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# The Miller Group is the UK's largest privately owned Housebuilding, Property Development and Construction business.

Our mission is to deliver world-class levels of service to our customers, outstanding levels of performance for our shareholders and to be the sector's best partner, employer and sustainable developer.



## Miller Homes

Miller Homes is the sixth largest volume housebuilder in the UK, operating from nine geographic regions across the country. We have a reputation for award-winning innovation and customer focus.



## Miller Developments

Miller Developments is a major property development and investment business operating across the UK and Europe. We focus on brownfield sites and working in joint venture with public and private sector partners.



## Miller Construction

Miller Construction is a major building contractor operating throughout the UK. We work with organisations that share our commitment to the philosophy of partnership. A significant part of our business is in the PPP sector.

## Chairman's Statement

Sir Brian Stewart CBE

“The Group is operating in more stable markets and we continue to rebuild from the unprecedented events of 2008. All operations have their individual challenges, but we have proven and experienced management teams who are performing ahead of targets.”



Sir Brian Stewart CBE  
Chairman

### Performance

The Group is operating in more stable markets and we continue to rebuild from the unprecedented events of 2008. All operations have their individual challenges, but we have proven and experienced management teams who are performing ahead of targets. The overall loss was better than expected. The directors do not intend to pay a dividend.

### Housing

The UK housing market is showing positive signs of recovery which is supported by external indices. House prices are stabilising with the rate of decline slowing. There is an increase in mortgage activity, although mortgage availability still remains an obstacle for many potential buyers with banks and building societies adopting very conservative lending criteria. Encouragingly, we have improved our visitor to reservation conversion rate.

In relative terms we performed well with increased volumes. We achieved 1,048 completions for the half year, 8% ahead of 2008 with total sales of £158.2m (2008: £169.8m). Total reservations taken to the end of August of 1,773 are 45% ahead of the same period in 2008 which places us in a strong forward position for 2009.

Sales rates per site are improving and as a consequence we are planning to open up 13 new sites in the second half of this year to drive further sales volume. We are operating from 112 active sites (2008: 164). Cancellation rates have returned to historic levels and now currently stand at 15% (2008: 31%).

We experienced a reduction in the pace of house price falls over the period. Overall the peak to trough decline of 18% is lower than the industry average due to our bias towards family housing.

Social Housing is an important part of our strategy and we have successfully replanned a number of sites in the North and Midlands. Sales to Housing Associations currently represent 12% of our total reservations. The Group is working closely with The Homes and Communities Agency (HCA) on HomeBuy Direct (HBD) and Kick Start (KS) initiatives and as a direct result, 15% of this year's reservations have been achieved using HBD. In total we have been awarded HBD funding for more than 600 units which will be sold during the course of 2009 and the first quarter of 2010. We were also successful in being shortlisted to receive gap funding of £23m to support the construction of 793 units under the KS initiative which will be completed by March 2011. This will be supported by additional HBD funding of £2.6m to assist in the sale of 138 of these units.

### Property

The markets were quiet in the early part of the year with limited stock availability and bank finance being in short supply. Recently there has been more activity with funds returning to the market. However, they remain focused on prime product.

The majority of our efforts have been directed towards improving our portfolio by reducing voids and associated costs. In total 147,000 sq ft was let during the period with significant lettings to Speedo for their new headquarters in Nottingham, Business Stream and Companies House in Edinburgh and Hugo Boss at Ringsted, Denmark.

We have experienced no major tenant default and the portfolio yields a positive return after direct operating and finance costs.

The Group is well positioned with funds to reinvest. However, investments will only take place on a selective basis and will be subject to our normal rigorous risk review process.

## Chairman's Statement

continued

“We are confident management has put the Group in a strong position to tackle positively the challenges ahead and capitalise on opportunities as they arise.”

### Construction

Turnover is ahead of forecast. The Group enjoyed the benefit of two £100m projects running concurrently in 2008, both of which will complete in 2009. The previous year also contained an element of claims recovery which had a positive impact on margin.

