

The Miller logo is rendered in a white, lowercase, sans-serif font. The letter 'i' has a distinctive dot that is a small circle with a horizontal line through its center. The background is a solid blue sky with a few wispy white clouds at the bottom left.

miller

BUILDING FOR THE FUTURE

Interim Report 2010

A close-up, low-angle shot of a modern building's architectural detail. The structure features a prominent, curved, light-colored concrete or stone element that forms a large, open archway. The top edge of the arch is finished with a dark, thin horizontal band. The background is a clear blue sky with some light, wispy clouds near the horizon.

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.

OUR BUSINESS IS MADE UP OF FOUR DIVISIONS:



MILLER HOMES

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

To find out more go to www.millerhomes.co.uk



MILLER DEVELOPMENTS

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

To find out more go to www.millerdevelopments.co.uk



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.

To find out more go to www.millerconstruction.co.uk



MILLER MINING

Miller Mining operates in joint venture with Argent Group Plc at the UK's largest open cast coal mine and land restoration project at Ffos-y-fran in Wales.

To find out more go to www.millerargent.co.uk

CHAIRMAN'S STATEMENT

SIR BRIAN STEWART CBE



Sir Brian Stewart CBE
Chairman

MOVING FORWARD POSITIVELY

Performance

The Miller Group ('Miller Group' or the 'Group') has performed well and made good progress against a backdrop of continuing economic and market uncertainty. In the period under review, all businesses improved on their 2009 performance resulting in Group profit before interest of £3.3m (2009: loss of £7.4m) and a loss before tax of £26.9m, representing a £6.9m improvement on last year. We continue to focus on cash generation and cost control and these actions have generated a cash inflow before financing of £74.7m (2009: £13.0m) and a reduction of Group borrowings by £135m to £808m. The Group has made significant progress both operationally and financially, and importantly has the diversity to operate through challenging market conditions.

In view of the loss for the period no dividend will be paid.

Housing

The UK housing market has been stable during the first half of 2010, despite the uncertainty caused by the General Election and a weak economy. In the period under review, we achieved 954 completions, a 9% reduction from the 1,048 completions in 2009. This is the result of lower sales to private investors and Housing Associations.

The average selling price increased by 12% to £170k (2009: £151k) as a result of a mix change and the strategic decision to increase our focus on family housing where the demand is stronger.

We are 90% sold against our 2010 volume targets which are in line with last year. We are focused on delivering these and building a strong forward sales position for 2011.

The continued improvement in the housing market has given us the confidence to open nine new sales outlets during the first half year and a further five are planned during the second half. We operated from an average of 79 sales outlets during the period (2009: 110), and achieved an average of 0.47 sales per outlet per week (2009: 0.48). Cancellation rates improved slightly to a low level of 14% (2009: 15%).

Mortgage availability and terms remain an issue, although there has been an increase in the number of higher loan-to-value mortgages available which has allowed a reduction in the use of shared equity products.

Social Housing remains an integral part of our strategy, and we have continued to work closely with The Homes and Communities Agency (HCA) on the HomeBuy Direct (HBD) and Kickstart (KS) initiatives. HBD has accounted for 28% of our new reservations in the year to date, and while this percentage will fall when the original HBD scheme ends, our commitment will be re-directed towards our KS supported sites. We are actively reviewing a number of new opportunities throughout the UK.

We have continued to improve the quality of our landbank by selectively re-planning sites to improve marketability. We currently own 7,200 consented plots which represents over three years' supply. Our strategic land portfolio is maturing and we are now reaping the benefits of investment made over a number of years. There are 27 sites and 11,260 plots allocated in local plans. We anticipate drawing down 11 sites by the end of 2011. The majority are on deferred payment terms.

Finally, we are delighted to have won the Scottish Home Awards' Housebuilder of the Year and also 22 of our site managers achieved Pride in the Job awards – our highest ever number and 4th in the industry league tables.

