Miller Homes Holdings Limited

Directors' Report and Financial Statements

31 December 2005
Registered Number SC255430

Contents

Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 2005

Principal activity

The principal activity of the group is housebuilding with these accounts reflecting the Miller Group's combined housing interests

Business review

2005 was a transformational year for the group following the £262m acquisition of Fairclough Homes and has resulted in one of our key objectives being achieved sooner than originally planned

Performance
2005 proved to be another extremely successful year for the group Turnover increased by 24% to £489m (2004 £394m) and average selling prices grew by 6% to £185,000 Operating profit (before exceptional items) increased by 29% to £77 1m (2004 £59 6m)

Total housing completions (including joint ventures) rose 12% to 2,801 (2004 2,505) This comprised 2,399 units from the original Miller Homes business and 402 units from Fairclough Homes The slight fall in the original Miller Homes volume was anticipated following our decision to scale back our Miller Residential Development Services joint venture operations in order to concentrate on margin growth in the core business Joint ventures are still encouraged within our regional operations and completions totalled 317 (2004 443) We completed 162 (2004 240) affordable housing units for Housing Associations within the year

Operating margins within the original Miller Homes business grew further to 17% (2004 15%) Fairclough contributed £6 3m of operating profit on turnover of £74 2m The returns for the three and a half month period to December 2005 include the disposal of surplus stock we identified during due diligence Going forward we are anticipating a contribution from the combined business in line with Miller operating margins

Fairclough acquisition
Fairclough operated four regionally based housing businesses The North West and Yorkshire businesses have been merged with our own regions The Fairclough Midlands business has been closed and their sites have been transferred between our East and West Midlands regions Miller has retained the Fairclough Northern Home Counties business based at St Albans All regions now trade as Miller Homes and all ongoing sites have been re branded

Strategy
Following completion of the integration of Fairclough, we now have nine largely autonomous regional businesses which are capable of producing 4,000 house completions in the current year This places us firmly in the Top 10 UK housebuilders We have traditionally benefited from economies of scale associated with strong businesses in Scotland and we now benefit from greater penetration in other parts of the UK There is still scope to grow further and we have plans in place to allow each of our nine regional businesses to grow organically over the coming years

The government now recognises there has been years of under supply of new homes and are committed to increase housing output by 50,000 additional new homes per year The ODPM's aim is to create prosperous, inclusive and sustainable communities for the 21st century, places where people want to live, that promote opportunity and a better quality of life for all We share the vision and our growth plans will help fulfil this objective

Business Review (continued)

Market overview
Visitor and reservation levels during the first half of 2005 were lower than the levels experienced in 2004 Following the cut in bank base rates announced in early August, we saw an improvement to more normal levels of activity and this was maintained through to the year end

Taking the year as a whole, we experienced an increase in the use of sales incentives such as discounts, part exchange and specification changes This creates downward pressure on margins but has been more than offset by house price increases on better located sites Overall, prices have remained steady We expect to see a continued use of such incentives to ensure our targeted level of sales in 2006 is achieved

We benefit from being a much larger business and now have 140 active selling outlets We remain confident that the quality of our products and service will provide us with competitive edge while the market remains relatively stable

Operations
We continue to focus upon improving customer satisfaction as a key performance indicator for the business We undertake surveys of all of our customers approximately 6 weeks after occupation and the results are compiled by independent consultants The latest published data indicates that 86% of respondents would recommend Miller Homes to their best friend This is a real testimony to our success and provides a platform for the Miller Homes brand to be synonymous with quality We became the first national housebuilder to publish the results of our customer surveys and we have given a commitment to continue to do so

Customer satisfaction cannot be achieved by service alone and we have to ensure we provide good quality products built to the very best of standards One independent assessor of quality standards is the National House Building Council (NHBC) Their Pride in the Job Award Scheme rewards site managers who, in their opinion, delivered the best in construction quality A total of 11 (2004 6) site managers representing Miller Homes and a further 6 (2004 1) representing Fairclough Homes won Quality Awards during 2005 Lyndon Bennett of Miller Homes West Midlands won the Regional Award for his site at The Butts, Worcester and Bill Hughes of Miller Homes North West beat thousands of NHBC registered site managers and survived four rounds of intense judging over 12 months to win the Supreme Award for his site at Regents Square, Grappenhall, Warrington A first for the industry, as this is the third year in succession that Bill has won this award and we are incredibly proud of his achievements