The UK construction market has been the most challenging in recent months with thin order levels and unsustainable pricing for available work. The advantage of longer term framework agreements and a partnering approach in this tightening market will protect our Construction business against the worst effects of this slowdown. Construction is well positioned with a capable and experienced management team to deliver a solid performance without the need to pursue unprofitable work to maintain trading volumes.

We remain active in the PPP market and successfully concluded tranche 3 of Leeds LIFT. Currently, we are shortlisted on four projects with a construction value in excess of £200m.

The order book is £600m (2008: £800m). 75% of the forward workload is within the public sector. During the period we were successful in securing a 4 year framework contract with the Post Office which will in time deliver around £50m turnover per annum.

### Mining

All infrastructure works have been completed and the mine is producing tonnages in line with our budget. This will result in annual output of around 1 million tonnes on a recurring basis.

### Asset Values

There is strong evidence that house prices are now stabilising and property is attracting more investor interest with yields comparing favourably with returns from other asset classes. Consequently, we have made only modest adjustments to the carrying value of our landbank and property portfolio at the half year. Occupational markets are weak and may impact further on commercial property values. Therefore, carrying values will be considered again at the financial year end.

### Funding

We operate comfortably within our Bank covenants and have £192m headroom in our facility which is committed until 2012. We have the strong support of our banks.

### Outlook

The Housing business is showing positive signs of recovery and conditions will improve further when mortgage availability increases, employment recovers and general consumer confidence returns. Our Commercial Property team is actively examining new investment opportunities and the Construction business has good order book visibility for 2010 and beyond, and has been reshaped to reflect current market conditions.

We have strength in the diversity of the Group's operations and through our highly experienced management team. Management has moved swiftly and decisively to reshape the operations of the Group to recognize the dramatic changes that have taken place in the markets in which the Group operates. Through this action the Group is performing well and in line with our expectations. We are confident management has put the Group in a strong position to tackle positively the challenges ahead and capitalise on opportunities as they arise.

## Group Profit and Loss Account

for the six months ended 30 June 2009

Notes	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	12 months to 31 December 2008 £m	
1	<b>Turnover: Group and share of joint ventures</b>	<b>403.8</b>	497.6	1,046.6
	Less: Share of joint ventures' turnover	<b>(9.2)</b>	(36.2)	(44.3)
	<b>Group turnover</b>	<b>394.6</b>	461.4	1,002.3
	Cost of sales	<b>(373.7)</b>	(416.1)	(930.4)
	<b>Gross profit</b>	<b>20.9</b>	45.3	71.9
	Administrative expenses	<b>(24.2)</b>	(35.3)	(70.4)
	<b>Group operating (loss)/profit</b>	<b>(3.3)</b>	10.0	1.5
	Share of operating (loss)/profit in:			
	Joint ventures	<b>(0.9)</b>	8.9	7.2
	Associates	–	–	0.5
	Profit on disposal of joint ventures	–	6.3	5.7
	<b>(Loss)/profit before interest and exceptional items</b>	<b>(4.2)</b>	25.2	14.9
2	Exceptional items	<b>(3.2)</b>	(24.4)	(132.5)
	<b>(Loss)/profit before interest</b>	<b>(7.4)</b>	0.8	(117.6)
3	Net interest payable			
	Recurring	<b>(24.4)</b>	(23.0)	(48.9)
2	Exceptional	<b>(2.0)</b>	–	(3.5)
		<b>(26.4)</b>	(23.0)	(52.4)
1	<b>Loss on ordinary activities before taxation</b>	<b>(33.8)</b>	(22.2)	(170.0)
	Taxation	<b>0.2</b>	6.5	20.5
6	<b>Loss after taxation for the financial period</b>	<b>(33.6)</b>	(15.7)	(149.5)

