

Miller Framwellgate Limited

Directors' Report and Financial Statements

For the year ended 31 December 2011

Registered number 06424468

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Directors' Report

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2011

Principal activity

The principal activity of the company is that of residential property development

Results and dividends

The loss for the year ended 31 December 2011 is set out in the profit and loss account. The directors are unable to recommend the payment of a dividend (2010: £nil)

Directors

The directors of the company during the year and to the date of this report were as follows

Ian Murdoch	(appointed 29 March 2011)
Moirra J Kinniburgh	
John S Richards	
Ewan T Anderson	(resigned 29 March 2011)

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 of which the company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



Ian Murdoch
Director
20 June 2012

2 Centro Place
Pride Park
Derby
DE 24 8RF

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Miller Framwellgate Limited

We have audited the financial statements of Miller Framwellgate Limited for the year ended 31 December 2011 set out on pages 4 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

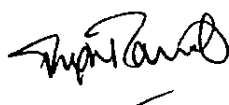
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Hugh Harvie (Senior Statutory Auditor)
for and on behalf of **KPMG LLP, Statutory Auditor**
Chartered Accountants
Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

21 June 2012

Profit and Loss Account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1	5,376,662	5,028,195
Cost of sales		(5,795,018)	(7,375,060)
Gross loss		(418,356)	(2,346,865)
Administrative expenses		(1,505)	(1,295)
Operating loss		(419,861)	(2,348,160)
Interest payable and similar charges	3	(507,794)	(553,509)
Loss on ordinary activities before taxation	2	(927,655)	(2,901,669)
Tax on loss on ordinary activities	4	-	-
Loss for the financial year	10	(927,655)	(2,901,669)

There are no recognised gains and losses other than those disclosed above

The results for the financial year have been derived from continuing activities

The notes on pages 6 to 10 form part of these financial statements

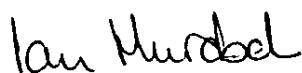
Balance sheet

As at 31 December 2011

	Note	2011 £	2010 £
Current assets			
Stocks and work in progress	5	12,316,296	15,435,180
Debtors	6	2	1,596
		<u>12,316,298</u>	<u>15,436,776</u>
Creditors: amounts falling due within one year	7	(439,326)	(172,709)
		<u>11,876,972</u>	<u>15,264,067</u>
Total assets less current liabilities			
Creditors amounts falling out with one year	8	(17,370,976)	(19,830,416)
		<u>(5,494,004)</u>	<u>(4,566,349)</u>
Net liabilities			
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	(5,494,006)	(4,566,351)
		<u>(5,494,004)</u>	<u>(4,566,349)</u>
Shareholders' deficit	11	(5,494,004)	(4,566,349)

The notes on pages 6 to 10 form part of these financial statements

These financial statements were approved by the Board of Directors on 20 June 2012 and were signed on its behalf by



Ian Murdoch
 Director

Notes

(Forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £5,494,004 at the financial year end, which the directors believe to be appropriate for the following reasons. The company finances its day to day working capital requirements through a combination of funds advanced to the company by a fellow subsidiary undertaking and project specific bank term loan facilities

As explained in note 8, the funds provided by a fellow subsidiary undertaking, which at 31 December 2011 amounted to £5,740,330, are not repayable until such time as the bank term loan facilities have been repaid and, only then, on the basis that the company has sufficient funds remaining, following repayment of the bank indebtedness, to settle the inter company indebtedness

In relation to the company's short term working capital requirements, the directors have prepared cash flow forecasts which indicate that the company should continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements

The company's fellow subsidiary undertaking, Miller Homes Limited, has indicated to the company that it will continue to provide the company with such funds as are necessary to enable it to meet its liabilities as they fall due. This support will continue for at least the next 12 months from the date of approval of these financial statements

In light of the foregoing, the directors continue to believe that it remains appropriate to prepare the financial statements on a going concern basis

As the company's results are consolidated within its ultimate parent company, The Miller Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address in note 12

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of new houses and is based on the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash. The incentives offered to customers affect the recognition of turnover. Where cash incentives are given the full cash amount is deducted from turnover. Where properties are sold under a shared equity scheme, up to 25% of the value of the property is offered to the customer by way of an interest free loan from a fellow subsidiary undertaking. In recognising the initial sale of the properties sold under shared equity schemes, the company includes the relevant value in turnover and in balances with fellow subsidiary undertakings

Notes (continued)

1 Accounting policies (continued)

Development work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value in relation to housing stocks is assessed by taking account of estimated selling price less all estimated costs of completion and appropriate attributable overheads.

