Miller Homes Holdings Limited

Directors' Report and Financial Statements

31 December 2007
Registered Number SC255430

Contents

Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 2007

Principal activity

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

Business review

Strategy

At present Miller Homes comprises nine largely autonomous regional businesses, plus Miller Regeneration The business remains firmly in the Top 10 UK housebuilders, and has a structure capable of supporting significant volume growth from our current output

Despite the current difficulties in the UK housing market, the underlying fundamentals remain strong and the market continues to offer growth opportunities The Government remains committed to increasing housing output in England and Wales by 50,000 new homes per annum, and the Scottish Government also recognises the need to increase output from 25,000 to 35,000 homes per annum over the next decade Combined with the fact that there are a number of attractive regional markets where we are not yet represented, this presents us with significant opportunities

Performance

2007 was a challenging year for UK housebuilders in general Initially the market was badly affected by interest rate rises as the Bank of England sought to control inflation Later, in the wake of the US sub prime mortgage and Northern Rock crises, further challenges arose in the UK with availability and affordability of mortgages We have had to devote significant time and resource responding to several Government led initiatives These include The Code for Sustainable Homes, The Calcutt Review, a large number of statutory consultations and most recently the OFT enquiry into the housing market

Against this backdrop, total housing completions (including joint ventures) fell 10% to 3,578 (2006 3,960) The reduced volume was entirely caused by the difficult sales environment, which impacted on all of our regional businesses to a greater or lesser degree

Due to a reduced number of projects, joint venture completions fell by 50% to 120 (2006 240) Joint ventures have always been an integral part of our strategy, and will remain so, but we will only undertake joint ventures with partners who share our quality and customer care values

Affordable housing completions increased by 68% to 448 (2006 267) This part of our business will become increasingly important due to rising Local Authority requirements and also the growth of Miller Regeneration, our regeneration business

Turnover fell by 1% to £721m (2006 £730m), and the average selling price increased marginally to £187,000 (2006 £183,000) Operating margins reduced to 11 5% (2006 13 3%) Margins were affected by the lower volumes, poor market conditions and the consequent increased use of incentives

Market overview

During the first four months of the year the buoyant market continued, and in fact, we achieved an identical level of net reservations during this period compared to the previous year Further interest rate rises on 10 May and 5 July weakened the market, this was exacerbated by the US sub prime and Northern Rock crises During the second half of the year, net reservations were 29% below the equivalent period in 2006

Directors' Report *(continued)*

Business review *(continued)*

To stimulate sales in these market conditions, we had to use a full range of incentives This created downward pressure on margins, which has been partly offset by house price increases on sites in better locations

These market conditions led to the reduced volume and turnover reported for 2007, but also a reduced level of forward sales We experienced an improvement during the first quarter of 2008 when compared to the second half of 2007, however the market weakened again in April We expect to see the continued use of sales incentives to achieve sales in 2008

<u>Operations</u>

Miller Homes was voted Major Housebuilder of the Year in the Building Magazine awards and Housebuilder of the Year in the prestigious What House? magazine awards We have an enviable reputation for customer service and continue to develop new initiatives to improve the quality of our products and services

We launched mymillerstreet co uk during the year offering several benefits to our customers They can use the interactive carbon calculator and read hints and tips to learn about making their lifestyles more sustainable And, in the true spirit of creating communities, it also has a section that enables them to get to know their neighbours

We developed a corporate social responsibility strategy during the year and took part in the Next Generation initiative (WWF/ Insight and Housing Corporation) that reported on how the sector is facing up to the challenge of building sustainable homes and communities Our overall performance placed us in 8th position, and Miller Homes were described as "the laudable exception as a private company with high levels of disclosure"

We continue to achieve excellent results in the National Housebuilding Council Pride in the Job Award Scheme which rewards Site Managers who deliver the best in construction quality A total of 16 Site Managers won Quality Awards during 2007, of which five went on to be rewarded with a Seal of Excellence and two became Regional Winners