In keeping with the government's target for 60% of new housing output to be provided on previously used land, we are increasing the specialist skills required to deal with contaminated sites and regeneration In 2005, 78% of our output was built on brownfield land and this type of site forms 81% of our landbank for future development

During the year we increased the resources of our centralised procurement function This team worked closely with our suppliers to control build costs whilst maintaining certainty of supply We also work with the supply chain to develop new components which de risk the construction process, reduce the time taken on site and improve the quality of the finished product

Our website, www millerhomes co uk, is designed to help our customers find the home of their dreams It is increasingly popular with a 17% increase in the volume of traffic using the site during the year 34% of customers who had registered on our website subsequently went on to purchase a Miller home Customers can register their needs and receive notification of new releases that match their criteria via text / SMS messages or a variety of traditional media Customers who proceed to reserve a new home are given access to a dedicated website, (www mymillerhome com) where they can find updates on progress with their home All of our marketing initiatives are designed to remove the stress of buying a new home and do lead to increased customer loyalty, satisfaction and brand awareness

We continue to be the recipient of many industry awards, the most notable of which was a Silver award for the Best Volume House Builder in the What House Awards and this was achieved for the second year in succession

Business Review (continued)

Health and safety
In 2004 we started undertaking our own site inspections in Scotland During 2005 and following the integration of Fairclough we now have a team of inspectors throughout the UK who provide a site inspection service but are also available to provide advice to regional operations This is overseen by our own dedicated Safety, Health and Environmental Manager and a SH&E management system has been developed to maximise the use of best practice We beat our targets to reduce the frequency of accidents during the last year Some of the innovations to pre fabricated components are also designed to reduce the likelihood of accidents

Landbank
Our landbank now stands at around 15,000 units This represents 3 8 years supply at the forecast rate of consumption for the coming year and has a development value of £2 6bn

We have always had an involvement in promoting long term strategic sites through the Local Plan system to secure allocations for residential development The capacity for this activity was increased substantially following the acquisition of Fairclough We now benefit from options over 3,650 acres of land which may be developable over a longer time frame

Prospects
The fundamentals of high levels of employment, consumer confidence and low interest rates remain encouraging In addition, it has now been recognised by government that there is a need to increase housing output to respond to the projected increase in the number of households There has been a considerable number of consultation documents designed to improve the planning system which is a key bottleneck currently restraining an increase in output and only time will tell if these changes will deliver the desired outcome However, there is clearly a will to succeed and this bodes well for the prospects of the industry

We own and have planning consent on all of the land required to meet our growth plans in the short term We are confident that our efforts to improve customer service and the quality of our products will provide us with a competitive edge in a relatively stable market

Result for the year

The results for the year are set out in the profit and loss account on page 7 The profit for the year to 31 December 2005 is £26,991,000 (2004 £32,956,000) A dividend of 19 46 pence (2004 – £nil) per share was paid during the year

Directors and directors' interests

The directors who held office during the year were as follows

KM Miller
JS Richards
T Hough
ET Anderson
SG Mills

None of the directors had any interests in the share capital of the company The interests of KM Miller, JS Richards and T Hough in the share capital of the ultimate parent company, The Miller Group Limited, are disclosed in its accounts

Directors and directors' interests (continued)

The interests of ET Anderson and SG Mills in the share capital of The Miller Group Limited are set out below

	Number of 10p ordinary shares at beginning of year	Number of 10p ordinary shares at end of year	Number of share options granted during year	Number of share options exercised during year
ET Anderson		10,000	30,000	10,000
SG Mills			15,000	

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the Board

Pamela Smyth
Secretary

29 September 2006

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 the directors have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have a 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

Independent Auditors' Report to the Members of Miller Homes Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Miller Homes Holdings Limited for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets 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 5.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 misstatement 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 group's and 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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 October 2006