Taxation

The charge for taxation is based on the result for the year and takes in to account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19. Deferred tax assets are recognised to the extent that these amounts are considered more likely than not to be recoverable in the foreseeable future.

Dividend on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it is a wholly owned subsidiary of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

2 Loss on ordinary activities before taxation

	2011 £	2010 £
<i>This is stated after charging</i>		
Auditor's remuneration		
- audit of these financial statements	805	1,295
- tax advisory services	700	700
Exceptional charge – write down of land and housing stock	858,178	2,433,840
	<hr/>	<hr/>

The company has no employees. The directors did not receive any remuneration from the company during the year (2010: £nil).

3. Interest payable and similar charges

	2011 £	2010 £
Interest payable on bank loan	507,794	553,509
	<hr/>	<hr/>

Notes (continued)

4 Tax on loss on ordinary activities

Analysis of credit for the year

	2011 £	2010 £
UK corporation tax:		
Current tax on loss in year	-	-
	<u> </u>	<u> </u>

Factors affecting tax credit for year

The current tax credit on the loss on ordinary activities for the year is lower (2010 lower) than the standard rate of corporation tax in the UK of 26.25% (2010 28%)

Current tax reconciliation

	2011 £	2010 £
Loss on ordinary activities before tax	(927,655)	(2,901,669)
Current tax at 26.25% (2010 28%)	(243,509)	(812,467)
<i>Effect of</i>		
Current year losses for which no deferred tax asset is recognised	243,509	812,467
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the company's future current tax charge. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge.

There are tax losses carried forward of £5,130,000 (2010 £4,050,000) in respect of which no deferred tax asset has been recognised because it is not possible to confirm with reasonable assurance that sufficient future taxable profit will be available against which the company can utilise its tax losses.

5. Stocks and work in progress

	2011 £	2010 £
Work-in-progress	12,316,296	15,435,180
	<u> </u>	<u> </u>

Notes (continued)

6. Debtors

	2011 £	2010 £
Unpaid share capital	2	2
Other debtors	-	1,594
	<u>2</u>	<u>1,596</u>

7. Creditors, amounts falling due within one year

	2011 £	2010 £
Accruals and deferred income	22,045	53,159
Amounts owed to fellow subsidiary undertaking	417,281	119,550
	<u>439,326</u>	<u>172,709</u>

8 Creditors amounts falling out with one year

	2011 £	2010 £
Bank loan (secured)	11,630,646	14,090,086
Loan owed to fellow subsidiary undertaking	5,740,330	5,740,330
	<u>17,370,976</u>	<u>19,830,416</u>

Final repayment of the bank loan is due to be made by 31 December 2015. The bank loan is secured against the company's assets and bears interest at commercial rates. The loan from the fellow subsidiary undertaking is not subject to any interest charge and repayment is due subsequent to the repayment of the bank loan and, only then, on the basis that the company has sufficient resources available to it to make such repayment. Under the terms of the loan agreement there is no set repayment dates.

9 Called up share capital

	2011 £	2010 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up, and unpaid</i>		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

Notes (continued)

10 Profit and loss account

	2011 £	2010 £
At beginning of the year	(4,566,351)	(1,664,682)
Loss for the year	(927,655)	(2,901,669)
	<hr/>	<hr/>
At end of the year	(5,494,006)	(4,566,351)
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11. Reconciliation of movement in shareholders' deficit

	2011 £	2010 £
Loss for the year	(927,655)	(2,901,669)
Shareholders' deficit at beginning of year	(4,566,349)	(1,664,680)
	<hr/>	<hr/>
Shareholders' deficit at end of year	(5,494,004)	(4,566,349)
	<hr/>	<hr/>

12 Immediate and ultimate parent company

The company's immediate parent company is Miller Homes Holdings Limited and its ultimate parent company is The Miller Group Limited. Both companies are registered in Scotland and incorporated in Great Britain and their accounts can be obtained from the Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

At the date of approval of these financial statements the company was controlled by GSO Capital Partners LP, a division of the Blackstone Group LP.