Miller Homes remain the only housebuilder to publish externally the results of customer satisfaction surveys undertaken by independent consultants During the whole of 2007, 84 3% (2006 85%) of respondents stated that they 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

In keeping with the Government's target for 60% of new housing to be provided on previously used land, we are increasing the specialist skills required to deal with contaminated sites and regeneration In 2007 74 7% of our output was built on brownfield land This type of site also formed 69 2% of our owned landbank for future development

Miller Regeneration now has operations in the North East, North West and Yorkshire It successfully completed the acquisition of its first scheme in Salford and has now been named as preferred bidder on a further three schemes at Knowsley, Pendle and Oldham, which cumulatively have a gross development value of £80m

As part of our commitment to The Code for Sustainable Homes we are undertaking a project at our Merton Rise site in Basingstoke This features four homes built to Levels 3, 4, 5 and 6 of The Code In these homes, we can trial the technologies needed to deliver these challenging standards and monitor their performance in comparison to our current construction methods and specifications We are dedicated to partnering with our key suppliers and are grateful for the support that we are receiving from them within this project

Directors' Report *(continued)*

Business review *(continued)*

Land bank

In light of the difficult sales market, in particular during the second half of the year, we adjusted our hurdle rates for land acquisitions and actively deferred expenditure until we had a clear picture of likely market conditions As a result, we purchased less land than in the prior year, 3,600 plots (2006 4,100) and also sold 900 plots (2006 150) We believe that this sensible approach has given us the flexibility to take good opportunities when they arise

At 31 December 2007 we owned approximately 11,800 plots with implementable planning permission In addition, we control approximately 1,500 plots under conditional contract, which will be acquired if we successfully secure planning consent for residential development We have a further 1,600 plots with terms agreed and legal agreements being progressed Our owned and controlled land bank represents more than three and a half years supply at the forecast rate of consumption for the coming year, with a development value of approximately £2 5bn

The geographic spread of our owned landbank is split 26% Scotland, 42% North and 32% Midlands and South Our future plans are to expand operations in the South and provide a more even spread of business throughout the UK

We have options over approximately 5,300 acres of land which may be developed over a longer time frame During the year we have made substantial progress in promoting several major sites We purchased 700 plots at East Kilbride, Lenzie, Darlington and Crook for our strategic land bank We also achieved planning (subject to S106) on 450 plots at Horley, and are progressing planning applications at various stages on a number of other significant sites

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 2007 is £26,350,000 (2006 £43,369,000) A dividend of 57 596 pence (2006 – 9 528 pence) per share was paid during the year

Directors

The directors who held office during the year were as follows

Keith M Miller
John S Richards
Timothy Hough
Ewan T Anderson
Stanley G Mills

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' Report *(continued)*

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 J Smyth
Secretary

23 June 2008

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 and applicable law (UK Generally Accepted Accounting Practice)

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 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 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 of Miller Homes Holdings Limited for the year ended 31 December 2007 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 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 whether in our opinion the information given in the Directors' 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 group's and parent 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 2007 and of the group's profit 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
Chartered Accountants
Registered Auditor
Edinburgh

23 **June 2008**

Consolidated Profit and Loss Account

for the year ended 31 December 2007

		Note	2007 £000	2006 £000
Turnover:	Group and share of joint ventures	1	**721,460**	730,042
Less	Share of joint ventures' turnover		**(15,611)**	(25,252)
Group turnover			**705,849**	704,790
Cost of sales			**(572,508)**	(560,481)
Gross profit			**133,341**	144,309
Administrative expenses			**(54,249)**	(51,168)
Group operating profit			**79,092**	93,141
Share of profit in joint ventures			**1,425**	3,447
Share of loss in associates			**(1)**	(1)
Operating profit			**80,516**	96,587
Interest payable and similar charges		5	**(41,988)**	(34,537)
Interest receivable and similar income		6	**705**	651
Profit on ordinary activities before taxation		2	**39,233**	62,701
Tax on profit on ordinary activities		7	**(12,883)**	(19,332)
Profit for the financial year		17	**26,350**	43,369