Consolidated Profit and Loss Account
for the year ended 31 December 2005

		Note	2005 £000	2004 £000
Turnover:	Group and share of joint ventures	1	**489,495**	394,443
Less	Share of joint ventures' turnover		**(29,263)**	(34,324)
Group turnover			**460,232**	360,119
Existing operations			**386,009**	360,119
Acquisitions			**74,223**	
Cost of sales			**(352,467)**	(274,736)
Gross profit			**107,765**	85,383
Administrative expenses			**(35,623)**	(28,652)
Rationalisation costs arising from acquisition			**(14,173)**	
Group operating profit			**57,969**	56,731
Existing operations			**65,885**	56,731
Acquisitions			**(7,916)**	
Share of profit in joint ventures			**4,956**	2,871
Share of loss in associates				(1)
Operating profit			**62,925**	59,601
Net interest payable		5	**(22,121)**	(13,063)
Profit on ordinary activities before taxation		2	**40,804**	46,538
Taxation		6	**(13,813)**	(13,582)
Profit on ordinary activities after taxation		16	**26,991**	32,956

There are no recognised gains or losses other than the retained profit for the year

Consolidated Balance Sheet
at 31 December 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Goodwill	8		24,115		11,623
Tangible assets	9		2,180		1,025
Investment in joint ventures	10				
Share of gross assets		34,522		37,044	
Share of gross liabilities		(34,504)		(36,794)	
Loans to joint ventures		6,354		10,839	
			6,372		11,089
Investment in associates	10		116		148
			32,783		23,885
Current assets					
Stocks and work in progress	11	847,860		450,780	
Debtors	12	22,879		13,345	
Cash at bank and in hand		3,034		3,623	
		873,773		467,748	
Creditors: amounts falling due within one year	13	(418,688)		(318,370)	
Net current assets			455,085		149,378
Total assets less current liabilities			487,868		173,263
Creditors. amounts falling due after more than one year	14		(403,845)		(111,367)
Net assets			84,023		61,896
Capital and reserves					
Called up share capital	15		25,000		25,000
Profit and loss account	16		59,023		36,896
Equity shareholders' funds	17		84,023		61,896

These accounts were approved by the board of Directors on 29 September 2006 and were signed on its behalf by

John Richards
Director

Company Balance Sheet
at 31 December 2005

	Note	2005 £000	2004 £000
Fixed assets			
Investments	10	**207,758**	104,769
Current assets			
Debtors	12	**158,763**	25,000
Creditors. amounts falling due within one year	13	**(89,025)**	(100,741)
Net current assets/(liabilities)		**69,738**	(75,741)
Total assets less current liabilities		**277,496**	29,028
Creditors: amounts falling due after more than one year	14	**(250,000)**	
Net assets		**27,496**	29,028
Capital and reserves			
Called up share capital	15	**25,000**	25,000
Profit and loss account	16	**2,496**	4,028
Equity shareholders' funds	17	**27,496**	29,028

These accounts were approved by the board of Directors on 29 September 2006 and were signed on its behalf by

John Richards
Director

Notes

(forming part of the financial statements)

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards

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

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- The presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption FRS 17 has had no impact on the financial statements as the company is now accounting for its contributions to the group defined benefit pension scheme as if it were a defined contribution pension scheme FRS 21 'Events after the balance sheet date' has had no impact on the financial statements The presentation requirements of FRS 25 result in dividends no longer being presented on the face of the profit and loss account FRS 28 'Corresponding amounts has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

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

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address give in note 22

Basis of consolidation

The consolidated accounts include the accounts of the parent company and all its subsidiary undertakings made up to 31 December each year The results of subsidiary undertakings acquired or disposed of during the year are included in the accounts from or to the effective date of acquisitions or disposal As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented

Goodwill

Goodwill, representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired, is capitalised on the balance sheet and amortised in equal annual instalments over its useful economic life Provision is made for any impairment On disposal of a previously acquired business, the goodwill previously written off to reserves is included in determining the profit or loss on disposal

Notes *(continued)*

Joint ventures and associates

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence A joint venture is an undertaking in which the group has a long term interest and over which it exercise joint control The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in the consolidated balance sheet

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of new houses and build contracts Turnover from house sales represents the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash Turnover from build contracts is recognised in line with the stage of completion