CHAIRMAN'S STATEMENT CONTINUED

Property

Miller Developments, the Group's commercial property arm has continued to perform well, contributing an operating profit of £5.5m (2009: £2.4m). The rise in demand for high quality commercial investments seen in the last quarter of 2009 continued into the first quarter of 2010 and we took advantage of these market conditions to dispose of the 60,000ft² final phase of Edinburgh Quay offices for over £21.5m, at an initial yield of 6.1%. The first half also saw the start of construction of 100 affordable housing units on a joint venture site in Islington following a £22.5m forward funding deal with Family Mosaic.

The commercial rental market in the UK and Europe remains steady. We achieved 88,000ft² of lettings in the first half of 2010 to new high street retail tenants including Adidas, Diesel and Wilkinsons. European markets proved more challenging, but, nevertheless, progress was made with significant new retail lettings in our factory outlet scheme in Denmark. Overall occupancy levels increased to 88% and we are focused on securing further lettings centred on a small number of properties.

With the portfolio in a stable position, we are now selectively concentrating on new acquisitions. Our specific focus is on areas where our expertise and access to equity can combine to add value. We have conditionally contracted to purchase a site in Nottingham city centre which has a 100,000ft² office pre-let from E.ON. This has been secured with a sensible equity participation from ourselves and our joint venture partner.

Construction

The business performed well during the period, generating an operating profit of £3.8m (2009: £2.9m). This is despite turnover falling as anticipated to £155m (2009: £228m).

Markets remain challenging, but we have already secured sufficient orders to deliver a turnover of around £300m for 2010. We continue to source quality business and won a number of new framework agreements during the period. We are particularly pleased to have been selected for the NHS ProCure 21+ and Leeds' Teaching Hospitals NHS Trust frameworks.

THE GROUP HAS MADE SIGNIFICANT PROGRESS BOTH OPERATIONALLY AND FINANCIALLY, AND IMPORTANTLY HAS THE DIVERSITY TO OPERATE THROUGH CHALLENGING MARKET CONDITIONS.

Predictably, government cut-backs have resulted in the Gloucester Police PPP project, where we were preferred bidder, being cancelled. However, the Leicester Building Schools for the Future scheme has been unaffected.

We were pleased to secure seven awards from the Considerate Constructors' Scheme including a second gold award for the £120m Union Square Shopping Centre in Aberdeen.

The forward order book of around £569m (2009: £600m) provides a solid foundation for the business. This includes contracts for the Royal Mail, Development Securities, Carlsberg and Leicester Council.

Mining

The major infrastructure works are now complete at the Ffos-y-fran Land Reclamation Scheme and production is moving towards full capacity. We have made a further investment in the Disposal Point with the addition of a barrel wash facility which broadens our sales potential. To date we have completed 25% of the primary overburden excavation task and mined 12% of anticipated coal reserves.

People

Robin Mackie, Chief Executive of Miller Construction, retired at the end of August after 33 years' distinguished service with the Group. Robin has experienced great variety in his career with the Group, starting in Sullom Voe in the Shetlands in the 1970s and covering health projects in Malaysia and education projects in Botswana. We thank him for his outstanding contribution and wish him well in his retirement.

We welcome Chris Webster, formerly Chief Operating Officer and Main Board Director of Amey plc, as Chief Executive of Miller Construction. Chris has a wealth of experience in the sector and joins the main Board of the Miller Group on 13 September 2010.

Pensions

After consultation with the Trustees, on 30 June 2010 the Board amended the Defined Benefit Scheme by terminating future salary accrual for existing members. There were only 70 active members out of our total workforce of 1,183 and like many other companies we look to tightly control the risk and volatility of future liabilities.

Outlook

Whilst there have been encouraging signs of economic recovery, it is widely acknowledged that the markets will remain unpredictable in the short to medium-term exacerbated by the Spending Review in October and proposed government spending cuts. In 2008, the Group took the prudent decision to restructure the business to reflect the economic and financial markets; the benefits of this action are now beginning to show. These efficiencies together with the diversity of our Group, stand us in good stead to navigate the Group back into profitability.