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

Consolidated Balance Sheet
at 31 December 2007

	Note	**2007**	**2007**	2006	2006
		£000	**£000**	£000	£000
Fixed assets					
Goodwill	*9*		**21,238**		22,677
Tangible assets	*10*		**1,822**		2,157
Investment in joint ventures	*11*				
Share of gross assets		**11,022**		22,687	
Share of gross liabilities		**(11,505)**		(22,557)	
Loans to joint ventures		**5,811**		6,300	
			5,328		6,430
Investment in associates	*11*		**52**		98
			28,440		31,362
Current assets					
Stocks and work in progress	*12*	**934,251**		901,046	
Debtors	*13*	**35,598**		25,256	
Cash at bank and in hand		**1,626**		2,475	
		971,475		928,777	
Creditors: amounts falling due within one year	*14*	**(435,309)**		(448,595)	
Net current assets			**536,166**		480,182
Total assets less current liabilities			**564,606**		511,544
Creditors: amounts falling due after more than one year	*15*		**(427,369)**		(385,813)
Net assets			**137,237**		125,731
Capital and reserves					
Called up share capital	*16*		**25,000**		25,000
Profit and loss account	*17*		**112,237**		100,731
Shareholders' funds	*18*		**137,237**		125,731

These accounts were approved by the board of Directors on 23 June 2008 and were signed on its behalf by

Ewan T Anderson
Director

Company Balance Sheet
at 31 December 2007

	Note	**2007**	2006
		£000	£000
Fixed assets			
Investments	*11*	**218,201**	218,897
Current assets			
Debtors	*13*	**156,538**	123,852
Creditors: amounts falling due within one year	*14*	**(95,221)**	(63,957)
Net current assets		**61,317**	59,895
Total assets less current liabilities		**279,518**	278,792
Creditors amounts falling due after more than one year	*15*	**(250,000)**	(250,000)
Net assets		**29,518**	28,792
Capital and reserves			
Called up share capital	*16*	**25,000**	25,000
Profit and loss account	*17*	**4,518**	3,792
Shareholders' funds	*18*	**29,518**	28,792

These accounts were approved by the board of Directors on 23 June 2008 and were signed on its behalf by

Ewan T Anderson
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

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

As the company is a wholly owned subsidiary of 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 The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 23

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 acquisition or disposal Included within the Group's profit and loss reserves are pre acquisition reserves in relation to certain subsidiaries and associates acquired in a previous accounting period This accounting treatment does not comply with Financial Reporting Standard 2, Accounting for Subsidiary Undertakings which requires that pre acquisition reserves be included in the calculation of goodwill However, this sub group was formed solely as part of a reorganisation of The Miller Group Limited and to adopt the treatment set out in FRS 2 would result in the creation of negative goodwill The directors therefore consider the accounting treatment adopted is necessary in order for the financial statements to give a true and fair view of the state of affairs of the Group

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 in 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

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 exercises 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

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of new houses, build contracts and land 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 Turnover from land sales is recognised on legal completion

Depreciation

Depreciation 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 land and buildings 50 years

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value Contract work in progress is shown within debtors as amounts recoverable on contracts and is stated at cost incurred plus attributable profit less amounts transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover Where payments on account exceed the value of work certified at the balance sheet date this is shown as payments on account within creditors

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 Financial Reporting Standard 19

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 21

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)*

1 Accounting policies *(continued)*

Share based payments

The share option programme allows employees to acquire shares of The Miller Group Limited The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting

2. Profit on ordinary activities before taxation

		2007	2006
This is stated after charging the following		**£000**	£000
Depreciation		**372**	374
Operating lease rentals	land and buildings	**1,842**	1,771
	other	**1,884**	1,826
Auditors remuneration			
Audit of these financial statements		**2**	2
Amounts receivable by auditors and their associates in respect of			
Audit of financial statements of subsidiaries pursuant to legislation		**88**	75
Other services relating to taxation		**35**	41
Other services			12
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or the group		**-**	43