Depreciation

Depreciation of plant and equipment is provided on a straight line basis over the estimated useful lives of the assets concerned The useful lives are as follows

Plant and equipment 3 to 10 years
Freehold properties 50 years

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value

Leasing

Expenditure on operating leases is charged to the profit and loss account on a straight line basis over the lease period

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 between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Pensions

The group participates in The Miller Group Pension Scheme, a defined benefit pension scheme and The Miller Group Limited Personal Pension Plan, a defined contribution scheme Details of both schemes can be found in note 20

Dividends 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

Notes *(continued)*

2. Profit on ordinary activities before taxation

This is stated after charging / (crediting) the following		**2005 £000**	2004 £000
Depreciation		**623**	321
Gain on sale of fixed assets			(6)
Auditors remuneration	audit fees	**70**	42
	non audit fees	**194**	49
Operating lease rentals	land and buildings	**1,106**	500
	other	**1,486**	750

3 Staff numbers and costs

The average number of persons employed by the group, including directors, during the year was as follows

	2005 Number	2004 Number
Construction	**486**	437
Administration	**435**	320
Sales	**117**	71
	1,038	828

The aggregate payroll costs of these persons were as follows	**2005 £000**	2004 £000
Wages and salaries	**34,362**	27,770
Social security costs	**3,832**	2,879
Other pension costs	**1,533**	1,165
	39,727	31,814

4 Remuneration of directors

	2005 £000	2004 £000
Emoluments	**558**	491
Amounts receivable under long term incentive schemes	**417**	43
Company contributions to money purchase pension schemes	**80**	73
	1,055	607

Notes *(continued)*

4 Remuneration of directors *(continued)*

	2005 £000	2004 £000
The number of directors who were members of pension schemes was as follows		
Money purchase schemes	**3**	3
Defined benefit schemes	**2**	2
	5	5

The aggregate of emoluments, bonus and amounts receivable under long term incentive schemes of the highest paid director was £650,687 (2004 £290,808) He is a member of a defined contribution pension scheme, with contributions of £47,500 (2004 £43,329) being paid by the company during the year

5 Net interest payable

	2005 £000	2004 £000
Interest payable		
On bank loans and overdrafts	**21,318**	11,641
Other	**12**	187
	21,330	11,828
Associates and joint ventures		
Joint ventures – bank loan and overdraft interest	**1,255**	1,544
Associates – bank loan and overdraft interest	**32**	29
	22,617	13,401
Bank and other interest receivable	**(496)**	(338)
	22,121	13,063

6. Taxation

	2005 £000	2004 £000
Corporation tax		
Current year	**13,230**	14,204
Share of joint ventures' and associates' tax	**1,193**	62
Total current tax	**14,423**	14,266
Deferred tax current year	**(976)**	111
Deferred tax prior year	**366**	(795)
Total deferred tax	**(610)**	(684)
Tax on profit on ordinary activities	**13,813**	13,582

Notes *(continued)*

6 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2004 higher than) the standard rate of corporation tax in the UK (30%) (2004 30%) The differences are explained below

	2005	2004
	£000	£000
Profit on ordinary activities before tax	**40,804**	46,538
Current tax at 30%	**12,241**	13,961
Effects of		
Expenditure not deductible for tax purposes	**1,206**	464
Timing differences in respect of which deferred tax is provided	**976**	(111)
Utilisation of joint ventures tax losses		(48)
Total current tax	**14,423**	14,266

7 Dividends

	2005	2004
	£000	£000
Ordinary dividend of 19 46 pence per share paid	**4,864**	

8 Goodwill

	Group
	£000
Cost	
At start of year	12,389
Arising in the year (note 18)	13,454
At end of year	25,843
Amortisation	
At start of year	766
Charged during the year	962
At end of year	1,728
Net book value	
At 31 December 2005	**24,115**
As 31 December 2004	11,623

Goodwill is being written off over its estimated useful life of 20 years

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Group Total £000
Cost			
At start of year		1,075	1,075
Additions	1,390	398	1,788
Disposals		(211)	(211)
At end of year	1,390	1,262	2,652
Depreciation			
At start of year		50	50
Charge for the year	4	619	623
Disposals		(201)	(201)
At end of year	4	468	472
Net book value			
At 31 December 2005	**1,386**	**794**	**2,180**
At 31 December 2004		1,025	1,025