GROUP PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2010

Notes		6 months to 30 June 2010 £m	6 months to 30 June 2009 £m	12 months to 31 December 2009 £m
1	Turnover: Group and share of joint ventures	337.9	403.8	783.0
	Less: Share of joint ventures' turnover	(13.5)	(9.2)	(21.7)
	Group turnover	324.4	394.6	761.3
	Cost of sales			
	- Recurring	(301.8)	(373.7)	(701.9)
2	- Exceptional	-	(1.5)	(22.6)
	Gross profit	22.6	19.4	36.8
	Administrative expenses			
	- Recurring	(21.9)	(24.2)	(46.6)
2	- Exceptional	(0.5)	(1.0)	(2.0)
	Group operating profit/(loss)	0.2	(5.8)	(11.8)
	Share of operating profit/(loss) in joint ventures:			
	- Recurring	3.1	(0.9)	0.3
2	- Exceptional	-	(0.7)	(2.9)
	Profit/(loss) before interest	3.3	(7.4)	(14.4)
	Net interest payable	(30.2)	(26.4)	(58.0)
1	Loss on ordinary activities before taxation	(26.9)	(33.8)	(72.4)
	Taxation	(0.6)	0.2	38.3
6	Loss after taxation for the financial period	(27.5)	(33.6)	(34.1)

GROUP BALANCE SHEET

AS AT 30 JUNE 2010

Notes	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Fixed assets			
Tangible assets	12.2	12.6	12.4
Investments in joint ventures:			
- Share of gross assets	171.3	199.6	193.3
- Share of gross liabilities	(183.9)	(196.8)	(202.2)
- Loans to joint ventures	68.6	78.1	87.1
	56.0	80.9	78.2
Other investments	9.1	9.5	9.3
	77.3	103.0	99.9
Current assets			
4 Stocks and work in progress	824.1	1,001.9	898.6
Debtors:			
- Due within one year	59.9	83.8	57.7
- Due outwith one year	76.6	20.9	70.6
Cash at bank and in hand	9.4	9.7	9.6
	970.0	1,116.3	1,036.5
Creditors: amounts falling due within one year	(378.8)	(261.8)	(409.7)
Net current assets	591.2	854.5	626.8
Total assets less current liabilities	668.5	957.5	726.7
Creditors: amounts falling due after more than one year	(641.2)	(901.3)	(671.1)
Pension asset/(liability)	0.1	(10.4)	0.1
Net assets	27.4	45.8	55.7
6 Capital and reserves			
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	21.4	39.8	49.7
Shareholders' funds	27.4	45.8	55.7

GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

	6 months to 30 June 2010 £m	6 months to 30 June 2009 £m	12 months to 31 December 2009 £m
Group operating profit/(loss)	0.2	(5.8)	(11.8)
Share-based payments	0.1	0.2	0.3
Depreciation	0.2	0.3	0.5
Decrease in stocks and work in progress	69.7	97.8	206.9
(Increase)/decrease in debtors	(10.7)	(5.5)	8.4
Increase/(decrease) in creditors and provisions	13.3	(51.1)	(74.7)
Net cash inflow from operating activities	72.8	35.9	129.6

Consolidated cash flow statement

	£m	£m	£m
Net cash inflow from operating activities	72.8	35.9	129.6
Dividends received from joint ventures and associated undertakings	5.3	1.7	4.3
Returns on investments and servicing of finance	(22.9)	(28.5)	(61.2)
Taxation	0.7	9.7	8.9
Capital expenditure and financial investment	-	(0.6)	(0.4)
Acquisitions and disposals	18.8	(5.2)	(7.8)
Net cash inflow before financing	74.7	13.0	73.4
Financing	(78.3)	(27.1)	(73.6)
Decrease in cash	(3.6)	(14.1)	(0.2)

