers and sourcing areas. We have identified particularly vulnerable raw materials and manufactured elements for key products, such as solar PVs, as they are sourced almost entirely from specific areas. We are exploring strategies to reduce the associated risks.

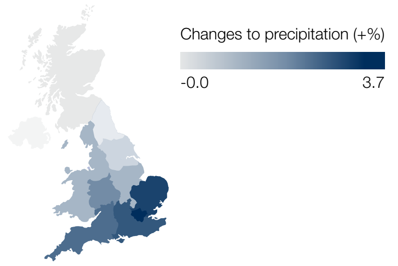
Scenario analysis was performed to assess the likelihood of increased adverse weather in the United Kingdom under the two different scenarios. The weather events assessed were mean air temperature, heat stress, precipitation, flood risk and wildfire risk. Below are the analysis results of two weather events, which support our assessment of physical risks. The analysis showed that, overall, physical risk likelihood is low across the UK in both scenarios. Additionally, increased physical risks will largely occur in the South East of England, where we have minimal exposure. Physical risks have therefore been deemed immaterial to our operations at this stage.

Precipitation

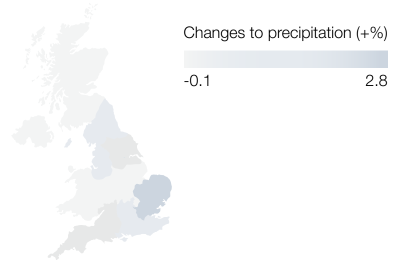
Precipitation: below 2°C (2030)



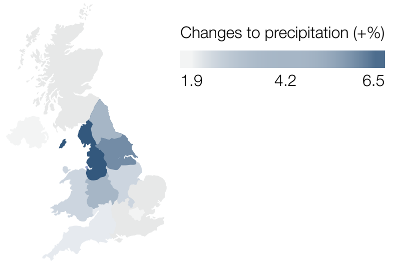
Precipitation: below 2°C (2050)



Precipitation: above 4°C (2030)



Precipitation: above 4°C (2050)



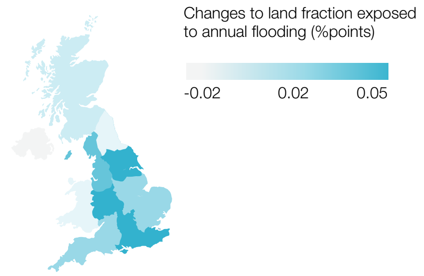
Risk rating: Low

Precipitation changes are expressed as a percentage change in precipitation from the average precipitation on a particular day between 1986 – 2000.

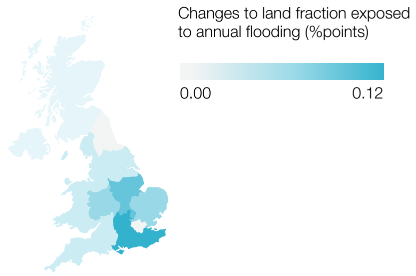
From all physical risks analysed, precipitation risks are the most severe. In the Below 2°C scenario, the highest precipitation increases are observed in South East England, which will see up to a 3.7% increase. This could pose a risk of increased subsidence, as this region will also face increased mean air temperatures, and both increased rainfall and higher temperatures are major contributing factors to increased risk of subsidence in clay soils. In the Above 4°C scenario, it is the North West of England that is most affected, with up to 6.5% increase in precipitation.

Flood risk

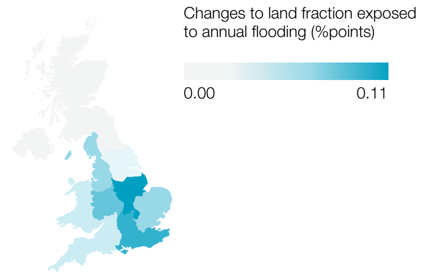
Fluvial flood risk: below 2°C (2030)



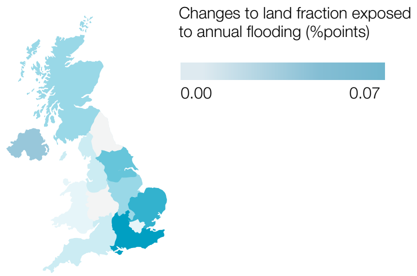
Fluvial flood risk: below 2°C (2050)



Fluvial flood risk: above 4°C (2030)



Fluvial flood risk: above 4°C (2050)



Risk rating: Low

Fluvial flood risk (risk from waterways overflowing) is expressed as a percentage of the area of land exposed to annual flooding in each region of the UK.

These changes are very low, with the highest being a 0.1% increase in flood risk in South East England by 2040 in a Below 2°C scenario. Flood risk is therefore deemed immaterial to our operations and is incorporated within existing land acquisition processes.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Transition risks

The table below provides qualitative assessments of our material transition risks under three scenarios, with the associated risk and impact ratings. We have conducted quantitative analysis to assess the risk of carbon pricing to our business model and operations. This analysis also supported in identifying materials in our supply chain that will expose us most to carbon pricing. This information will be used to inform supply chain carbon reductions in future.

Transition risks

Risk	Risk rating	Risk description	Below 2°C Early action	Below 2°C Late action	Above 4°C No additional action	Our response
Unforeseen regulatory or policy change **Impact time frame:** Short to long term	High	Rapid emergence of new regulatory position that cannot be adequately planned for.	Rapid implementation of regulations may lead to increased costs in the short term. Continued efforts to meet government net zero by 2050 targets will have a financial impact across all time frames. **Medium impact**	The disorderly introduction of regulations will result in sudden changes to the business being required, such as upskilling workers or sourcing sustainable technologies. **High impact**	As physical risks become greater in the medium and long term, local planning requirements may be introduced to address issues such as home overheating. **Medium impact**	Building regulations are built into our early-stage financial appraisals, and we have experience of managing change in response to building regulations. Our legal and technical teams horizon scan for potential changes in legislation.
Carbon pricing **Impact time frame:** Short to long term	High	Policy on carbon price designed to reduce emissions.	Increasing of carbon pricing will gradually increase the cost of raw materials based on current material selection, leading to high financial impacts in the long term. **High impact**	The currently delayed carbon tax will result in a sharp increase in costs in the medium term and a higher overall cost to the business in the long term than in an early-action scenario. **High impact**	No action by government on carbon pricing results in low financial impact to the business, as operating costs and costs of raw materials would remain similar. **Low impact**	We have an agile supply chain. This is an emerging risk as regulation and changes to the UK emissions-trading scheme come into effect. We will continue to monitor impact through our existing risk-management processes.

Strategic impact and resilience

Impact on strategy if warming is kept below 2°C

In this scenario, transition risks will be the predominant risks facing our business model and strategy, specifically the increased cost of raw materials due to carbon pricing. To address this, we are currently undertaking the final stages of assessment of our Scope 3 emissions, including those from our purchased materials. Once this is complete, we can explore alternative options to carbon-intensive materials, such as exploring the use of recycled concrete blocks. However, finding low-carbon alternatives for all of these materials will prove challenging, where demand for these materials is high, and supply may not match demand. There may therefore be some residual exposure, and increased costs may need to be factored into our future land acquisitions.

Building regulations are built into financial appraisals for our sites. Our in-house design teams conduct ongoing reviews to integrate future regulatory requirements into our products.

Impact on strategy if warming reaches 3.3°C and higher

The most significant risks in this scenario will be physical risks over the long term. However, scenario analysis shows that physical risk impact will largely be low across the UK other than risk of precipitation, which has the potential to be disruptive in some regions. Our diversified portfolio across the UK means that our business model will not be severely affected by these risks. We will monitor the risk of precipitation and can adapt our landbank accordingly.

Physical risks could also affect our suppliers. We have supplier assessment processes through which we assess supplier lead times and business continuity plans, which can help us understand our exposure to supply chain disruption resulting from unforeseen regulatory or physical climate risks. However, our supply chain will be exposed to physical risks through Tier 2 suppliers who are not based in the UK. We will explore conducting analysis of our Tier 2 suppliers as part of next year's reporting.

Additional risks and opportunities

Additional risks were identified but assessed as non-material to the Group. The table below lists these risks alongside a rationale for their non-material classification.

Risk	Description	Rationale for assessment as non-significant
Reduction of available land **Risk type:** Transition / Physical **Risk rating:** Low **Impact time frame:** Long term	Physical impacts from climate change may result in land becoming unsuitable for building, for example, new flood plains developing.	It is expected that governmental planning policy and frameworks will continue to allocate adequate land for housebuilding.
Housing regulation changes **Risk type:** Transition **Risk rating:** Low **Impact time frame:** Short to long term	Future Homes Standards and other requirements affect house design across the UK.	We already have processes in place to monitor regulatory changes, including the Future Homes Standard, and expected regulation is built into early-stage modelling for sites. Any incoming regulation has a transition period that allows for adaptation of design and infrastructure. Financial impact can be managed through this transition period. For example, overheating adaptations that may become regulation are already being included in designs.
Reputational damage **Risk type:** Transition **Risk rating:** Low **Impact time frame:** Medium to long term	Describe the organisation's processes for identifying and assessing climate-related risks	We have identified potential risks and opportunities, which were assessed during cross-functional workshops with key internal stakeholders.
Supply chain technologies – transitioning to new technologies **Risk type:** Transition **Risk rating:** Low **Impact time frame:** Medium term	Implementation of new technologies in homes and modern methods of construction, which can require a high capital investment and upskilling of labour, as well as risk of supply chain shortages.	We have already begun to implement low-carbon technology into some of our homes and have an adaptable workforce with skills to understand implementation of this technology. When sourcing technology, we assess suppliers to understand lead times and their business continuity plans, to ensure continuation of supply. Additionally, we anticipate that the transition periods for any regulatory implementation of technology will provide adequate time frames to allow trades to adjust to new technology demands.

Task Force on Climate-related Financial Disclosures continued

Strategy continued

As part of the process, we also identified relevant climate-related opportunities, which are presented below.

Opportunity	Description	Our response
Green finance Opportunity rating: Medium	Sustainability-linked loans for businesses and green mortgages for more energy-efficient homes are increasingly common.	We are currently exploring green financing opportunities with mortgage lenders, which would provide consumers with better rates on mortgages for energy-efficient properties. A business with strong ESG credentials in sustainability can access slightly better cost of capital.
Increased reputation for pioneering sustainable housing and "green developments" Opportunity rating: Medium	Sustainability performance has been proven useful in securing positive relationships with local stakeholders, including landowners, housing associations and planning authorities.	We have regular communications with our stakeholders to understand their shifting needs and sentiments, and to make them aware of our own sustainability achievements and ambitions. We publish our sustainability credentials and targets annually on our website.
Consumer demand for energy-efficient and low-running-cost homes Opportunity rating: Medium	Energy efficiency and sustainable technology, such as renewable energy technology and EV charging points, are now key considerations for many house buyers.	All our homes are built in line with current building regulations and achieve at least an EPC rating – B.
Resource efficiency Opportunity rating: Low	Resource efficiency such as waste reduction, fuel-use optimisation and energy efficiency in compounds could achieve both cost savings and a reduction in carbon emissions.	The waste reduction project started in 2023 and all sites have individual waste reduction targets for 2024. We have identified diesel fuel as a significant source of emissions and are currently exploring hybrid solutions for diesel reduction, and telemetry systems for fuel-use monitoring.
Skills base for Modern Methods of Construction Opportunity rating: Low	Modern Methods of Construction presents a new opportunity for homes to align with the latest in sustainable construction methods and with changing consumer preferences for sustainable homes.	Timber frames are a significant part of Modern Methods of Construction, and our investment in Walker Timber means the skills we have in this part of the business can be used to train others in other locations.

Metric and targets

We have an emissions reduction strategy in place for our Scope 1 and 2 carbon emissions and are currently reviewing our target for 2030. To help achieve carbon reductions, we have set a renewable energy target of 100% electricity supply from renewable sources in 2024. Around 90% of our directly supplied electricity is currently guaranteed renewable, and we continue to explore ways to use renewable electricity to reduce diesel use, for example, trialling solar panels in our on-site cabins and welfare facilities.

We recently completed an assessment and review of our Scope 3 emissions, which will allow us to develop a net zero pathway in 2024. We are also in the process of setting science-based targets for Scope 1, 2 and 3. Working towards these targets will increase our business resilience to risks across all time frames, particularly carbon pricing.

In 2022, we developed new designs to comply with the requirements of Part L of the building regulations. These new designs are expected to achieve Dwelling Emissions Rate (DER) reductions of around 31% in new-build homes. All our completed homes currently achieve at least a B EPC rating. This mitigates the risk of "unforeseen regulatory or policy change" as well as taking advantage of the opportunity to provide our customers with energy-efficient homes.

To mitigate physical risks, we conduct extensive research before land purchase to inform our buying process, including research into sustainability issues. Sites that are exposed to higher precipitation risk will be monitored and assessed. Most of our Tier 1 suppliers are in the UK, which means that we can also maintain visibility of how climate change is affecting their sites and plan accordingly. We will conduct analysis on Tier 2 suppliers in 2024, to better understand how physical climate risks could affect our supply chain.