10 Investments

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Investment in subsidiaries			**201,286**	93,780
Investment in joint ventures	**6,372**	11,089	**6,356**	10,841
Investment in associates	**116**	148	**116**	148
	6,488	11,237	**207,758**	104,769

	Company £000
Investments in subsidiaries	
At start of year	93,780
Acquired during year (note 18)	108,506
Disposal	(1,000)
At end of year	**201,286**

Notes *(continued)*

10. Investments *(continued)*

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Joint ventures				
At beginning of year	**11,089**		**10,841**	
Transferred from parent undertaking		6,403		5,891
Share of profits less losses	**4,403**	1,265		
Dividends received	**(2,738)**	(600)	**-**	
Management fees receivable	**(1,897)**	(929)		
Movement in shareholder loans	**(4,485)**	4,950	**(4,485)**	4,950
At end of year	**6,372**	11,089	**6,356**	10,841

The total of the group's profit before taxation from interests in joint ventures and associates is £3,669,000

The amounts included in net assets in respect of joint ventures comprise the following

	Group 2005 £000	Group 2004 £000
Share of assets		
Share of current assets	**34,522**	37,044
Share of liabilities		
Due within one year	**(16,703)**	(21,304)
Due after one year	**(17,801)**	(15,490)
	(34,504)	(36,794)
Loans provided to joint ventures	**6,354**	10,839
Share of net assets	**6,372**	11,089

The principal investments of the company as at 31 December 2005 were

	Country of registration	**Share capital %**
Subsidiary undertakings		
MF Development Company UK Limited (formerly Centex Development Company UK Limited)	England	100
Miller Homes Limited	Scotland	100
Miller Craigmount Limited	Scotland	100
Miller Kirkliston Limited	Scotland	100
Miller Residential Development Services Limited	Scotland	100
Miller (Cobblers Hall) Limited	England	100
Miller (Eccles) Limited	England	100
Miller (Barrow) Limited	England	100
Joint ventures		
Lancefield Quay Limited	Scotland	50
Canniesburn Limited	Scotland	50
Miller Gadsby (Castle Marina) Limited	England	50
Associates		
New Laurieston Limited	Scotland	45

Notes *(continued)*

11 Stocks and work in progress

	Group 2005 £000	Group 2004 £000
Work in progress	**824,644**	446,224
Part exchange properties	**23,216**	4,556
	847,860	450,780

12. Debtors

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Trade debtors	**5,813**	3,481		
Amounts recoverable on contracts	**705**	421		
Amounts owed by parent undertaking			**12,462**	25,000
Amounts owed by subsidiary undertakings	**-**		**146,246**	
Prepayment and accrued income	**1,813**	897		
Other debtors	**11,782**	6,390	**55**	
Deferred tax (see note below)	**2,766**	2,156	**-**	
	22,879	13,445	**158,763**	25,000

Deferred tax	Group 2005 £000	Group 2004 £000
At start of year	**2,156**	
Transferred from parent undertaking		1,472
Credit to profit and loss account (note 6)	**610**	684
At end of year	**2,766**	2,156

The elements of the deferred tax asset are as follows

	Group 2005 £000	Group 2004 £000
Difference between accumulated depreciation and capital allowances	**311**	80
Other timing differences	**2,455**	2,076
At end of year	**2,766**	2,156

Notes *(continued)*

13. Creditors: Amounts falling due within one year

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Bank overdraft (unsecured)	**105,128**	211,766	**2,833**	
Trade creditors	**62,084**	36,315		
Amounts owed to parent undertaking	**137,694**	5,222		
Amounts owed to fellow subsidiary companies	**886**	788	**79,410**	100,741
Corporation tax	**385**			
Other creditors	**9,070**	4,665	**610**	
Land creditors	**72,965**	41,389		
Accruals and deferred income	**30,476**	18,225	**6,172**	
	418,688	318,370	**89,025**	100,741