3 Staff numbers and costs

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

	2007	2006
	Number	Number
Construction	**645**	646
Administration	**555**	532
Sales	**183**	186
	1,383	1,364

The aggregate payroll costs of these persons were as follows	2007	2006
	£000	£000
Wages and salaries	**51,074**	49,073
Social security costs	**5,460**	5,099
Other pension costs	**2,776**	2,180
	59,310	56,352

Notes *(continued)*

4. Remuneration of directors

	2007 £000	2006 £000
Emoluments	**1,076**	959
Amounts receivable under long term incentive schemes	**694**	911
Company contributions to money purchase pension schemes	**107**	93
	1,877	1,963

The number of directors who were members of pension schemes was as follows	2007 Number	2006 Number
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 £962,025 (2006 £998,226) He is a member of a defined contribution pension scheme, with contributions of £62,800 (2006 £55,000) being paid by the company during the year

5. Interest payable and similar charges

	2007 £000	2006 £000
Interest payable		
On bank loans and overdrafts	**40,960**	33,135
Other	**168**	61
	41,128	33,196
Associates and joint ventures		
Joint ventures – bank loan and overdraft interest	**825**	1,313
Associates – bank loan and overdraft interest	**35**	28
	41,988	34,537

6 Interest receivable and similar income

	2007 £000	2006 £000
Bank and other interest receivable	**705**	651

Notes *(continued)*

7 Tax on profit on ordinary activities

	2007	2006
	£000	£000
Corporation tax		
Current year	**11,609**	17,618
Prior year		1,148
Share of joint ventures' and associates' tax	**213**	567
Total current tax	**11,822**	19,333
Deferred tax		
Current year	**1,376**	1,091
Prior year	**(315)**	(1,092)
Total deferred tax (note 13)	**1,061**	(1)
Tax on profit on ordinary activities	**12,883**	19,332

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2006 higher than) the standard rate of corporation tax in the UK (30%) (2006 30%) The differences are explained below

	2007	2006
	£000	£000
Profit on ordinary activities before taxation	**39,233**	62,701
Current tax at 30%	**11,770**	18,810
Effect of		
Expenditure not deductible for tax purposes	**1,376**	530
Timing differences in respect of which deferred tax is provided	**(1,376)**	(1,091)
Adjustment in respect of prior years	**-**	1,148
Adjustment in respect of joint ventures	**52**	(64)
Total current tax	**11,822**	19,333

8 Dividends

	2007	2006
	£000	£000
Ordinary dividend of 57 596 pence (2006 9 528 pence) per share paid	**14,399**	2,382

Notes *(continued)*

9. Goodwill

	Group £000
Cost	
At start and end of year	25,843
Amortisation	
At start of year	3,166
Charged during the year	1,439
At end of year	4,605
Net book value	
At 31 December 2007	**21,238**
As 31 December 2006	22,677

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

10. Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Group Total £000
Cost			
At start of year	1,390	1,493	2,883
Additions		718	718
Disposals	(676)	(75)	(751)
At end of year	714	2,136	2,850
Depreciation			
At start of year	14	712	726
Charge for the year	10	362	372
Disposals		(70)	(70)
At end of year	24	1,004	1,028
Net book value			
At 31 December 2007	**690**	**1,132**	**1,822**
At 31 December 2006	1,376	781	2,157

Notes *(continued)*

11 Investments

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Investment in subsidiaries			**212,686**	212,686
Investment in joint ventures	**5,328**	6,430	**5,463**	6,113
Investment in associates	**52**	98	**52**	98
	5,380	6,528	**218,201**	218,897

	Company £000
Investments in subsidiaries	
At start and end of year	212,686

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Joint ventures				
At beginning of year	**6,430**	6,372	**6,113**	6,356
Share of profits less losses	**1,056**	2,878	**-**	
Dividends received	**(1,010)**	(1,450)		
Management fees receivable	**(658)**	(1,322)		
Movement in shareholder loans	**(490)**	(48)	**(650)**	(243)
At end of year	**5,328**	6,430	**5,463**	6,113