We have a process for assessing our suppliers' climate-related activities, including requesting details of renewable energy use and carbon-reduction targets from our Group suppliers. We will explore setting supplier-based targets, such as percentage of suppliers with a carbon-reduction plan, in the following years.

Our goal for 2024 is to develop a more comprehensive suite of metrics and targets for our identified material climate-related risks and opportunities, so we can track our progress in these areas.

Greenhouse gas emissions

Our SECR disclosure includes carbon emissions from our direct use of gas and fuels in our operations and from our use of electricity (Scope 1 and 2 carbon emissions). Emissions also include business travel for our group fleet. To reflect our increasing commitment to renewable electricity supplies, emissions are reported on both a location and a market basis and intensity measures are shown for our Miller activity and for the group as a whole including our timber frame manufacturing business. Details of our carbon reduction activities are included on pages 36 to 41of this report.

	Emissions (TCO_2e)	
Location-based Carbon Emissions (TCO_2e) (MH only)	**2023**	**2022**
Scope 1	**5,640**	6,989
Scope 2	**1,021**	1,093
Total	**6,661**	**8,082**
Miller Homes Intensity Measure (TCO_2e per 100sqm)	**1.86**	1.85

	Emissions (TCO_2e)	
Market-based Carbon Emissions (TCO_2e) (MH only)	**2023**	**2022**
Scope 1	**5,640**	6,989
Scope 2	**199**	381
Total	**5,839**	**7,370**
Miller Homes Intensity Measure (TCO_2e per 100sqm)	**1.63**	1.67

Group Intensity Measure (Miller Homes & Walker Timber)	2023	2022
Location-based reporting (TCO_2e per £100k revenue)	**0.70**	0.69
Market-based reporting (TCO_2e per £100k revenue)	**0.60**	0.63

Principal risks and uncertainties

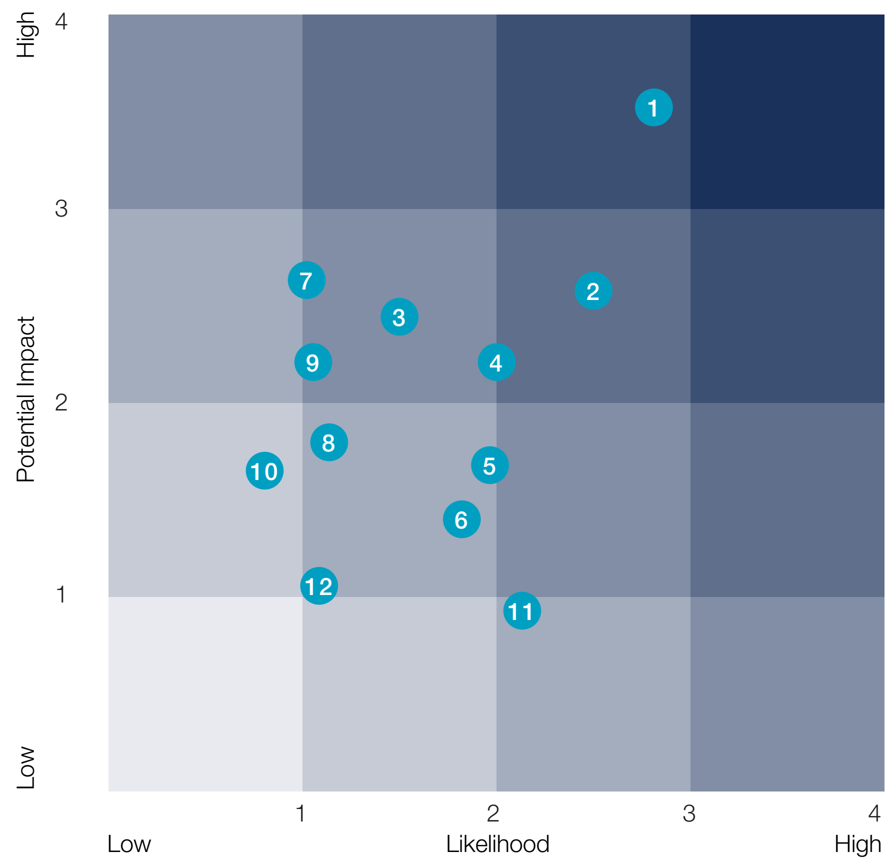
The Board identifies, evaluates and manages the principal risks, to enable the Group to achieve its strategic objectives.

Approach to identifying and managing risk

There is a defined approach to identifying and managing our key business risks. The Group has a Risk Committee which meets four times a year to review all material risks affecting the business and to update the Group Risk Register. The Risk Committee reports to the Executive Board and, in turn, submits the Group Risk Register to the Audit Committee.

Overview of principal risks

The heat map on the right illustrates our principal residual risks from an impact and likelihood perspective. A description of each risk, including controls, mitigating actions and a commentary on developments in 2023, is set out on pages 63 to 67.



Key to risks

1. Economic conditions, mortgage supply and rates
2. Land availability
3. Availability and cost of materials and subcontractors
4. Government regulation
5. Fire safety
6. Safety, health and environment (SHE)
7. Reputation
8. Attract and retain employees
9. IT
10. Availability of finance
11. Fraud
12. Pensions

1. Economic conditions, mortgage supply and rates

Risk description

Demand and selling prices for new homes are inextricably linked to consumer confidence, which, among other things, is affected by employment prospects, disposable incomes and the availability and cost of mortgages, particularly those with a higher loan-to-value, in excess of 80%.

Controls and mitigation

Sales rates, cancellation levels, visitor levels, leads and prices are monitored weekly, informing timely decision-making.

Our land acquisition diligence considers local employment, income levels and affordability, which, in turn, is informed by current trading experience.

We maintain close relationships with mortgage lenders and government agencies to ensure we use all available products and are involved in initiatives aimed at the new-build sector.

2023 commentary and change in the year

The UK economy has flat-lined over the last two years as it has struggled to absorb the impact of cost-of-living pressures and rising interest rates. Mortgage rates, which are more influenced by swap rates, were largely unchanged at the end of the year in comparison to the starting position. However, this masked an increase of around 150 basis points in the third quarter before falling back in the final quarter due to the outlook for swap rates being more favourable.

Transaction levels fell by around 22% in the wider market, and we experienced a 13% decrease in our sales rates as customers postponed their decision to move home. Despite this, house prices remained resilient, which was also reflected in the indices published by the major mortgage lenders such as Halifax and Nationwide.

2. Land availability

Risk description

The ability to secure the amount of consented and strategic land in the appropriate locations and on terms that enable the Group to achieve its business plan.

Controls and mitigation

There are established land-acquisition hurdle rates for gross margin and ROCE, which are aligned to our strategic plan.

The Group has specific regionally based land teams for both current and strategic land. Regional land bid success rates are reviewed at Group level to critically analyse the level of bids, together with the reasons for unsuccessful offers.

The Chief Executive visits all sites prior to acquisition to ensure each fits within the Group's land strategy, and all land acquisitions and new strategic land options are approved by the Executive Board.

2023 commentary and change in the year

The Group re-entered the land market at the start of 2023, having taken a pause in the second half of 2022 in light of political uncertainty and deteriorating economic outlook at that time.

The primary focus during the year was on securing new land opportunities while maintaining our discipline, to ensure we still achieved intake hurdle rates. This resulted in a re-negotiation of previously agreed, but yet to be contracted, deals. This patient approach led to a reduced number of only 17 site acquisitions, adding 3,222 plots to the owned landbank, which was largely unchanged at 10,483 plots (2022: 10,724).

The Group continued to invest in its strategic landbank, which now stands at 43,293 plots (2022: 39,203).

3. Availability and cost of materials and subcontractors

Risk description

The ability to procure sufficient materials and skilled labour to ensure we maintain build-quality standards, complete build programmes, and build homes cost effectively.

Controls and mitigation

Around 90% of house-build materials are negotiated by the central procurement team. This ensures cost certainty over a fixed period and continuity of supply, with lead times monitored.

We assess competencies to ensure both the appropriate quality and reliability of supply, with feedback received from our construction team via a supplier-assessment app, developed by our in-house IT team.

We manage subcontractors at a regional level. Many of our subcontractor relationships are well established and long-standing, which will mitigate the impact of labour and skill shortages when industry output increases in the future.

Our policy is to tender to maintain price competition, with higher-value orders requiring the approval of Regional Managing Directors.

2023 commentary and change in the year

The cost landscape changed as the year progressed. The first six months were focused on mitigating cost inflation. In the second half of the year, housing output started to fall across the sector and this coincided with price reductions in some of the key commodities such as timber and steel. These events resulted in discussions with our supply chain on cost reduction, the benefits of which should be obtained from new contracts entered into in 2024.

Cost inflation during 2023 was around 3%, with June being the peak and prices being relatively static for the remainder of the year.

Principal risks and uncertainties continued

4. Government regulation

Risk description
There has been a measurable rise in legislation and regulation from both the UK and Scottish Governments over the last few years, which has had both direct and indirect impact on the housebuilding industry. It is important to be aware of emerging issues and potential regulation, to enable advance preparation and to ensure implementation within the necessary timescales.

Controls and mitigation
The Group understands the importance of having an awareness of likely new legislation at an early stage. We participate in various industry working groups to both shape new legislation and understand the perspective of government. This is a multi-disciplinary approach, with the key functions in recent years being legal, technical, production and customer service.

2023 commentary and change in the year
There has been some significant regulatory activity during the year, and specific involvement includes:

- The Building Safety Act, which extends liability for construction defects to 30 years. A legal review of obligations was undertaken and a project team established.
- The New Homes Quality Code, with live participation from January 2023. An internal working group was established to monitor and ensure compliance.
- Detailed discussions with the Scottish Government on proposals for cladding remediation in Scotland including responding to consultations. Participation in consultations on the Building Safety levy in England.
- Participation in the CMA Market Study review and subsequent consultation.
- Member of The Future Homes Hub, designed to assist the industry in changing to Future Homes Standards.
- Biodiversity net gain regulations trialling on sites prior to regulation.
- Consultation on NPF 4 in Scotland.
- Consultation on proposals to amend the National Planning Policy Framework in England.

5. Fire safety

Risk description
The risk associated with properties above 11 metres high, built by the Group or companies subsequently acquired by the Group within the last 30 years, which have fire-safety defects and must be remediated by virtue of the contract entered into in April 2023 with the Department for Levelling Up, Housing & Communities (DLUHC), and with a similar contract and legislation for Scotland still to be put in place.

Controls and mitigation
The Group has built a relatively low number of properties above 11 metres high over the last 30 years, but has accepted responsibility for properties built by entities we have subsequently acquired.

We have undertaken an exercise to determine the properties thought to be in scope, with input from specialists. Reports are made to DLUHC regularly on progress with fire-safety remediation in England, including details of affected properties. Estimates for the remediation provisions that have been recorded in the financial statements have been prepared with the support of external surveyors with knowledge of the cost of similarly affected properties.

2023 commentary and change in the year
At the end of 2022, a provision of £30.0m had been booked for all known cladding and fire-safety issues. A further charge of £11.3m has been made during the year, most of which related to the emergence of further legacy properties built by entities that we subsequently acquired.

6. Safety, health and environment (SHE)

Risk description
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.

Controls and mitigation
The in-house SHE team consists of 13 qualified professionals. 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 a specific SHE Committee with cross-disciplinary attendance, which monitors, among other things, the progress towards annual targets set on 12 performance indicators.

Site operations are subject to monthly audits, and SHE awareness toolbox talks are regularly communicated, both to staff and subcontractors. We have external assurance and verification of our systems and processes via a quality audit every two years.

Our internal awards initiative recognises and rewards the importance of SHE across the business.

Protection of the environment during construction is built into our operating methods, as we see increasing focus on conservation and the enhancement of the natural environment.

2023 commentary and change in the year
We put a refreshed SHE strategy in place in 2023. This was the culmination of a project to increase personal responsibility and ownership of SHE across all employees in the business. Regional workshops took place with multi-disciplined attendance, to ensure everyone played a part in setting the refreshed strategy and KPIs.

Enhanced visibility of SHE at regional Board meetings, with SHE attendance and priority given to the SHE agenda.

Monitoring of performance of the new targets is part of the remit of the Health and Safety Committee.

7. Reputation

Risk description
This risk covers the reputational risk arising from the acts or decisions taken, or omissions made, by the Group and the wider housebuilding sector.

Controls and mitigation
The Risk Committee has mapped out the potential areas of risk to the reputation of the business, and the stakeholder views, to understand the potential impact. It is understood that both crisis management and proactive intervention will have a bearing on the management of reputational risk. The cross-functional Risk Committee considers all matters relating to proactive risk management, to ensure good governance and horizon scanning. Crisis management is covered by the Head of Corporate Communications, reporting directly to the Executive Team. Reputational risk is considered in more depth in the ESG Quality and SHE Committees.

2023 commentary and change in the year
The spotlight in the media on the housebuilding industry, and the ever-increasing use of social media, means there has been more focus on effective reputational risk management by the Board and senior management during 2023. Internal controls and reporting lines have been enhanced. The ongoing appointment of external PR consultants and advisers, and regular participation in industry-wide discussions via Homes for Scotland and the Home Builders Federation, has elevated the consideration of reputational risk factors.

Principal risks and uncertainties continued

8. Attract and retain employees

Risk description
It is important the Group retains and attracts high-calibre and diverse employees, to achieve all aspects of our strategy.

Controls and mitigation
The Group's HR strategy focuses on all aspects of reward, retention, training and development, as well as on 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.

Staff roadshows, led by the Chief Executive, are undertaken annually. Staff engagement surveys, and an independent review by Investors in People (IIP), are undertaken every three years.

The Group has been awarded Platinum status by IIP, a level only 6% of IIP-accredited companies in the UK have achieved.

Succession-planning programme for all Regional and Group Director positions is supplemented by a leadership-development programme.

2023 commentary and change in the year
We implemented a tapered approach to annual pay awards in 2022, and retained it in 2023, with an emphasis on lower-paid staff.

The Group now has a well-embedded Succession Planning and Talent Management process that identifies successors for key roles across the business.

In 2023, to supplement previous development initiatives, we introduced a bespoke programme for selected senior leaders – Inspirational Leadership – which aims to equip delegates with the knowledge and behaviour needed to drive the business forward. It comprises masterclasses and a taught programme, in addition to each delegate being assigned their own executive coach for the duration of the programme.

9. IT

Risk description
The key IT risks relate to data breaches and system outages (including our website), which could result in both financial and reputational damage. In addition, to maximise business performance, it is important employees have access to all critical systems regardless of their place of work.

Controls and mitigation
The greatest IT risks relate to cyber events and security breaches. An annual cyber security plan is approved by the Executive Board. Our cyber plans and investments are becoming increasingly important in today's digital world. As technology continues to evolve, so do the risks associated with it. We continue to work with specialist companies who help us keep abreast of the latest cyber threats and implement mitigating solutions.

The Group strives to ensure the latest software is installed for its critical systems, to protect against the latest detected vulnerabilities, and facilitates access to these systems for staff who are becoming increasingly mobile. In addition, software is deployed to support threat detection, compliance and security incident management.

Security reviews are performed by external consultants throughout the year.

Full back-up and system recovery is in place as part of the wider Disaster Recovery Plan, and again this is tested annually.

2023 commentary and change in the year
We have moved more of our data and operations to the cloud to take advantage of the latest technologies and best practices, to help improve our cyber security. We continue to run internal awareness and testing to guard against phishing social engineering techniques, which is one of the most common and effective methods used by cybercriminals to exploit weaknesses in an organisation's security systems.

10. Availability of finance

Risk description
The Group requires access to adequate financial resources to meet its existing commitments and to achieve its strategic plan.

Controls and mitigation
Cash is managed by a combination of weekly and quarterly forecasts. The strategic plan covers a five-year period and is updated at least annually, and supported by sensitivity analysis to provide a basis for longer-term investment decisions.

Additional downside sensitivity scenarios are prepared to stress test liquidity.

The secured notes do not have any financial covenants. The only financial condition is that the drawn balance of the revolving credit facility (RCF) is limited to 50% of net inventory.

2023 commentary and change in the year
The Group's cash balance at 31 December 2023 was £194.2m, further supplemented by a Revolving Credit Facility (also £194.0m) that remained undrawn (other than in respect of a working capital facility for an aggregate amount of £0.4m).

11. Fraud

Risk description
The risk associated with fraudulent activity. The greatest fraud risks are regarded as customer fraud and adherence to anti-money laundering (AML) legislation, attempts to divert supplier payments and on-site theft of materials.

Controls and mitigation
The Group has a Risk Committee that has a specific remit for reviewing our approach.

We audit our compliance with AML procedures and verify all changes to supplier payment details.

2023 commentary and change in the year
We continued to be vigilant to fraud attempts and adapted our procedures in some areas during the year.

12. Pensions

Risk description
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 changes in longevity assumptions, bond yields or asset values.

Controls and mitigation
An investment strategy has been agreed with the scheme trustees that reduces volatility in the asset base. This is regularly reviewed in light of market conditions.

2023 commentary and change in the year
In light of the current favourable funding position, it was agreed with the trustees to secure the improvement in the pension surplus witnessed over recent times by increasing the interest-rate hedge to 95% from 70% at the start of the year. We are aware of the recent legal ruling regarding s37 actuarial confirmations. No action is required at present but this will be kept under review.

Board of Directors

Chris Endsor
Chairman

L

Profile
Chris joined the Group in 2000, following the acquisition of 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 and Executive Chairman in 2022, becoming Group Non-Executive Chairman in January 2023. Chris has 43 years' industry experience, having trained and qualified as a quantity surveyor, he is also a Fellow of the Chartered Institute of Building.

Stewart Lynes
Chief Executive Officer

L E

Profile
Stewart is a qualified quantity surveyor with over 20 years' experience in the sector. He joined the Group in 2008 and was promoted to Managing Director for Scotland in 2013, before expanding his role in 2018 and assuming responsibility for the North of England division. In 2019, Stewart was promoted to Chief Operating Officer and then to Chief Executive in 2022. Stewart takes a keen interest in attracting and developing the best people, delivering high levels of customer service, driving innovation across the business, and influencing our land strategy to support growth.

Ian Murdoch
Chief Financial Officer

E

Profile
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 and the Group's defined benefit pension scheme.

Julie Jackson
General Counsel and Company Secretary

E

Profile
Julie is qualified as a solicitor to practice in both Scotland and England. She joined the Miller Group in 2003 having worked in private practice for 14 years specialising in property development and investment. Julie has held various senior positions with Miller and was appointed General Counsel in 2009 and Company Secretary in 2016. Julie has responsibility for all legal, governance and compliance, including ESG matters and chairs the Land Directors' meetings on a national basis.

Stephen Stone
Independent Director

L A R

Profile
Stephen has been in the housebuilding industry for more than 40 years, including as an Operating Partner to Apollo since 2021. He recently co-founded Flint Housing, a private provider of affordable and shared ownership homes in England. He was the CEO of Crest Nicholson from 2005 to 2018 and prior to that worked at Countryside Properties. Stephen was Chairman of the board for Keepmoat from 2019 to 2021, he also serves or has served as non-executive director on the boards of the NHBC, Orbit Group, the HBF and Ilke Homes. He is a Chartered Architect and member of the RIBA.

Peter Sinensky
Non-Executive Director (Shareholder appointed)

L R

Profile
Peter is a Partner at Apollo in the Private Equity business based in New York. Prior to joining Apollo in 2011, he was at J.P. Morgan in the Mergers & Acquisitions Investment Banking team. In addition to his involvement with Miller Homes, Peter serves or has served on the board of directors of The New Home, Novolex, OneMain Holdings, Lumileds, Vacuumshmelze and Vectra. He holds a BSc in Finance and Accounting from the Kelley School of Business at Indiana University.

Edward Jones
Non-Executive Director (Shareholder appointed)

L R

Profile
Ed is a Partner at Apollo in the Real Assets business based in London. Prior to joining Apollo in 2010, he was at Citi in the Real Estate Private Equity team and at AEW Europe/Curzon Global Partners in the investment team. In addition to his involvement with Miller Homes, Ed serves on the board of directors of Apollo Credit Management, Atlantic Leaf Properties and Lapithus Management and sits on the Apollo European Core Plus investment committee. He holds an MA in Land Economy from the University of Cambridge with first class honors.

Rajesh Jegadeesh
Non-Executive Director (Shareholder appointed)

L A R

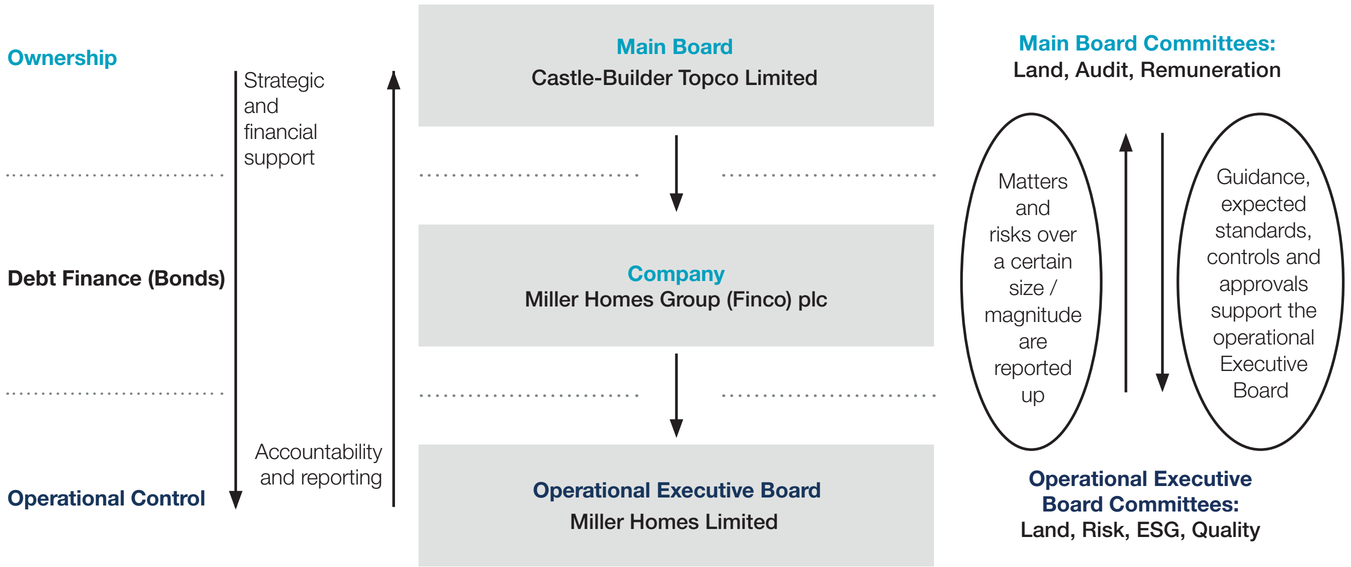
Profile
Rajesh is a Principal on the Private Equity team at Apollo based in London. Since joining Apollo, Rajesh has been involved in various transactions, including Allwyn, Double Eagle III, Vistra (fka TXU), General Electric EFS, CPV Fairview and Caledonia Power. Prior to joining Apollo, Rajesh was in the Mergers & Acquisitions Group at Lazard, based in New York. Rajesh graduated with highest distinction and Most Outstanding Academic Achievement from the Goizueta Business School at Emory University. He attended the university as a full Emory Scholar.

Key

- Member of the Main Board
- Member of the Miller Homes Group (Finco) plc Board
- Member of the Operational Executive Board

- L Land Committee
- A Audit Committee
- R Remuneration Committee
- E ESG Committee

Corporate Governance statement



Board of Directors

The Board of Directors of Miller Homes Limited is responsible for the business's management, direction and performance. The Directors of Miller Homes Limited are Chief Executive Officer, Stewart Lynes; Chief Financial Officer, Ian Murdoch; and General Counsel and Company Secretary, Julie Jackson. The corporate governance applies to Miller Homes Group (Finco) plc. Further details are presented below.

Main Board

The Main Board represents the holding company, Castle-Builder Topco Limited, a company registered in Jersey. Chris Endsor chairs this Board as Non-Executive Chairman of the Group.

The Board has executive representation from the three Directors of Miller Homes Limited, as listed above.

The Non-Executive Investor Directors on the Board are featured on page 69. Stephen Stone, an experienced former CEO and Chairman in the housing industry, is also a Non-Executive member of the main Board.

The Group considers these individuals to possess the necessary experience and detailed industry knowledge to discharge their duties as Directors. This Board formally meets four times a year, but also has separate meetings, both on strategy and to hear presentations directly from other operational and functional Directors within the business. Monthly operational updates take place via virtual meetings, with all Directors present.

The Directors consider they have appropriate and sufficient contact with employees.

The Main Board is considered to have oversight of the Company and is responsible for its long-term success.

It sets the long-term strategic aims and objectives, structure, key management decisions, financial reporting, as well as approving both significant capital expenditure and land acquisition over a certain level.

The Directors recognise the importance of good corporate governance and operate in a manner that reflects the size, risks and complexities of the business in accordance with its values.

The Board Committees held at this level comprise:

Land Approval Committee

The Land Approval Committee has delegated authority to approve land acquisitions above a certain value or higher-risk acquisitions based on the planning status. Chris Endsor chairs this Committee.

The Committee comprises its Chair, the Chief Executive Officer, Stephen Stone and at least two Investor Directors. This Committee meets as dictated by business needs.

Remuneration Committee

The Remuneration Committee meets twice a year or as needed by the business.

Peter Sinensky chairs this Committee. Recommendations are made to the Main Board on all aspects of remuneration, benefits and employment conditions.

The Committee comprises its Chair, Stephen Stone, and an additional Investor Director, with Executive Directors invited to attend as appropriate.

Audit Committee

The Audit Committee considers and makes recommendations regarding the integrity of the financial statements of the Group, the effectiveness of internal controls, risk management, and the internal and external audit process.

The Committee is chaired by Investor Director, Rajesh Jegadeesh, and comprises two additional Investor Directors and Stephen Stone. The audit partner from Ernst & Young and the Executive Directors are invited to attend these meetings, which take place twice yearly.

Skill	Number of Directors
Housebuilding	5
Legal	1
Finance and Accounting	4
Sustainability	1
Mergers and Acquisitions	8

Executive Board

Following the acquisition by Apollo in 2022, the Directors took the opportunity to carry out an organisational restructure of the Group to reflect the growth in the size of the business, and best practices.

A new framework has been implemented where an Executive Board has been established with subcommittees that support the Executive Board and focus mainly on operational aspects.

The Executive Board is chaired by the Chief Executive, and its attendees comprise the Chief Executive Officer, Chief Financial Officer, and General Counsel and Company Secretary. The HR Director also attends to discuss HR matters.

The Executive Board meets monthly and receives reports from the separate sub-committees (see structure chart). The Executive Board is responsible for the implementation of the strategy set by the Main Board and for promoting the long-term success of the Group.

Its principal responsibilities include financial management, governance controls, risk management, compliance and cultural direction.

The Executive Board has a regular agenda that ensures its responsibilities are addressed and, if necessary, revised throughout the year. Papers are compiled and issued before meetings, and written minutes are circulated by the Company Secretary.

The Group operates within a framework of policies available to all staff members on its internal website. Its principal policies are Anti-Bribery; Modern Slavery; Equality; Fraud Prevention; Data Protection; and Safety, Health and 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 and is specifically supported by the Risk Committee which meets on a quarterly basis.

Over the last 12 months, the Directors' view is that, while an improving picture, the macroeconomic conditions remain the most significant risk to the business. This risk has reduced slightly due to the forecast outlook for 2024 showing a return to lower levels of inflation and possible reduction in bank base rates.

A detailed analysis of the risks is provided on pages 62 to 67.

Apollo

Apollo is a high-growth, global alternative-asset manager. It seeks to provide an excess return at every point along the risk-reward spectrum, from investment grade to private equity, focusing on three business strategies: yield, hybrid and opportunistic.

Through its investment activity across a fully integrated platform, it serves its clients' retirement-income and financial-return needs, and offers innovative capital solutions to businesses.

As of 31 December 2023, Apollo had approximately $651 billion in assets under management.

Pictured: West Craigs Manor, Edinburgh, Scotland East

Directors report

The Directors of Miller Homes Group (Finco) plc have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2023.

Principal activities
The Company is a Holding Company. The principal business of the Group is residential housebuilding.

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

The Group profit after taxation for the financial year amounted to £44.6m (2022: £17.2m). No dividend will be paid.

Going concern
Despite some of the external challenges we faced as a sector including cost of living pressures, elevated mortgage rates, low levels of consumer confidence and reduced sales rates, the Group has remained profitable and cash generative. The consolidated balance sheet as at 31 December 2023 shows a net asset position of £585.8m and a cash position of £194.2m.

The Directors have prepared cashflow forecasts for 12 months from the date of approval of these financial statements that indicate that, based on its financial resources and taking account of severe but reasonably possible downside assumptions regarding sales rates and house prices, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

These projections take into account the funding facilities available to the Company and the Group following its acquisition of Miller Homes Group Limited on 31 March 2022. As part of the transaction £425.0m of fixed rate senior secured notes, repayable in May 2029 and €465.0m of floating rate notes, repayable in May 2028 were issued. In addition the Group has a £194.0m revolving credit facility, which is committed until 30 September 2027 and was undrawn at the year end other than in respect of £0.4m of ancillary facilities. The secured notes do not have any financial covenants. The only financial condition is that the drawn balance of the revolving credit facility (RCF) is limited to 50% of net inventory.

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 the financial statements.

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

- Stewart Lynes;
- Ian Murdoch;
- Rajesh Jegadeesh;
- Peter Sinensky (appointed 1 November 2023);
- Alexander Humphreys (resigned 1 November 2023)
- Chris Endsor (resigned 25 January 2023)

Control
From 31 March 2022 onwards, the Company was ultimately controlled by Apollo Global Management Inc.

Corporate governance
The Directors recognise the importance of good corporate governance and operate on a basis that reflects the size, risks and complexities of the business, in accordance with its values as described below.

Employees
It is recognised that the culture of the business is extremely important in attracting high-calibre individuals. Equal opportunities and diversity are promoted throughout the business to ensure all employees are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, rewards, training and career development. The Equality and Diversity Policy ensures all employees are treated equally and fairly with no discrimination in respect of age, disability, religious belief, sexual orientation, race, colour, marital status, political belief or nationality. Female employees represented 31% (2022: 30%) of total employees and 20% (2022: 19%) of Directors and senior management.

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 the 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 the Group's auditor is unaware of, and each Director has taken all the steps 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 Ernst & Young LLP will therefore continue in office.

Julie Jackson
Company Secretary
Date: 27 March 2024

Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

Pictured: Cleve Wood, Thornbury, West Midlands

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 UK adopted International Accounting Standards 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 the Group's 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 UK adopted International Accounting Standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed or 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 comply with that law and those regulations.

Independent auditor's report

to the members of Miller Homes Group (Finco) plc

Opinion

In our opinion:

- Miller Homes Group (Finco) plc's Group financial statements and parent company financial statements (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 2023 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Miller Homes Group (Finco) plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2023 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2023	Balance sheet as at 31 December 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 31 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards to the parent company financial statements, as applied in accordance with section 408 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walk through of the Group's financial close process, obtaining an understanding of management's going concern assessment process and challenging management to ensure key factors were considered in their assessment. We obtained an understanding of each of management's modelled scenarios, including the base case and a severe downside case.
- Assessing the appropriateness of the duration of the going concern assessment period to 31 March 2025 and considering the existence of any significant events or conditions beyond this period based on our procedures on the Group's business plan, cash flow forecasts and from knowledge arising from other areas of the audit.
- Obtaining management's going concern assessment, including the cash forecast, for the going concern period through to 31 March 2025 and testing these for arithmetical accuracy.
- Assessing the historical accuracy of forecasting and challenging the appropriateness of key assumptions in management's forecasts, including the impact of housing completions and average selling price on revenue generation. We also assessed these against information from the Office of National Statistics, with consideration to trends in respect of house price inflation, noting no contradictory indicators.
- Verifying the inputs into the cash flow forecasts, the debt facility terms, and reconciling the liquidity position as at 31 December 2023. We further reviewed borrowing facilities to confirm both availability to the Group and the forecast debt repayments through the going concern assessment period and to validate the financial covenants in relation to the available facilities.
- Obtaining the reverse stress test scenario prepared by management and assessing the plausibility of this. We did this by challenging the assumptions made and considering indicators of contradictory evidence.
- Considering any mitigating factors included in the downside scenarios that are within control of the Group. This includes assessment of the Group's operating and non-operating cash outflows relating to discretionary land acquisitions and evaluating the Group's ability to control these outflows as mitigating actions if required.
- Assessing management's consideration of material climate change impacts in the going concern period, including incorporation of the expected costs of applying the Future Homes Standard during the going concern period.
- Reviewing the Group's going concern disclosures included in the Annual Report and Accounts in order to assess whether the disclosures appropriately described the assessment management performed and the key judgements taken.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for the period to 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of Miller Homes Group (Finco) plc and its components. • The components where we performed full or specific audit procedures accounted for 100% of Adjusted Profit before Tax, 99% of Revenue and 99% of Total assets.
Key audit matters	• Risk of inappropriate valuation of Work in Progress and measurement of gross margin. • Risk around the completeness and valuation of the Fire Safety Remediation Provision. • Risk around impairment of goodwill and other intangible assets. • Risk around impairment of investments in subsidiaries (Parent only).
Materiality	• Overall Group materiality of £6.9m which represents 9% of Profit before Tax, excluding exceptional costs.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group wide controls when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 6 reporting components of the Group, we selected 3 components covering entities which represent the principal business units within the Group.

Of the 3 components selected, we performed an audit of the complete financial information of 2 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 1 component ("specific scope component"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Independent auditor's report continued

to the members of Miller Homes Group (Finco) plc

The reporting components where we performed audit procedures accounted for 100% of the Group's Adjusted Profit before tax measure used to calculate materiality, 99% of the Group's Revenue and 99% of the Group's Total assets. For the current year, the full scope components contributed 99% of the Group's adjusted Profit before Tax measure used to calculate materiality, 97% of the Group's Revenue and 99% of the Group's Total assets. The specific scope component contributed 1% of the Group's adjusted Profit before Tax measure used to calculate materiality, 2% of the Group's Revenue and 1% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations will be from evolving legal and regulatory requirements (e.g. the Future Homes Standard and biodiversity net gain requirements set by the government) and the availability of more efficient products and technologies to deliver climate-resilient homes. These are explained on pages 50-61 in the required Task Force for Climate related Financial Disclosures that form part of the "Other information" rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

Management concluded in their assessment that no issues were identified that would have a material impact on the carrying value of the Group's assets or liabilities or have any other material impact on the financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on understanding management's assessment of the impact of climate risk, physical and transition, and their climate commitments. We also understood the Group's strategy to address these risks that may affect the financial statements and our audit.

As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit. We identified the specific impact of climate change relating to the valuation of inventory, including land and work-in-progress under development arising from the requirements of the Future Homes Standard. Specifically, we considered this in the timing and nature of future cost assumptions underpinning the valuation of land and work-in-progress under development. We did this by understanding how future cost estimates were included within the site margin calculation in respect of the costs of applying the Future Homes Standard for units without foundations constructed prior to June 2025.

We also evaluated the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

We read the climate related information within the Annual Report, which included the Group's Task Force for Climate related Financial Disclosures and considered consistency with the financial statements and our audit knowledge.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of WIP Development WIP £386.7m (2022: £363m) Land WIP £500.5m (2022: £502.7m) *Accounting policies (page 88) and Note 15 of the Consolidated Financial Statements (page 99)* There is a significant WIP balance held on the balance sheet relating to sites currently under development and land that is planned for development. There is a risk that the balance is overstated, particularly for certain sites where development has not yet started or has only recently commenced. Key assumptions included are forecasted revenue and costs to come. Estimation is involved in forecasting the revenue and costs on each site. The cost of sales on the sale of sites is determined based on a percentage of costs incurred to total forecasted costs to come therefore there is a risk that gross margin is inaccurate due to poor or inaccuracies' in forecasting.	We utilised data analytics and applied qualitative and quantitative risk-based criteria in order to identify higher risk sites for testing. We identified certain sites for testing and performed the following procedures where appropriate: **Historical comparisons:** For a selection of sites, we have performed a retrospective review to compare the past overall build cost budget (including infrastructure and development costs) and sales forecasts to actual costs and selling prices achieved and assessed the accuracy of site budgets and forecasts. We have also compared revenue forecasts to post year-end sales data and assessed the reasonableness of these forecasts. **Personnel interviews:** We have obtained an understanding of the performance and status of a risk-based sample of development sites through discussion with regional management and challenged and assessed whether contrary evidence was considered in site margin forecasts. This has been supported by site visits and discussions with site managers. **Test of detail:** For a risk-based sample of development sites, we have used the information gathered from the procedures above and attendance of Groups' regional cost review meetings to challenge management's estimated margins. We have reperformed the margin calculation for the sample of sites to verify its accuracy. We have also performed visits at a risk-based selection of sites to gather evidence to allow us to challenge remaining forecast costs. We have also substantively tested actual costs incurred to date. Finally, as part of our financial statements work, we have assessed the adequacy of the Group's disclosures about the degree of estimation involved in calculating the gross margin and carrying value of development work in progress and land in inventories.	We are satisfied the valuation of work-in-progress and the cost of sales margin are appropriate.

Independent auditor's report continued

to the members of Miller Homes Group (Finco) plc

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Fire Safety Remediation Provision £41.1m (2022: £28.8m) *Accounting policies (page 89) and Note 20 of the Consolidated Financial Statements (page 101)* The estimation of the fire safety provision requires identification of the impacted properties, an assessment of the defects requiring remediation and the estimation of the corresponding future costs. The estimation of the fire safety remediation provision is associated with a high degree of uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Assessment of management's process:** We have performed inquiries to the Group's finance, operational, and legal personnel and inspected the documentation used to identify the buildings requiring remediation to assess the process and search for disconfirming evidence. We have also assessed the completeness of provision through comparison to claims raised and any ongoing correspondence with NHBC and other bodies. **Test of detail:** We evaluated the work of management's expert to estimate the cost of remediation and we challenged their assumptions and basis of estimation. We have evaluated the existence and extent of the obligation for the Group to remediate life critical fire safety issues by inspecting the Pledge for England, the Self Remediation Contract with the Secretary of State for the Department of Levelling Up, Housing and Communities and evidence to support the Group's commitments in Scotland. **Assessing transparency:** We have assessed whether the Group's disclosures in respect of the Fire Safety provision, including of the risks and estimation uncertainty in the provision, have been adequately disclosed.	Based on the procedures performed, including testing of key movements and review of the external valuation report prepared by management's expert, we are satisfied that the resultant year end provision is fairly stated.
Valuation of Goodwill and Intangible Assets Goodwill £379.7m (2022: £379.7m) Brand Value £172m (2022: £172m) The downturn in the Housebuilding Industry and wider UK economic environment means that future demand and prices are challenging to predict. Additionally inflationary pressures may occur across the Group's supply chain resulting in increased costs. Both factors, as well as long term uncertainties including the impact of climate change, increased the challenge in predicting future expected cash flows used to calculate the recoverable value of the cash generating unit in the Group's impairment testing. The estimated recoverable amount of these Intangible Assets balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that the estimations used to perform the impairment testing of the Intangible Assets have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements.	Our procedures will include: **Historical comparisons:** We have evaluated the track record of historical assumptions used against actual results achieved to assess management's ability to forecast. **Assessing methodology:** We have assessed whether the principles and integrity of the cash flow model are in accordance with applicable standards. **Benchmarking assumptions:** We have benchmarked management's key assumptions used in the impairment testing to market data and to comparable companies. **Test of detail:** We have obtained the Group's board minutes, strategic plans and risk assessment including with regard to the climate change risk and used these to assess assumptions underpinning management's impairment forecast. **Our valuation expertise:** We have developed, using our valuation expertise, a discount rate range that have compared to managements to challenge the appropriateness of management rates. **Sensitivity analysis:** We have developed sensitivity scenarios using our valuation expertise to benchmark management's estimate of the cash-generating unit value in use. **Assessing transparency:** We have assessed the adequacy of the financial statement disclosures of the impairment testing as well as the degree of estimation involved in the valuation of acquired intangible assets.	Based on the procedures performed, including direct testing of forecasts, stress testing and engaging EY Valuations specialists in the audit of assumptions underpinning management's discount rate calculation, we are satisfied that there are no indicators of impairment over the Goodwill and Intangible Assets balances.
Impairment of investment in subsidiaries Company £527.9m (2022: £527.9m) The downturn in the Housebuilding Industry and wider UK economic environment means that future demand and prices are challenging to predict. Additionally inflationary pressures may occur across the Group's supply chain resulting in increased costs. Both factors, as well as long term uncertainties including the impact of climate change, increased the challenge in predicting future expected cash flows used to calculate the recoverable value of the cash generating unit in the Company's investments impairment testing. The estimated recoverable amount of these investment in subsidiaries balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that the estimations used to perform the impairment testing of the investment in subsidiaries have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements.	Our procedures will include: **Historical comparisons:** We have evaluated the track record of historical assumptions used against actual results achieved to assess management's ability to forecast. **Assessing methodology:** We have assessed whether the principles and integrity of the cash flow model are in accordance with applicable standards. **Benchmarking assumptions:** We have benchmarked management's key assumptions used in the impairment testing to market data and to comparable companies. **Test of detail:** We have obtained the Group's board minutes, strategic plans and risk assessment including with regard to the climate change risk and used these to assess assumptions underpinning management's impairment forecast. **Our valuation expertise:** We have developed, using our valuation expertise, a discount rate range that have compared to managements to challenge the appropriateness of management rates. **Sensitivity analysis:** We have developed sensitivity scenarios using our valuation expertise to benchmark management's estimate of the cash-generating unit value in use. **Assessing transparency:** We have assessed the adequacy of the financial statement disclosures of the parent Company investments impairment testing.	Based on the procedures performed, including direct testing of forecasts, stress testing and engaging EY Valuations specialists in the audit of assumptions underpinning management's discount rate calculation, we are satisfied that there are no indicators of impairment over the Investment in Subsidiary balance.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £6.9 million (2022: £5.3 million), which is 9% (2022: 5%) of Group's profit before tax, excluding exceptional costs (2022: profit before tax and exceptional items and acquisition fair value adjustments to inventories). We believe that profit before tax provides us with an appropriate basis for materiality and we consider this basis is most relevant to the users of the financial statements.

We determined materiality for the Parent Company to be £14.5 million (2022: £3.9 million), which is 3% of net assets (2022: 0.28% of total assets).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £5.2m (2022: £3.9m). We have set performance materiality at this percentage due to no factors identified that indicated an elevated level of risk.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1m to £4.9m.

Independent auditor's report continued

to the members of Miller Homes Group (Finco) plc

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £345k (2022: £250k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 73, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation, health and safety, data protection laws, anti-bribery, employment law, building regulations and building safety regulations.

- We understood how Miller Homes Group (Finco) plc is complying with those frameworks by enquiring with management and the Group General Counsel. We corroborated our enquiries through our review of board minutes, review of Group compliance with policies and procedures and confirmation with external legal counsel.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by enquiring with management to identify any fraud risks, including their awareness of any actual or suspected cases of fraud. We inquired on the controls in place to address the risks of fraud and considered the effectiveness of such controls. We designed specific procedures to address identified fraud risks including testing of journal entries based on specific criteria, assessing higher risk estimates for evidence of management bias, and evaluating the business rationale for significant unusual transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries with Group General Counsel and corroborating responses with external legal counsel, and specific testing of journal entries, including testing of legal expenses.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Paul Copland
(Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor

Edinburgh
28 March 2024

Consolidated income statement

for the year ended 31 December 2023

	Note	Pre exceptional items 2023 £m	Exceptional items (note 2) 2023 £m	Total 2023 £m	Pre exceptional items 2022 £m	Exceptional items (note 2) 2022 £m	Total 2022 £m
Revenue	4	**1,015.9**	**–**	**1,015.9**	915.7	–	915.7
Cost of sales		**(792.4)**	**(11.3)**	**(803.7)**	(730.1)	(20.6)	(750.7)
Gross profit		**223.5**	**(11.3)**	**212.2**	185.6	(20.6)	165.0
Administrative expenses		**(69.0)**	**–**	**(69.0)**	(52.0)	(21.1)	(73.1)
Other operating income	4	**1.4**	**–**	**1.4**	0.9	–	0.9
Group operating profit		**155.9**	**(11.3)**	**144.6**	134.5	(41.7)	92.8
Share of profit in joint ventures	13	**1.2**	**–**	**1.2**	0.3	–	0.3
Operating profit	2	**157.1**	**(11.3)**	**145.8**	134.8	(41.7)	93.1
Finance costs	7	**(87.5)**	**–**	**(87.5)**	(64.8)	–	(64.8)
Finance income	8	**7.4**	**–**	**7.4**	1.6	–	1.6
Net finance costs		**(80.1)**	**–**	**(80.1)**	(63.2)	–	(63.2)
Profit before taxation		**77.0**	**(11.3)**	**65.7**	71.6	(41.7)	29.9
Income taxes	9	**(24.2)**	**3.1**	**(21.1)**	(18.7)	6.0	(12.7)
Profit for the year/period		**52.8**	**(8.2)**	**44.6**	52.9	(35.7)	17.2

The consolidated income statement for the comparative period reflects the underlying trading results of the company's principal subsidiary holding company, Miller Homes Group Limited ("MHGL"), from the date of its acquisition on 31st March 2022, together with related transaction costs, fair value adjustments and finance costs of the acquiring Group.

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year/period	**44.6**	17.2
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on retirement benefit surplus	**6.3**	(12.2)
Deferred tax (charge)/credit on actuarial gain/loss	**(2.2)**	4.2
Total comprehensive income for the year/period attributable to owners of the parent	**48.7**	9.2

The notes on pages 86 to 110 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Share capital £m	Retained earnings £m	Total £m
At 20 January 2022	–	–	–
Issue of share capital	527.9	–	527.9
Profit for the period	–	17.2	17.2
Actuarial loss on retirement benefit surplus (net of deferred tax)	–	(8.0)	(8.0)
Balance at 31 December 2022	527.9	9.2	537.1
Profit for the year	–	44.6	44.6
Actuarial gain on retirement benefit surplus (net of deferred tax)	–	4.1	4.1
Balance at 31 December 2023	**527.9**	**57.9**	**585.8**

Company statement of changes in equity

for the year ended 31 December 2023

	Share capital £m	Retained earnings £m	Total £m
At 20 January 2022	–	–	–
Issue of share capital	527.9	–	527.9
Loss for the period	–	(11.9)	(11.9)
Balance at 31 December 2022	527.9	(11.9)	516.0
Loss for the year	–	(32.7)	(32.7)
Balance at 31 December 2023	**527.9**	**(44.6)**	**483.3**

The notes on pages 86 to 110 form part of these financial statements.

Statements of financial position

As at 31 December 2023

	Note	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Assets					
Non-current assets					
Intangible assets	11	**551.7**	**–**	551.7	–
Property, plant and equipment	12	**8.1**	**–**	7.9	–
Right-of-use asset	21	**7.2**	**–**	7.9	–
Investments	13	**13.2**	**527.9**	12.4	527.9
Shared equity receivables	14	**2.8**	**–**	3.5	–
Trade and other receivables	16	**10.1**	**893.1**	19.7	845.7
Retirement benefit surplus	30	**14.8**	**–**	8.2	–
		607.9	**1,421.0**	611.3	1,373.6
Current assets					
Inventories	15	**896.4**	**–**	868.9	–
Trade and other receivables	16	**35.1**	**0.1**	39.5	2.9
Cash and cash equivalents	25	**194.2**	**–**	189.8	–
		1,125.7	**–**	1,098.2	2.9
Total assets		**1,733.6**	**1,421.1**	1,709.5	1,376.5
Liabilities					
Non-current liabilities					
Loans and borrowings	18	**(798.3)**	**(798.3)**	(801.0)	(801.0)
Trade and other payables	17	**(39.0)**	**–**	(17.2)	–
Lease liabilities	21	**(5.2)**	**–**	(5.8)	–
Provisions	20	**(44.4)**	**–**	(33.1)	–
Deferred tax	19	**(41.7)**	**–**	(34.3)	–
		(928.6)	**(798.3)**	(891.4)	(801.0)
Current liabilities					
Trade and other payables	17	**(216.8)**	**(139.5)**	(278.5)	(59.5)
Lease liabilities	21	**(2.4)**	**–**	(2.5)	–
		(219.2)	**(139.5)**	(281.0)	(59.5)
Total liabilities		**(1,147.8)**	**(937.8)**	(1,172.4)	(860.5)
Net assets		**585.8**	**483.3**	537.1	516.0
Equity					
Share capital	22	**527.9**	**527.9**	527.9	527.9
Retained earnings		**57.9**	**(44.6)**	9.2	(11.9)
Total equity attributable to owners of the parent		**585.8**	**483.3**	537.1	516.0

The notes on pages 86 to 110 form part of these financial statements. These financial statements were approved by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Ian Murdoch
Director

Stewart Lynes
Director

Company registered number: 13862650

Consolidated cashflow statement

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cashflows from operating activities			
Profit for the year/period		**44.6**	17.2
Adjustments for:			
Provisions		**10.5**	20.6
Depreciation		**3.7**	2.4
Finance income		**(7.4)**	(1.6)
Finance cost		**87.5**	64.8
Share of post-tax profit from joint ventures		**(1.2)**	(0.3)
Taxation		**21.1**	12.7
Operating profit before changes in working capital and non cash items		**158.8**	115.8
Working capital movements:			
Movement in trade and other receivables		**5.5**	1.2
Movement in inventories		**(27.1)**	45.6
Movement in trade and other payables		**(46.3)**	(69.3)
Cash generated from operations		**90.9**	93.3
Interest paid		**(73.0)**	(43.2)
Interest received		**6.6**	0.7
Corporation tax paid		**(16.9)**	(19.2)
Net cash inflow from operating activities		**7.6**	31.6
Cashflows from investing activities			
Acquisition of Miller Homes Group Limited (net of cash of £178.3m)		**–**	(1,140.1)
Acquisition of property, plant and equipment		**(1.3)**	(1.7)
Movement in loans with joint ventures		**1.6**	(0.1)
Net cash inflow/(outflow) from investing activities		**0.3**	(1,141.9)
Cashflows from financing activities			
Proceeds from issue of share capital		**–**	527.9
Proceeds from issue of senior secured notes (net of arrangement fees of £0.5m in 2023 and £41.2m in 2022)	25	**(0.5)**	774.1
Lease payments	25	**(3.0)**	(1.9)
Net cash (outflow)/inflow from financing activities		**(3.5)**	1,300.1
Net increase in cash and cash equivalents	25	**4.4**	189.8
Cash and cash equivalents at beginning of year/period		**189.8**	–
Cash and cash equivalents at end of year/period		**194.2**	189.8

The consolidated cashflow statement for the comparative period reflects the underlying cashflows of the Company's principal subsidiary Holding Company, Miller Homes Group Limited, from the date of its acquisition on 31 March 2022, together with the related acquisition transaction and finance costs of the acquiring group.

The notes on pages 86 to 110 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Miller Homes Group (Finco) plc (the "Company") is a public company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 13862650 and the registered address is 2 Centro Place, Pride Park, Derby, Derbyshire, England, DE24 8RF.

The Group financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Parent Company financial statements have been prepared in accordance with UK accounting standards including FRS 101 Reduced Disclosure Framework. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, 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 significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis as modified by the revaluation of shared equity loan receivables and derivative financial instruments.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Parent 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. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Inter group balances and transactions, and any unrealised income and expenses arising from intra group transactions are eliminated in the consolidated accounts.

1.3 Going concern

Despite some of the external challenges we faced as a sector including cost of living pressures, elevated mortgage rates, low levels of consumer confidence and reduced sales rates, the Group has remained profitable and cash generative. The consolidated balance sheet as at 31 December 2023 shows a net asset position of £585.8m and a cash position of £194.2m.

The Directors have prepared cashflow forecasts for 12 months from the date of approval of these financial statements that indicate that, based on its financial resources and taking account of severe but reasonably possible downside assumptions regarding sales rates and house prices, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

These projections take into account the funding facilities available to the Company and the Group following its acquisition of Miller Homes Group Limited on 31 March 2022. As part of the transaction £425m of fixed rate senior secured notes, repayable in May 2029 and €465m of floating rate notes, repayable in May 2028 were issued. In addition the Group has a £194m revolving credit facility, which is committed until 30 September 2027 and was undrawn at the year end other than in respect of £0.4m of ancillary facilities. The secured notes do not have any financial covenants. The only financial condition is that the drawn balance of the revolving credit facility ("RCF") is limited to 50% of net inventory.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1 Accounting policies (continued)

1.4 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 require 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.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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 within trade and other payables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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, less any impairment losses. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.6 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 has been calculated based on an external valuation of the brand.

Notes continued

(forming part of the financial statements)

1 Accounting policies (continued)

1.7 Investments in subsidiaries
Investments in subsidiaries are measured at cost less impairment.

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Plant and equipment: 3 to 10 years
- Property: 25 years

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

1.9 Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1.10 Inventories
Inventories, including land options and promotion agreements, 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 that 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 as other operating income, with the sales proceeds of part exchange properties not being included in revenue.

1.11 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. Gains and losses arising from changes in fair value are recognised directly in the income statement.

1.12 Foreign exchange
Balances denominated in foreign currencies are translated at the prevailing year end rate with exchange gains/losses recognised as finance income or costs. Foreign exchange swaps are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the income statement as finance income or costs.

1 Accounting policies (continued)

1.13 Impairment of goodwill and intangibles
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 CGUs.

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.

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.

1.14 Employee benefits

Defined contribution plans
A defined contribution plan is a post employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

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.

Defined benefit plans
The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. 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 expected to be recoverable by the employer) 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.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.15 Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at fair value with any difference between fair value and the amount that will be ultimately paid charged as a finance cost over the deferral period.

Notes continued

(forming part of the financial statements)

1 Accounting policies (continued)

1.16 Revenue and profit recognition

Revenue principally represents the amounts (excluding value added tax) derived from the sale of new homes, affordable housing contracts, land and timber kits. Revenue from new home sales represents the selling price for the home, 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 (see note 27). Revenue from affordable housing contracts is recognised, either in line with the stage of completion determined by an independently verified valuation, or on physical completion depending upon contract terms. Revenue from land sales is recognised on legal completion. Timber kit revenue is recognised on the supply of goods or by reference to the stage of completion if the contract includes erection.

1.17 Expenses

Leases

The Group applies IFRS 16 ‘Leases’ using the modified retrospective approach allowed under the standard.

For contracts entered into on or after 1 January 2019, the Group assesses at inception whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessment includes whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and
- the Group has the right to direct the use of the asset.

At the commencement of a lease, the Group recognises a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate or the interest rate inherent in the lease. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability and reducing it by the lease payments made. The lease liability is re-measured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, estimated asset retirement obligations, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain re-measurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately on the balance sheet in current liabilities and non-current liabilities depending on the length of the lease term.

The Group did not act as a lessor under any arrangement in the current or prior year.

Finance income and cost

Finance costs comprise interest payable on senior secured notes, bank loans, the unwinding of the discount from nominal to present day value of trade payables on extended terms (land payables), imputed interest on leases and provisions, and net foreign exchange losses. Finance income comprises bank deposit interest, the unwind of the discount from nominal to present day value of trade receivables on extended terms (land debtors), interest on loans to joint ventures and interest on retirement benefit obligations.

Interest income and interest payable is recognised in profit or loss as it accrues. Dividend income is recognised in the income statement on the date the entity’s right to receive payments is established.

1 Accounting policies (continued)

1.18 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

1.19 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 into 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 macroeconomic 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 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.

1.20 Exceptional items

Exceptional items are those that, in the opinion of the Directors, are material by size or nature, non-recurring, outside the normal course of business and of such significance that they require separate disclosure.

1.21 Adopted IFRS not yet applied

The following new and amended standards are not expected to have a significant impact on the Group’s consolidated financial statements:

- Amendments to IAS 1: Classification of liabilities as current or non-current
- Amendment to IFRS 16: Lease liability in a sale and leaseback
- Amendments to IAS 7 and IFRS 7: Disclosure of supplier finance arrangements

Notes continued

(forming part of the financial statements)

2 Operating profit

Operating profit is stated after charging the following:

	12 months to 31 December 2023 £m	9 months to 31 December 2022 £m
Depreciation:		
Depreciation on owned assets	1.1	0.6
Right-of-use asset depreciation	2.6	1.8
	3.7	2.4
Exceptional items:		
Acquisition costs (charged to administrative expenses)	–	21.1
Fire safety costs (charged to cost of sales)	11.3	20.6
	11.3	41.7

Exceptional items represent expected fire safety costs in relation to a small number of legacy high rise apartment scheme developments (see note 20) together with costs incurred by the Group in the prior period in relation to its acquisition of Miller Homes Group Limited.

	2023 £000	2022 £000
Auditor's remuneration:		
Audit of the Group's financial statements	35	20
Audit of financial statements of subsidiaries pursuant to legislation	350	302
Other services relating to taxation	–	2

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

3 Acquisitions of businesses

Acquisitions in the prior period

On 31 March 2022, the Company acquired 100% of the issued share capital of MHGL, a UK housebuilder, for £1,318.4m satisfied in cash and the repayment of existing debt. In the period to 31 December 2022 the business contributed £82.2m to net profit. If the acquisition had occurred on 20 January 2022, the date of incorporation of the Company, consolidated revenue of the Group in 2022 would have been £1,118.9m and net profit would have been £44.4m. 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 20 January 2022.

Effect of acquisition

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

	Recognised values on acquisition £m
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	13.0
Investments	12.0
Intangible assets (Brand)	172.0
Inventories	920.8
Trade and other receivables	44.5
Cash and cash equivalents	178.3
Trade and other payables	(361.7)
Retirement benefit obligations	8.0
Deferred tax liability	(48.2)
Net identifiable assets and liabilities	**938.7**
Consideration paid:	
Initial cash price paid	914.4
Repayment of existing debt	404.0
Total consideration	**1,318.4**
Goodwill on acquisition	**379.7**

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 based on a valuation by an independent IP valuation specialist using the relief from royalty approach. A royalty rate of 2.5% was applied. The valuation of the brand is sensitive to assumption changes and the independent IP valuation specialist determined a valuation range of £165 - 178m. The Group adopted the mid point of this range.

Inventories have been stated at fair value. The carrying values of reserved and exchanged plots were uplifted by £33.8m in the table above to reflect the sales status of plots at the date of acquisition. Land options included within inventories have been assessed based on the value of the option, the likelihood of the option being exercised and the time to exercise.

Notes continued

(forming part of the financial statements)

4 Revenue and other operating income

The Group generates revenue primarily from the sale of new build homes. Other sources of revenue are land sales and timber kit sales.

	12 months to December 2023 £m	9 months to December 2022 £m
Major product lines		
Sale of new build homes	1,000.0	896.0
Land sales	6.2	6.2
Timber kit	9.7	13.5
	1,015.9	915.7
Timing of revenue recognition		
Products transferred at a point in time	850.8	813.7
Products transferred over time (see note 1.16)	165.1	102.0
	1,015.9	915.7

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

	2023 £m	2022 £m
Receivables included in trade receivables	10.9	14.4
Payables included within other creditors	(18.3)	(20.2)

Amounts included in trade receivables relate to work billed but not paid on housing association and timber kit contracts. Amounts included within other creditors represent advance consideration received from customers on Housing Association contracts and customer deposits.

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

	2025 £m	2026 £m	2027 £m
Future performance obligations	102.9	36.2	17.3

No information is provided about remaining performance obligations at 31 December 2023 that have an expected duration of one year or less, as allowed by IFRS 15.

Other operating income

Other operating income includes the profit or loss on the sale of part exchange properties and management fees from joint ventures as follows:

	12 months to December 2023 £m	9 months to December 2022 £m
Part exchange sales	14.1	1.5
Part exchange cost of sales	(14.1)	(1.5)
Management fees	1.4	0.9
	1.4	0.9

5 Staff numbers and costs

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

	12 months to December 2023	9 months to December 2022
Production	540	550
Sales	158	170
Administration	571	543
	1,269	1,263

The aggregate payroll costs of these persons were as follows:

	12 months to December 2023 £m	9 months to December 2022 £m
Wages and salaries	75.2	58.5
Social security costs	8.5	7.1
Pension costs	4.4	2.8
	88.1	68.4

6 Remuneration of key management

The eight (2022: ten) members of key management comprise the Executive Board Directors, the Divisional Managing Directors and the Human Resources Director as they are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Retirement benefits accrued to eight (2022: nine) members of key management under money purchase schemes. Key management remuneration, including Directors, comprised:

	12 months to December 2023 £m	9 months to December 2022 £m
Salary and other benefits	2.4	2.2
Annual bonus	1.8	1.4
Other pension costs	0.1	–
	4.3	3.6

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

	12 months to December 2023 £m	9 months to December 2022 £m
Salary and other benefits	1.1	1.2
Annual bonus	0.8	0.7
Other pension costs	–	–
	1.9	1.9

The aggregate emoluments of the highest paid Director were £866,000 (9 months 2022: £608,000) and contributions of £8,500 (9 months 2022: £3,000) were paid to a money purchase scheme on his behalf. Retirement benefits are accruing to three Directors under money purchase schemes.

Notes continued

(forming part of the financial statements)

7 Finance costs

	12 months to December 2023 £m	9 months to December 2022 £m
Interest payable on senior secured notes, loans and overdrafts	80.2	56.8
Exchange loss (including unrealised swap loss of £9.6m in 2023 and gain of £19.7m in 2022)	0.8	2.4
Imputed interest on land payables on deferred terms	4.7	5.4
Imputed interest on provisions	1.4	–
Imputed interest on lease liabilities	0.4	0.2
	87.5	64.8

8 Finance income

	12 months to December 2023 £m	9 months to December 2022 £m
Bank interest	5.8	–
Imputed interest on land sale debtors	0.5	0.7
Finance income related to retirement benefit obligations	0.3	0.2
Interest on loans to joint ventures	0.6	0.4
Other interest	0.2	0.3
	7.4	1.6

9 Income taxes

	12 months to December 2023 £m	9 months to December 2022 £m
Current tax charge:		
Current year	(20.7)	(22.4)
Prior year	4.8	–
Deferred tax credit:		
Current year	0.7	9.7
Prior year	(5.9)	–
Total tax charge for the year/period	**(21.1)**	(12.7)
Reconciliation of effective tax rate:		
Profit before tax	65.7	29.9
Tax using the UK corporate tax rate of 23.5% (2022:19%)	(15.5)	(5.7)
Effects of:		
Residential Property Development Tax	(4.5)	(3.4)
Permanent differences	(0.2)	(4.0)
Change of rate	(0.1)	0.3
Adjustment in respect of joint ventures	0.3	0.1
Prior year charge	(1.1)	–
Total tax charge for the year/period	**(21.1)**	(12.7)

The corporate tax rate increased to 25% on 1 April 2023 with an additional rate of 4% in respect of Residential Property Development tax ("RPDT"). A rate of 25% or 29% is applied to deferred tax, depending upon when temporary differences are expected to reverse.

10 Dividends

There were no distributions to equity shareholders in the year ended 31 December 2023 (2022: £nil).

11 Intangible assets

Group	Goodwill £m	Brand value £m	Total £m
Cost and net book value			
Balance at 20 January 2022	–	–	–
Acquisitions through business combinations	379.7	172.0	551.7
Balance at 31 December 2022	379.7	172.0	551.7
Balance at 31 December 2023	**379.7**	**172.0**	**551.7**

Amortisation and impairment

Intangible assets are deemed to have an indefinite economic life and therefore are not amortised. Their carrying values are tested for impairment at least annually. The latest impairment review was performed at December 2023. The recoverable amount is determined using a 'value in use' calculation with key assumptions being discount rate, sales rate, selling prices, projected gross margin and growth rate. A pre-tax discount rate of 15.4% is used reflecting the Group's risk adjusted WACC. Other assumptions are based upon expectations of future performance, which have been informed by past experience, but include an allowance for a lower than usual sales rates, selling prices and project gross margin in the early years. The values used are consistent with the forecasts for 2024 - 28 after which a terminal growth rate of 1.8% has been applied. The Directors believe these assumptions are appropriate and sensitivity analysis including the application of a higher discount rate and a lower terminal growth rate indicates that changes in the key assumptions would maintain a reasonable amount of headroom over the carrying value.