14. Creditors. Amounts falling due after more than one year

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Amounts owed to parent undertaking	**89,360**	89,360		
Bank loans (secured)	**22,399**	21,272		
Bank loans (unsecured)	**250,000**		**250,000**	
Land creditors	**42,086**	735	**-**	
	403,845	111,367	**250,000**	

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Analysis of debt				
Within one year	**105,128**	211,766		
One to two years	**7,520**	15,180	**2,833**	
Two to five years	**264,879**	6,092	**250,000**	
Greater than 5 years	**89,360**	89,360	**-**	
	466,887	322,398	**252,833**	

15. Share capital

	Company 2005 £000	Company 2004 £000
Authorised, allotted, called up and fully paid		
25,000,000 Ordinary shares of £1 each	**25,000**	25,000

Notes *(continued)*

16. Profit and loss account

	Group £000	Company £000
At start of year	**36,896**	4,028
Profit for the year	**26,991**	3,332
Dividend (note 7)	**(4,864)**	(4,864)
At end of year	**59,023**	2,496

17. Reconciliation of movement in shareholders' funds

	Group £000	Company £000
Opening shareholders' funds	**61,896**	29,028
Profit for the year	**26,991**	3,332
Dividend (note 7)	**(4,864)**	(4,864)
Closing shareholders' funds	**84,023**	27,496

18. Acquisitions

On 16 September 2005, the company acquired the entire share capital of Centex Development Company UK Limited, the parent company of Fairclough Homes Details of the acquisition are as follows

	Net book value of assets acquired £000	**Fair value Adjustment £000**	**Fair value of assets acquired £000**
Goodwill	16,126	(16,126)	
Fixed assets	2,516		2,516
Stocks and work in progress	350,820	(4,241)	346,579
Debtors	10,298		10,298
Cash	3,412		3,412
Creditors	(112,462)		(112,462)
Net assets	270,710	(20,367)	250,343
Goodwill arising			13,454
Fair value of assets acquired			263,797
Represented by			
Consideration			262,710
Expenses of acquisition			1,087
			263,797

Notes *(continued)*

18. Acquisitions *(continued)*

The consideration includes the settlement of bank debt (£85,657,000) and inter company loans (£69,634,000)

The fair value adjustments reflect the write off of pre acquisition goodwill and the writedown of work in progress to net realisable value

The acquisition resulted in an operating cash flow of £3 9m and a £0 4m outflow in respect of taxation

The acquired undertaking made a profit after tax of £2 9m from the beginning of its financial year (1 April 2005) to the date of acquisition In its previous full financial year the profit after tax was £19 8m

19 Commitments

The Group has commitments under non cancellable operating leases to make payments in the year to 31 December 2006 as follows

	Land & Buildings £000	Other £000
Leases expiring		
Within one year		254
Between two and five years	703	1,599
Greater than five years	846	
	1,549	1,853

20 Pensions

The company is a member of a group pension scheme, which provides benefits based on final pensionable pay Because the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis as permitted by FRS 17 "Retirement Benefits", the schemes have been accounted for, in these financial statements as if it was a defined contribution scheme There is a deficit on the group scheme of £17 8m (2004 £19 9m)

The latest full actuarial valuation of the scheme was carried out on 1 July 2004 and updated for FRS 17 purposes at 31 December 2005 and 31 December 2004 by a qualified independent actuary The group contribution for the year was £6 6m (2004 £5 7m) The current employer contribution rate for the scheme is 16 1% of pensionable salary plus £183,333 per calendar month during 2005 In addition, a lump sum payment of £3m was made in December 2005

The company participates in The Miller Group Limited Group Personal Pension Plan The assets of the scheme are held separately from those of the Group in an independently administered fund The amount charged against profit represents the contributions payable to the scheme in respect of the accounting period

21. Cross guarantees

The company has with certain other subsidiaries, jointly guaranteed the unsecured multi currency revolving credit facilities available to the parent company, The Miller Group Limited In addition, the company has jointly guaranteed the unsecured multi currency overdraft facility of The Miller Group Limited and certain subsidiaries

Notes *(continued)*

22 Ultimate parent company

The company's ultimate parent company is The Miller Group Limited a company registered in Scotland and incorporated in Great Britain and its accounts can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB