Miller East Kilbride Limited

Directors' Report and Financial Statements

31 December 2008
Registered Number SC217614

Contents

Directors' Report

The directors have pleasure in presenting their annual report and financial statements for the year ended 31 December 2008.

Principal activity

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

Results for the year

The result for the year is set out in the profit and loss account. The directors are unable to recommend the payment of a dividend for the year.

Directors

The directors of the company during the year were:

Ewan T Anderson	
Stanley G Mills	
Margaret Cumming	(resigned 31 December 2008)
Moira J Kinniburgh	
John Hamilton	(resigned 1 August 2008)
David J E Knight	(appointed 18 August 2008)

Disclosure of information to auditors

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.

On behalf of the Board

Ewan T Anderson
Director

6 April 2009

Statement of Directors' Responsibilities

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).

The financial statements are required by law to 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 judgments 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 proper accounting records that 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 1985. 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 Auditors' Report to the Members of Miller East Kilbride Limited

We have audited the financial statements of Miller East Kilbride Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP KPMG LLP **6 April 2009**

Chartered Accountants
Registered Auditor
Edinburgh

Profit and Loss Account
For the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover		**1,498,245**	-
Cost of sales		**(1,221,171)**	-
Gross profit		**277,074**	-
Administrative expenses		**(276,300)**	-
Operating profit		**774**	-
Interest payable and similar charges	*3*	**(486,073)**	-
Loss on ordinary activities before taxation	*2*	**(485,299)**	-
Tax on loss on ordinary activities	*4*	**-**	-
Retained loss for the year	*10*	**(485,299)**	-

There are no recognised gains or losses other than those disclosed above.

Balance Sheet
As at 31 December 2008

	Note	**2008** **£**	2007 £
Current assets			
Stocks and work in progress	*5*	**11,256,221**	-
Debtors	*6*	**1**	1
		11,256,222	1
Creditors: amounts falling due within one year	*7*	**(73,365)**	-
Total assets less current liabilities		**11,182,857**	1
Creditors: amounts falling out with one year	*8*	**(11,668,155)**	-
Net (liabilities)/assets		**(485,298)**	1
Capital and reserves			
Called up share capital	*9*	**1**	1
Profit and loss account	*10*	**(485,299)**	-
Shareholders' (deficit)/funds	*11*	**(485,298)**	1

These financial statements were approved by the board of directors on 6 April 2009 and were signed on its behalf by:

Ewan T Anderson
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 £485,298, 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 2008 amounted to £3,182,030, 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 addition, as explained in note 12, the bank term loan facilities, which were initially repayable by 30 September 2010, were, subsequent to the year end, extended and are now not fully repayable until 31 August 2012.

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 ultimate parent, The Miller Group Limited has indicated to the company that it will continue to provide it with such funds as are necessary to enable it to meet its liabilities as they fall due and that it will not seek repayment of the amounts currently made available. 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 13.

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.

Development work in progress

Development work in progress has been valued at cost plus attributable overheads or net realisable value if lower.

Notes *(continued)*

1. Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit 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 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.

Staff numbers and costs

The company has no employees. The directors did not receive any remuneration from the company during the year.

2. Loss on ordinary activities before taxation

This is stated after charging:	**2008** **£**	2007 £
Auditors' remuneration	**1,095**	-

3. Interest payable and similar charges

	2008 **£**	2007 £
Interest payable on bank loan	**486,073**	-

4. Tax on loss on ordinary activities

Analysis of charge for the year

	2008 **£**	2007 £
UK corporation tax:		
Current tax on result in year	-	-
Tax on loss on ordinary activities	-	-

Notes *(continued)*

4. Tax on loss on ordinary activities *(continued)*

Factors affecting tax credit for year
The current tax credit for the year is equal to the standard rate of corporation tax in the UK 28.5%.

Current tax reconciliation	**2008**	2007
	£	£
Loss on ordinary activities before tax	**(485,299)**	-
Current tax at 28.5%	**(138,310)**	-
Effect of:		
Current year losses for which no deferred tax has been provided	**138,310**	-
Total current tax charge (see above)	**-**	-

5. Stocks and work in progress

	2008	2007
	£	£
Work in progress	**11,197,741**	-
Part exchange properties	**58,480**	-
	11,256,221	-

6. Debtors

	2008	2007
	£	£
Unpaid share capital	**1**	1
	1	1

7. Creditors: amounts falling due within one year

	2008	2007
	£	£
Accruals and deferred income	**3,750**	-
Amounts owed to fellow subsidiary undertaking	**69,615**	-
	73,365	-

Notes *(continued)*

8. Creditors: amounts falling out with one year

	2008	2007
	£	£
Bank loan	**8,486,125**	-
Loan owed to fellow subsidiary undertaking	**3,182,030**	-
	11,668,155	-

Final repayment of the bank loan is due to be made by September 2010. Subsequent to the year end the final repayment date for the bank loan and the interest rate payable on the loan were amended. Further details of the changes are set out in note 12. The bank loan is secured against the company's assets. 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.

9. Called up share capital

	2008	2007
	£	£
Authorised:		
100 ordinary shares of £1 each	**100**	100
Allotted, called up, and unpaid:		
1 ordinary share of £1 each	**1**	1

10. Profit and loss account

	2008	2007
	£	£
At beginning of year	**-**	-
Loss for the year	**(485,299)**	-
At end of year	**(485,299)**	-

11. Reconciliation of movement in shareholders' deficit

	2008	2007
	£	£
Loss for the year	**(485,299)**	-
Shareholders' funds at beginning of year	**1**	1
Shareholders' (deficit)/funds at end of year	**(485,298)**	1

Notes *(continued)*

12. Post balance sheet event

Subsequent to the year end, the final date for repayment of the company's bank loan was extended from 30 September 2010 to 31 August 2012. As part of the revision to the bank facilities, the company, with certain of its fellow subsidiaries which are also in receipt of property specific term loan facilities (the "SPV facilities") from the same bank (the "Bank"), jointly is providing a guarantee to the Bank in relation to the SPV facilities. The maximum amount of the guarantee is £5 million.

13. 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, 37 Castle Terrace, Edinburgh EH1 2EB.