## Group Balance Sheet

at 30 June 2009

Notes	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
<b>Fixed assets</b>			
Goodwill	–	20.6	–
Tangible assets	12.6	14.7	12.9
Investments in joint ventures:			
Share of gross assets	199.6	191.8	209.5
Share of gross liabilities	(196.8)	(181.3)	(204.3)
Loans to joint ventures	78.1	66.8	74.1
	80.9	77.3	79.3
Other investments	9.5	6.6	8.9
	103.0	119.2	101.1
<b>Current assets</b>			
4 Stocks and work in progress	1,001.9	1,140.6	1,128.7
Debtors	104.7	138.7	108.3
Cash at bank and in hand	9.7	16.9	14.6
	1,116.3	1,296.2	1,251.6
<b>Creditors: amounts falling due within one year</b>	<b>(261.8)</b>	<b>(392.3)</b>	<b>(392.9)</b>
<b>Net current assets</b>	<b>854.5</b>	<b>903.9</b>	<b>858.7</b>
<b>Total assets less current liabilities</b>	<b>957.5</b>	<b>1,023.1</b>	<b>959.8</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(901.3)</b>	<b>(782.1)</b>	<b>(870.1)</b>
<b>Pension liabilities</b>	<b>(10.4)</b>	<b>(2.2)</b>	<b>(7.8)</b>
<b>Net assets</b>	<b>45.8</b>	<b>238.8</b>	<b>81.9</b>
<b>6 Capital and reserves</b>			
Called up share capital	2.0	2.0	2.0
Share premium account	3.5	3.5	3.5
Capital redemption reserve	0.5	0.5	0.5
Profit and loss account	39.8	232.8	75.9
<b>Shareholders' funds</b>	<b>45.8</b>	<b>238.8</b>	<b>81.9</b>

## Group Cash Flow Statement

for the six months ended 30 June 2009

### Reconciliation of operating (loss)/profit to net cash flow from operating activities

	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	12 months to 31 December 2008 £m
Group operating (loss)/profit	<b>(3.3)</b>	10.0	1.5
Exceptional costs	<b>(1.0)</b>	(6.3)	(11.1)
Share-based payments	<b>0.2</b>	(0.5)	(0.6)
Goodwill	–	0.6	1.4
Depreciation	<b>0.3</b>	0.5	2.0
Decrease/(increase) in stocks and work in progress	<b>96.3</b>	(69.9)	(164.3)
Increase in debtors	<b>(5.5)</b>	(28.4)	(1.1)
(Decrease)/increase in creditors and provisions	<b>(51.1)</b>	46.5	10.9
Net cash inflow/(outflow) from operating activities	<b>35.9</b>	(47.5)	(161.3)

### Consolidated cash flow statement

	£m	£m	£m
Net cash inflow/(outflow) from operating activities	<b>35.9</b>	(47.5)	(161.3)
Dividends received from joint ventures and associated undertakings	<b>1.7</b>	1.1	3.5
Returns on investments and servicing of finance	<b>(19.9)</b>	(24.9)	(54.6)
Taxation	<b>9.7</b>	(5.5)	6.5
Capital expenditure and financial investment	<b>(0.6)</b>	–	(2.5)
Acquisitions and disposals	<b>(5.2)</b>	21.0	12.4
Equity dividends paid	–	(7.7)	(7.7)
Net cash inflow/(outflow) before financing	<b>21.6</b>	(63.5)	(203.7)
Financing	<b>(35.7)</b>	75.4	189.6
(Decrease)/increase in cash	<b>(14.1)</b>	11.9	(14.1)

### Reconciliation of net cash flow to movement in net debt

	£m	£m	£m
(Decrease)/increase in cash	<b>(14.1)</b>	11.9	(14.1)
Cash flow from movement in debt	<b>35.7</b>	(145.7)	(274.3)
Movement in debt in period	<b>21.6</b>	(133.8)	(288.4)
Net debt at beginning of period	<b>(956.4)</b>	(668.0)	(668.0)
Net debt at end of period	<b>(934.8)</b>	(801.8)	(956.4)