12 Property, plant and equipment

Group	Property £m	Plant and equipment £m	Total £m
Cost			
Balance at 20 January 2022	–	–	–
On acquisition	4.5	8.0	12.5
Additions	0.3	1.4	1.7
Balance at 31 December 2022	4.8	9.4	14.2
Additions	–	1.3	1.3
Disposals	–	(0.1)	(0.1)
Balance at 31 December 2023	**4.8**	**10.6**	**15.4**
Accumulated depreciation			
Balance at 20 January 2022	–	–	–
On acquisition	–	5.7	5.7
Charge for the period	0.1	0.5	0.6
Balance at 31 December 2022	0.1	6.2	6.3
Charge for the year	–	1.1	1.1
Disposals	–	(0.1)	(0.1)
Balance at 31 December 2023	**0.1**	**7.2**	**7.3**
Net book value			
Balance at 31 December 2023	**4.7**	**3.4**	**8.1**
Balance at 31 December 2022	4.7	3.2	7.9

Notes continued

(forming part of the financial statements)

13 Investments

	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Investment in joint ventures	13.2	–	12.4	–
Investment in subsidiaries	–	527.9	–	527.9
	13.2	527.9	12.4	527.9

Investments are tested for impairment applying a similar methodology to that applied to intangible assets (see note 11).

Group	2023 £m	2022 £m
Joint ventures:		
At start of year/period	12.4	–
On acquisition	–	12.0
Share of results of joint ventures	1.2	0.3
Distributions	–	(2.5)
Reclassified to provisions	1.2	–
Movement in shareholder loans	(1.6)	2.6
At end of year/period	13.2	12.4

The Group has an interest in three active joint ventures, Miller Wates (Oakley) LLP, Miller M2 (Maddiston) Limited and Miller M2 (Kirkcaldy) Limited. It holds 50% of the ordinary share capital of each and all are incorporated in the United Kingdom and engage in the principal activity of residential housebuilding. The Group's share of assets and liabilities of joint ventures is shown below:

	2023 £m	2022 £m
Current assets	3.9	3.7
Current liabilities	(2.9)	(5.1)
Loans provided to joint ventures	12.2	13.8
	13.2	12.4

The Group's share of the joint ventures income and expenses during the year/period (before tax) is shown below:

	2023 £m	2022 £m
Income	15.2	5.4
Expenses	(13.6)	(5.1)
	1.6	0.3

Company	2023 £m	2022 £m
Subsidiaries:		
At start of year/period	527.9	–
Additions	–	527.9
At end of year/period	527.9	527.9

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

	Nature of business
Castle UK Bidco Limited	Holding Company
Miller Homes Group Limited	Holding Company
Miller Homes Holdings Limited	Residential housebuilding
Miller Homes Limited	Residential housebuilding
Walker Timber Limited	Timber frame construction

Each is incorporated in the United Kingdom and the Group owns 100% of the ordinary share capital.

14 Shared equity loan receivables

Group	2023 £m	2022 £m
At start of year/period	3.5	–
On acquisition	–	4.6
Redemptions (net of fair value movements)	(0.7)	(1.1)
At end of year/period	2.8	3.5

15 Inventories

Group	2023 £m	2022 £m
Land	500.5	502.7
Work in progress	386.7	363.0
Part exchange properties	9.2	3.2
	896.4	868.9

Land and work in progress recognised as cost of sales amounted to £784.9m (2022: £691.7m).

16 Trade and other receivables

	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Current:				
Trade receivables	21.5	–	33.4	–
Corporation tax recoverable	–	–	–	2.8
Other receivables	11.2	–	3.3	–
Prepayments and accrued income	2.1	–	2.6	–
Amounts owed by parent undertakings	0.3	0.1	0.2	0.1
	35.1	0.1	39.5	2.9
Non-current:				
Amounts owed by subsidiary undertaking	–	883.0	–	826.0
Foreign exchange swaps (note 23)	10.1	10.1	19.7	19.7
	10.1	893.1	19.7	845.7

Amounts owed by subsidiary undertakings are repayable in May 2029. Interest is charged at 7%.

17 Trade and other payables

	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Current:				
Trade payables	93.8	–	114.9	–
Other payables	22.2	–	24.7	–
Land payables	49.3	–	79.3	–
Corporation tax	1.3	–	2.3	–
Accruals and deferred income	50.2	9.7	57.3	10.0
Amounts owed to subsidiary undertakings	–	129.8	–	49.5
	216.8	139.5	278.5	59.5
Non-current:				
Land payables	39.0	–	17.2	–

Notes continued

(forming part of the financial statements)

17 Trade and other payables (continued)

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. The difference between the nominal and initial fair value is amortised over the deferred period to finance costs, increasing the land creditor to its full cash settlement value on the payment date. The maturity profile of the total contracted cash payments in respect of land creditors is as follows:

	Balance £m	Total contracted cash payment £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 2023	**88.3**	**94.8**	**49.3**	**26.3**	**19.2**
As at 31 December 2022	96.5	108.2	79.3	11.1	17.8

18 Interest bearing loans and other borrowings

	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Non-current:				
Senior secured notes	**798.3**	**798.3**	801.0	801.0
	798.3	**798.3**	801.0	801.0

Senior secured notes

Analysis of debt:

	2023 £m	2022 £m
Senior secured floating rate notes (at Euribor plus 5.25%) due May 2028	**403.5**	412.3
Senior secured notes at 7.0% due May 2029	**425.0**	425.0
Debt arrangement fees	**(30.2)**	(36.3)
	798.3	801.0

During the comparative period the Group issued £425m of fixed rate notes and €465m of floating rate notes to partially fund the acquisition of Miller Homes Group Limited, with interest paid bi-annually or quarterly, respectively. The notes do not have any financial covenants and are secured by a floating charge over assets of the Group and a pledge over the shares of certain subsidiaries. The Euro denominated notes are converted at the year-end spot rate of €1.153 (2022: €1.128).

The Group has an RCF facility of £194m (2022: £180m) which is committed until September 2027. There are no cash drawings on the RCF at the year end, with only £0.4m of ancillary facilities utilised.

19 Deferred tax

Group	Retirement benefit obligations £m	Capital allowances £m	Other temporary differences £m	Fair value adjustments £m	Brand value £m	Total £m
At 20 January 2022	–	–	–	–	–	–
On acquisition	(2.8)	0.3	5.0	(7.7)	(43.0)	(48.2)
Other comprehensive income credit	4.2	–	–	–	–	4.2
Income statement credit	(4.3)	–	6.3	7.7	–	9.7
At 31 December 2022	(2.9)	0.3	11.3	–	(43.0)	(34.3)
Other comprehensive income debit	(2.2)	–	–	–	–	(2.2)
Income statement charge	(0.1)	(0.4)	(4.7)	–	–	(5.2)
At 31 December 2023	**(5.2)**	**(0.1)**	**6.6**	**–**	**(43.0)**	**(41.7)**

20 Provisions

Group	Fire safety £m	Property £m	Other £m	Total £m
At start of year	28.8	1.6	2.7	33.1
Utilised in year	(1.6)	(0.2)	–	(1.8)
Created in year	11.3	0.3	(1.1)	10.5
Imputed interest	1.4	–	–	1.4
Reclassified from investments in joint ventures	1.2	–	–	1.2
At end of year	**41.1**	**1.7**	**1.6**	**44.4**

The Group signed the Developer Pledge to undertake to remediate fire safety issues in England above 11 metres in April 2022. During 2022 the Government passed the Building Safety Act which widened the scope of liability for remediating building defects. In March 2023 the Group signed the Self Remediation Contract with the Secretary of State for the Department of Levelling Up, Housing and Communities, which sets out the detailed terms of developers' responsibilities to identify buildings that come within the scope of the obligations and to assess the risk of fire safety defects within these buildings and, where necessary and in accordance with the terms of the contract, to remediate those buildings.

Prior to 2022, the Group had already undertaken a review of its legacy multi-storey apartment schemes in line with the relevant Government guidance at that time and has already carried out works to rectify some identified issues both in England and in Scotland. The Group extended its review to identify the population of buildings that may require remediation under the current legislation and Self Remediation Contract. That process included searches and consideration of the Group's records, insurance records, and all relevant information received from third parties. Whilst that process is complete there remains a residual risk that new information comes to light in the future that might extend the known population of buildings that may require remediation. The Group used third party reports as well as its internal expertise to assess the extent of remediation needed and estimate its cost.

An exceptional charge of £11.3m (2022: £20.6m) was booked to cover additional costs of remedial work identified resulting from extensions of liability identified during the year. Together with amounts provided in prior years, less amounts utilised during the year, a total fire safety provision of £41.1m is recorded in the balance sheet at 31 December 2023.

The amounts provided reflect the current best estimate of the extent and future costs of work required, however, these estimates may change as work progresses. Consequently the ultimate cost of remediation and the range of possible estimates of these are uncertain and may differ from the Group's current best estimate.

The property provision covers the estimated costs to make good dilapidations on occupied properties. Other provisions represent legal and constructive obligations.

Provisions are expected to be utilised over the next three years.

21 Leases

The Group's leases consist primarily of office premises and equipment. Information about leases for which the Group is a lessee is presented below.

Group *Right-of-use assets*	Office premises £m	Equipment £m	Total £m
At 20 January 2022	–	–	–
Acquisitions	4.3	1.9	6.2
Additions	0.2	3.3	3.5
Depreciation	(0.8)	(1.0)	(1.8)
At 31 December 2022	3.7	4.2	7.9
Additions	0.6	1.3	1.9
Depreciation	(1.0)	(1.6)	(2.6)
At 31 December 2023	**3.3**	**3.9**	**7.2**

Notes continued

(forming part of the financial statements)

21 Leases (continued)

Group *Lease liabilities*	Office premises £m	Equipment £m	Total £m
At 20 January 2022	–	–	–
Acquisitions	4.5	2.1	6.6
Additions	0.2	3.3	3.5
Lease payments	(0.9)	(1.1)	(2.0)
Imputed interest	0.1	0.1	0.2
At 31 December 2022	3.9	4.4	8.3
Additions	0.6	1.3	1.9
Lease payments	(1.1)	(1.9)	(3.0)
Imputed interest	0.1	0.3	0.4
At 31 December 2023	**3.5**	**4.1**	**7.6**

Maturity:	2023 £m	2022 £m
Current	**2.4**	2.5
Non current	**5.2**	5.8

The total cash outflow for leases during the year was £3.0m (2022: £2.0m), including £0.4m (2022: £0.2m) of interest.

22 Share capital

	2023 £m	2022 £m
Allotted, called up and fully paid		
527,939,635 ordinary shares of £1 each	**527.9**	527.9

Share capital of £527.9m was issued during the prior period and was used to partly fund the acquisition of Miller Homes Group Limited.

23 Financial instruments

The Group's financial instruments comprise cash, other loans, trade and other receivables (including foreign exchange swaps), 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 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.

	Group 2023 £m	Company 2023 £m	Group 2022 £m	Company 2022 £m
Financial assets measured at fair value:				
Foreign exchange swaps	**10.1**	**10.1**	19.7	19.7
Shared equity loan receivables	**2.8**	**–**	3.5	–
Financial assets not measured at fair value:				
Trade and other receivables	**35.1**	**883.1**	39.5	828.9
Cash and cash equivalents	**194.2**	**–**	189.8	–
Financial liabilities not measured at fair value:				
Trade and other payables (excluding land payables)	**167.5**	**139.5**	199.2	59.5
Land payables	**88.3**	**–**	96.5	–
Interest bearing loans and other borrowings	**798.3**	**798.3**	801.0	801.0
Lease liabilities	**7.6**	**–**	8.3	–

The following table provides an analysis of financial assets 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 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Foreign exchange swaps	–	10.1	–	10.1
Shared equity receivables	–	–	2.8	2.8
As at 31 December 2023	**–**	**10.1**	**2.8**	**12.9**
As at 31 December 2022	–	19.7	3.5	23.2

Level 1: fair value measurements derived from quoted prices (unadjusted) in active markets to identical assets;

Level 2: fair value measurements 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 derived from valuation techniques that include inputs for the asset/liability that are not based on observable market data (unobservable inputs).

Notes continued

(forming part of the financial statements)

23 Financial instruments (continued)

Financial risk

The main risks associated with the Group's financial instruments are credit risk, liquidity risk, market risk, interest rate risk and exchange rate risk. The Board is 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 debtors are good and therefore credit risk is low. The Group has £2.8m (2022: £3.5m) of shared equity 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.

(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 its senior secured bond facility and a £194m RCF. The only financial condition of the RCF is that the drawn balance is limited to 50% of net inventory. The Group manages its funding requirements by monitoring cash flows against forecast requirements on a monthly 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.

(iv) Interest rate risk

Interest rate risk reflects the Group's exposure to interest rates in the market. The Group's senior secured bond facility is partly subject to floating interest rates based on Euribor. The Group has reduced its exposure to interest rate movements through the issue of fixed rate bonds. In total £425m of debt is fixed at a cost of funds of 7%. It is estimated that an increase of 1% in interest rates would increase the Group's net finance costs by £4.0m. The maturity of the financial liabilities has been disclosed in note 18.

(v) Exchange rate risk

Exchange rate risk reflects the Group's exposure to exchange rates in the market. The Group's senior secured bond facility includes €465m that is Euro denominated. The Group has reduced its exposure to exchange rate movements through entering into exchange rate swaps totalling €465m that mature between February 2025 and February 2027 at a fixed rate of €1.19, compared to a year end rate of €1.153.

Capital management

The Board's 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 and senior secured bonds.

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 monitoring of compliance with loan covenants, and 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.

24 Reconciliation of net cash flow to net debt

	2023 £m	2022 £m
Increase in cash and cash equivalents	**4.4**	189.8
Movement in senior secured notes	**2.7**	(801.0)
Movement in foreign exchange swap asset	**(9.6)**	19.7
Movement in lease liabilities	**0.7**	(1.8)
	(1.8)	(593.3)
Net debt at beginning of period	**(599.8)**	–
Debt acquired with Miller Homes Group Limited	**–**	(6.5)
Net debt at end of period	**(601.6)**	(599.8)

25 Analysis of net debt

	At start of year £m	Cash flow £m	Non cash movement £m	At end of year £m
Cash and cash equivalents	189.8	4.4	–	**194.2**
Senior secured notes	(801.0)	0.5	2.2	**(798.3)**
Foreign exchange swap asset	19.7	–	(9.6)	**10.1**
Lease liability	(8.3)	3.0	(2.3)	**(7.6)**
Net debt	(599.8)	7.9	(9.7)	**(601.6)**

26 Contingent liabilities

The Company and 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. The Group's senior secured noteholders have a debenture and floating charge over the assets of the Company and certain of its principal subsidiaries.

27 Accounting estimates and judgements

Carrying value of inventories and cost of sales

Inventories of land and development work in progress are stated at the lower of cost and net realisable value ("NRV"). Due to the nature of development activity and, in particular, the length of the development cycle, the Group allocates 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. Inventories were stated at fair value at the date of acquisition, which involved the exercise of judgement as explained in more detail in note 3.

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. NRV represents the estimated selling price of units less all estimated costs of completions including an appropriate allocation of overheads.

Retirement benefit obligations

The value of the defined benefit plan liabilities is determined by using various long term actuarial assumptions, including future rates of inflation, growth, yields, returns on investments and mortality rates. As actual changes in inflation, growth, yields and investment returns may differ from those assumed, this is a key source of estimation uncertainty within the financial statements. Changes in these assumptions over time and differences to the actual outcome will be reflected in the statement of comprehensive income. Note 30 details the main assumptions in accounting for the Group's defined benefit pension scheme along with sensitivities of the liabilities to changes in these assumptions.

Intangible assets

Intangible assets are deemed to have an indefinite economic life and are tested for impairment as described in note 11.

Provisions

Provisions include the cost of remedial work on a number of legacy properties. As explained in note 20 the ultimate cost of this is uncertain.

Notes continued

(forming part of the financial statements)

28 Related party transactions

	2023 £m	2022 £m
Amounts owed by joint ventures	12.2	13.8
Interest receivable on loans to joint ventures	0.6	0.4

29 Ultimate parent Company

At 31 December 2023, the Company was an immediate subsidiary undertaking of Castle UK Midco 2 Limited. The ultimate parent Company registered in the United Kingdom is Castle UK Midco 1 Limited. The address of the immediate and ultimate UK registered parent Companies is 2 Centro Place, Derby, DE24 8RF. The Company heads the largest UK group in which the results of this Company are consolidated.

The ultimate parent Company was AP Castle Holdings SCSp, which has its registered office address at 7, Rue de la Chapelle, L – 1325, Luxembourg. The largest and smallest group in which the results of this Company are consolidated is that headed by Castle-Builder Topco Limited, which has its registered office at PO Box 536, 13-14 Esplanade, St. Helier, Jersey, JE4 5UR. The consolidated financial statements of this Group are not available to the public.

At the date of approval of these financial statements, the Company was ultimately controlled by funds controlled by Apollo Global Management Inc, whose address is 9 West 57th Street, 42nd Floor, New York, NY 10019.

30 Retirement benefit surplus

The Group operates defined contribution and defined benefit pension schemes.

Defined contribution schemes

	2023 £m	2022 £m
Group defined contribution schemes consolidated income statement charge	4.4	2.8

Defined benefit scheme

Miller Homes Limited, the Group's main subsidiary, is the principal employer of The Miller Group Limited pension scheme. This is a defined benefit scheme that is closed to future accrual. The assets of the scheme have been calculated at net asset value or fair (bid) value using the latest available prices. The liabilities of the scheme have been calculated at the balance sheet date by rolling forward the June 2022 funding liability and restating it using the following assumptions:

Principal actuarial assumptions	2023	2022
Weighted average assumptions to determine benefit obligations		
Discount rate	4.50%	4.80%
Rate of price inflation (RPI)	3.25%	3.45%
Weighted average assumptions to determine net cost		
Discount rate	4.80%	1.85%
Rate of price inflation (RPI)	3.45%	3.60%
Rate of price inflation (CPI)	2.60%	2.85%

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:

Assumptions	
Retired member aged 65 (male/female life expectancy at age 65)	21.3 / 23.7 years
Non retired member aged 45 (male/female life expectancy age 65)	22.4 / 24.9 years

The base mortality assumptions are based upon the CMI 2022 model with a 2020 and 2021 weighting parameter of 10% and a 2022 weighting parameter of 35%. Allowance for future increases in life expectancy is made with an annual rate of improvement in mortality of 1.25% assumed.

30 Retirement benefit surplus (continued)

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

Assumptions	Change in assumption	Movement in scheme liabilities
Discount rate	Decrease by 0.1%	£1.4m (1.2%) increase
	Increase by 0.1%	£1.2m (1.1%) decrease
Rate of inflation	Increase by 0.1%	£0.8m (0.7%) increase
	Decrease by 0.1%	£0.8m (0.7%) decrease
Life expectancy: future improvements	Increase by 0.1%	£0.3m (0.3%) increase
	Decrease by 0.1%	£0.3m (0.3%) decrease

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

	12 months to 31 December 2023 £m	9 months to 31 December 2022 £m
Interest cost	5.6	3.1
Interest income	(5.9)	(3.3)
Total recognised in finance income in the consolidated income statement	(0.3)	(0.2)

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

	12 months to 31 December 2023 £m	9 months to 31 December 2022 £m
Gain/(loss) on scheme assets excluding interest income	3.2	(59.9)
Actuarial (loss)/gain arising from changes in assumptions	(3.6)	56.6
Experience adjustment	4.2	(7.6)
Demographic assumptions	2.5	(1.3)
Total pension cost recognised in the consolidated statement of comprehensive income	6.3	(12.2)

The asset included in the consolidated statement of financial position is as follows:

	2023 £m	2022 £m
Present value of funded obligations	(114.8)	(117.9)
Fair value of scheme assets	129.6	126.1
	14.8	8.2

	2023 £m	2022 £m
Defined benefit surplus at start of year/period	8.2	–
On acquisition	–	8.0
Contributions	–	12.2
Income recognised in the consolidated income statement	0.3	0.2
Amounts recognised in the consolidated statement of comprehensive income	6.3	(12.2)
Defined benefit surplus at the end of year/period	14.8	8.2

Deferred tax is provided on the surplus at a rate of 35%.

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30 Retirement benefit surplus (continued)

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

	2023 £m	2022 £m
Present value of defined benefit obligations at start of year/period	(117.9)	–
On acquisition	–	(168.4)
Interest cost	(5.6)	(3.1)
Actuarial (loss)/gain arising from changes in assumptions	(3.6)	56.6
Experience adjustment	4.2	(7.6)
Demographic assumptions	2.5	(1.3)
Benefits paid from scheme	5.6	5.9
Present value of defined benefit obligations at the end of year/period	**(114.8)**	(117.9)

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

	2023 £m	2022 £m
Fair value of scheme assets at start of year/period	126.1	–
On acquisition	–	176.4
Contributions	–	12.2
Interest income	5.9	3.3
Actuarial gain/(loss) on scheme assets	3.2	(59.9)
Benefits paid from scheme	(5.6)	(5.9)
Fair value of scheme assets at end of year/period	**129.6**	126.1

The analysis of scheme assets at the balance sheet date are as follows:

	2023	2022
Debt type securities and unleveraged gilts*	88.4%	92.1%
Liability driven investments	10.4%	6.5%
Cash	1.2%	1.4%
Total	**100.0%**	100%

* Of which 75.0% (2022: 54.7%) is valued based on a quoted market price in an active market

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 2022, by a qualified independent actuary, showed a deficit of £0.7m.

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, it has been agreed that no further contributions are required to meet the recovery plan. Consequently, the expected employer contribution to the scheme in the year ending 31 December 2024 is £nil. Benefit payments by the scheme of £7.1m are expected in 2024.

Virgin Media legal decision

On 16 June 2023 the High Court in England issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited calling into question the validity of rule amendments made to defined benefit pension schemes contracted-out between 6 April 1997 and 5 April 2016. Amendments over this time required confirmation from the Scheme Actuary that the ‘Reference Scheme Test’ would continue to be met. In the absence of such a confirmation, the Rule amendment would be void. This ruling could have wide ranging implications for many UK pension schemes and will be subject to an Appeal in 2024.

The Miller Group Limited Pension Scheme was contracted-out during this period. In line with current legal advice the Company and pension scheme Trustees believe it is appropriate to await the outcome of the Appeal in 2024 before taking any further action. As such, it is not possible to assess the potential impact of the Virgin Media High Court ruling on the Miller Group Limited Pension Scheme.

31 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 2023 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 as follows:

Fully owned subsidiaries

Trading

Castle UK Bidco Limited (xiii) – B	
Miller Homes Holdings Limited (x) – A	Miller Homes Group Holdings Ltd (viii) – B
Miller Homes Limited – A	Walker Timber Limited – A
Miller Residential Development Services Limited – A	Miller Homes Group Limited (xii) – B

Dormant

Birch Limited – B	Miller Maidenhead Limited – B
Birch Commercial Limited (i) – B	Miller Residential (Northern) Limited – B
Birch Homes Limited (i) – B	Miller Homes St Neots Limited – A
Cussins Homes (Yorks) Limited – B	Miller Homes Two Limited – A
Highfields Developments Limited – B	Miller Maidenhead Limited – B
FHL Nominees (No1) Limited – B	Miller Residential (Northern) Limited – B
James Miller & Partners Limited – A	Fairclough Homes Limited – B
Lemmington Estates Limited – B	Viewton Properties Limited – B
MHL (Mancos) Limited – A	MF Development Company UK Limited – B
Miller (Cobblers Hall) Limited – B	MF Development Funding Company UK Limited (iii) – B
Miller (Telford North) Limited – A	Miller Fairclough UK Limited (iv) – B
Miller East Kilbride Limited – A	CDC2020 Limited (v) – B
Miller Airdrie Limited – B	Fairclough Homes Group Limited (v) – B
Miller Fullwood Limited – B	MF Strategic Land Limited (v) – B
Miller Gadsby (Burton Albion) Limited – B	Miller Fairclough Management Services Limited (v) – B
Miller Homes (Yorkshire) Limited – A	Miller Belmont Limited – A
Miller Homes Cambridge Limited – B	Land & City Properties (Bollington) Limited – A
Miller Homes Cambuslang Limited – A	L Williams & Co Limited – B
Miller Homes City Quay Limited – B	Lowland Plaid Limited – D
Miller Homes Special Projects Portfolio Limited – A	Miller (Telford South) Limited (ii) – A
Miller (Eccles) Limited (ii) – B	Miller Homes St Neots Limited – A
Miller Homes Two Limited – A	Miller Framwellgate Limited – B
Miller Midco 1 Limited (xi) – B	Wallace Land Investment and Management Limited (vii) – A
Miller Midco 2 Limited (ix) – B	

Notes continued
(forming part of the financial statements)

31 Group companies (continued)

Joint ventures (all 50%)

Trading	*Dormant*
Miller Wates (Southwater) Limited – B	Mount Park Developments Limited (vi) – A
Miller Wates (Chalgrove) Limited – B	Perth Land and Estates Limited (vi) – A
Miller Wates (Oakley) LLP – B	College Street Residential Developments Limited (vi) – A
Miller M2 (Maddiston) Limited – A	Lancefield Quay Limited – A
Miller M2 (Kirkcaldy) Limited – A	Miller Gadsby (Burton Albion) 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
	Miller Wates (Wallingford) Limited – B
	Miller Wates (Bracklesham) Limited – B
	Miller Wates (Didcot) Limited – B
	Canniesburn Limited – C

Associates (45%) (trading)

New Laurieston (Glasgow) Limited – A

The letter 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 – 52-54 Rose Street, Aberdeen
D – 18 Bothwell Street, Glasgow
E – 14-17 Market Street, London

(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 Midco 2 Limited
(ix) Held via Miller Midco 1 Limited
(x) Held via Miller Homes Group Holdings Limited
(xi) Held via Miller Homes Group Limited
(xii) Held via Castle UK Bidco Limited
(xiii) Held via Miller Homes Group (Finco) plc

Subsidiaries exempt from audit under S279A of Companies Act 2006	
Miller Residential Development Services Limited	SC207758
Wallace Land Investment and Management Limited	SC362683
Miller Homes Holdings Limited	SC255430
Miller Homes Group Holdings Limited	10854458
Castle UK Bidco Limited	13787225
Land & City Properties (Bollington) Limited	SC213825