Reconciliation of net cash flow to movement in net debt

	£m	£m	£m
Decrease in cash	(3.6)	(14.1)	(0.2)
Cash flow from movement in debt	78.3	27.1	73.7
Movement in debt in period	74.7	13.0	73.5
Net debt at beginning of period	(882.9)	(956.4)	(956.4)
Net debt at end of period	(808.2)	(943.4)	(882.9)

NOTES TO THE INTERIM REPORT

1. Segmental Analysis

	6 months to 30 June 2010 £m	6 months to 30 June 2009 £m	12 months to 31 December 2009 £m
Turnover			
Housing	162.1	158.2	331.3
Property	13.9	12.0	28.6
Construction	154.8	228.2	409.2
Mining	7.1	5.4	13.9
	337.9	403.8	783.0
Profit/(loss) before taxation			
Housing	(7.1)	(12.7)	(20.2)
Property	5.5	2.4	(7.2)
Construction	3.8	2.9	15.5
Mining	-	(0.2)	0.5
Group	1.1	0.2	(3.0)
Profit/(loss) before interest	3.3	(7.4)	(14.4)
Net interest payable	(30.2)	(26.4)	(58.0)
Loss before taxation	(26.9)	(33.8)	(72.4)

NOTES TO THE INTERIM REPORT CONTINUED

2. Exceptional Items

	6 months to 30 June 2010 £m	6 months to 30 June 2009 £m	12 months to 31 December 2009 £m
Land and development WIP writedowns	–	1.5	22.6
Redundancy costs	0.5	1.0	2.0
Joint venture asset writedown	–	0.7	2.9
	0.5	3.2	27.5

3. Net Interest Payable

	6 months to 30 June 2010 £m	6 months to 30 June 2009 £m	12 months to 31 December 2009 £m
Interest payable on bank loans and overdrafts	(25.4)	(24.0)	(52.3)
Amortisation of arrangement fees	(3.9)	(2.0)	(5.9)
Bank and other interest receivable	0.4	0.8	2.6
	(28.9)	(25.2)	(55.6)
Associates and joint ventures:			
- Loans and overdrafts	(1.3)	(1.2)	(2.5)
- Interest receivable	–	–	0.3
	(1.3)	(1.2)	(2.2)
Other finance expense	–	–	(0.2)
Net interest expense	(30.2)	(26.4)	(58.0)

4. Stocks and work in progress

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Land and development work in progress:			
- Residential developments	580.3	740.2	644.9
- Commercial developments	243.8	261.7	253.7
	824.1	1,001.9	898.6

NOTES TO THE INTERIM REPORT CONTINUED

5. Analysis of debt

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Debt secured against specific assets repayable:			
- In one year or less	189.8	16.8	174.4
- Between one and two years	15.1	119.6	39.9
- Between two and five years	97.2	201.7	116.0
- Greater than five years	3.6	-	1.4
	305.7	338.1	331.7
Unsecured debt repayable:			
- In one year or less	-	33.3	50.0
- Between one and two years	511.9	-	80.0
- Between two and five years	-	581.7	430.8
- Unamortised finance costs	(14.8)	(23.6)	(19.0)
	497.1	591.4	541.8
Total debt	802.8	929.5	873.5
Finance costs	14.8	23.6	19.0
Cash	(9.4)	(9.7)	(9.6)
Net debt	808.2	943.4	882.9

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	49.7	55.7
Loss for the period	-	-	-	(27.5)	(27.5)
Share-based payments	-	-	-	0.1	0.1
Exchange loss	-	-	-	(0.9)	(0.9)
Closing shareholders' funds	2.0	3.5	0.5	21.4	27.4

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 2009. 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 2010 has not been audited or reviewed by the auditors. The financial information for the year to 31 December 2009 has been abridged from the Group's full accounts for that period which received an unqualified auditors' report.

www.miller.co.uk

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