## Notes to the Interim Report

## 1. Segmental analysis

	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	12 months to 31 December 2008 £m
<b>Turnover</b>			
Housing	158.2	169.8	358.0
Property	12.0	43.5	57.9
Construction	228.2	281.3	622.1
Group and Mining	5.4	3.0	8.6
	<b>403.8</b>	497.6	1,046.6
<b>Loss before taxation</b>			
Housing	(11.1)	(2.6)	(14.8)
Property	3.3	20.5	16.3
Construction	3.6	5.6	13.7
Group and Mining	–	1.7	(0.3)
	<b>(4.2)</b>	25.2	14.9
Exceptional items	<b>(3.2)</b>	(24.4)	(132.5)
(Loss)/profit before interest	<b>(7.4)</b>	0.8	(117.6)
Net interest payable			
Recurring	<b>(24.4)</b>	(23.0)	(48.9)
Exceptional	<b>(2.0)</b>	–	(3.5)
	<b>(26.4)</b>	(23.0)	(52.4)
Loss before taxation	<b>(33.8)</b>	(22.2)	(170.0)

## Notes to the Interim Report

### 2. Exceptional items

	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	12 months to 31 December 2008 £m
Land and development WIP writedowns	2.2	18.1	101.6
Impairment of goodwill	–	–	19.8
Share transaction costs	–	4.9	4.9
Redundancy costs	1.0	1.4	6.2
Debt finance costs	2.0	–	3.5
	<b>5.2</b>	24.4	136.0

### 3. Net interest payable

	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	12 months to 31 December 2008 £m
Interest payable on bank loans and overdrafts	(24.0)	(23.3)	(48.7)
Other interest payable	(2.0)	–	(4.5)
Bank and other interest receivable	0.8	2.0	4.4
	<b>(25.2)</b>	(21.3)	(48.8)
Associates and joint ventures:			
Loans and overdrafts	(1.2)	(1.9)	(5.0)
Interest receivable	–	0.2	0.5
	<b>(1.2)</b>	(1.7)	(4.5)
Other finance income	–	–	0.9
Net interest expense	<b>(26.4)</b>	(23.0)	(52.4)

### 4. Stocks and work in progress

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Land and development work in progress:			
Residential developments	740.2	964.5	845.0
Commercial developments	261.7	176.1	283.7
	<b>1,001.9</b>	1,140.6	1,128.7

## Notes to the Interim Report

### 5. Analysis of debt

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Debt secured against specific assets repayable			
In one year or less	16.8	44.7	86.7
Between one and two years	119.6	91.4	138.0
Between two and five years	201.7	113.3	140.0
	<b>338.1</b>	249.4	364.7
Unsecured debt repayable			
In one year or less	33.3	0.4	24.1
Between one and two years	–	–	–
Between two and five years	581.7	568.9	582.2
	<b>615.0</b>	569.3	606.3
Total debt	<b>953.1</b>	818.7	971.0

### 6. Reconciliation of movement in shareholders' funds

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss £m	Total £m
Opening shareholders' funds	2.0	3.5	0.5	75.9	81.9
Loss for the period	–	–	–	(33.6)	(33.6)
Share-based payments	–	–	–	0.2	0.2
Actuarial loss on pension scheme	–	–	–	(3.4)	(3.4)
Exchange gain	–	–	–	0.7	0.7
Closing shareholders' funds	<b>2.0</b>	<b>3.5</b>	<b>0.5</b>	<b>39.8</b>	<b>45.8</b>

### 7. Basis of preparation

The interim report has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2008. The interim results do not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The financial information contained in this report for the six months to 30 June 2009 has not been audited or reviewed by the auditors. The financial information for the year to 31 December 2008 has been abridged from the Group's full accounts for that period which received an unqualified auditors' report.



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