The total of the group's profit before taxation from interests in joint ventures and associates is £564,000 (2006 £2,105,000)

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

	Group 2007 £000	Group 2006 £000
Share of assets		
Share of current assets	**11,022**	22,687
Share of liabilities		
Due within one year	**(11,505)**	(8,204)
Due after one year		(14,353)
	(11,505)	(22,557)
Loans provided to joint ventures	**5,811**	6,300
Share of net assets	**5,328**	6,430

Notes *(continued)*

11. Investments *(continued)*

The principal investments of the company as at 31 December 2007 were

	Country of registration	Share capital %
Subsidiary undertakings		
Miller Homes Limited	Scotland	100
MF Development Company UK Limited	England	100
Miller Craigmount 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
Miller Airdrie Limited	Scotland	100
Miller (Telford South) Limited	Scotland	100
Miller Graysmill Limited	Scotland	100
Miller (Duloch 1) Limited	Scotland	100
Miller Maidenhead Limited	England	100
Miller Framwellgate Limited	England	100
Joint ventures		
Lancefield Quay Limited	Scotland	50
Canniesburn Limited	Scotland	50
Associates		
New Laurieston (Glasgow) Limited	Scotland	45

12. Stocks and work in progress

	Group 2007 £000	Group 2006 £000
Work in progress	**911,846**	884,546
Part exchange properties	**22,405**	16,500
	934,251	901,046

13 Debtors

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Trade debtors	**16,187**	4,860		
Amounts recoverable on contracts	**4,144**	375		
Amounts owed by parent undertaking			**11,431**	12,117
Amounts owed by fellow subsidiary undertaking		9		
Amounts owed by subsidiary undertakings			**143,950**	111,609
Prepayment and accrued income	**1,896**	2,279		
Other debtors	**11,665**	14,966	**1,157**	126
Deferred tax (see note below)	**1,706**	2,767		
	35,598	25,256	**156,538**	123,852

Notes *(continued)*

13 Debtors *(continued)*

	Group 2007 £000	Group 2006 £000
Deferred tax		
At start of year	**2,767**	2,766
(Charge)/credit to profit and loss account (note 7)	**(1,061)**	1
At end of year	**1,706**	2,767

The elements of the deferred tax asset are as follows

	Group 2007 £000	Group 2006 £000
Difference between accumulated depreciation and capital allowances	**364**	269
Other timing differences	**1,342**	2,498
At end of year	**1,706**	2,767

14 Creditors. Amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Bank overdraft (unsecured)	**132,873**	119,703	**39,863**	4,877
Bank loans (secured)	**4,673**	14,564		
Trade creditors	**34,828**	38,617		
Amounts owed to parent undertaking	**168,478**	137,385	-	
Amounts owed to fellow subsidiary companies	**726**	730	**55,358**	55,358
Corporation tax	**472**	840		37
Other creditors	**4,171**	6,709		738
Land creditors	**55,206**	89,997		
Accruals and deferred income	**33,882**	40,050		2,947
	435,309	448,595	**95,221**	63,957

15. Creditors: Amounts falling due after more than one year

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Amounts owed to parent undertaking	**339,360**	89,360	**250,000**	
Bank loans (secured)	**67,618**	32,086		
Bank loans (unsecured)		250,000		250,000
Land creditors	**20,391**	14,367		
	427,369	385,813	**250,000**	250,000

Notes *(continued)*

15. Creditors: Amounts falling due after more than one year *(continued)*

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Analysis of debt				
Within one year	**137,546**	134,267		4,877
One to two years	**27,200**	32,086		
Two to five years	**290,418**	250,000	**250,000**	250,000
Greater than 5 years	**89,360**	89,360		
	544,524	505,713	**250,000**	254,877

16. Share capital

	Company 2007 £000	Company 2006 £000
Authorised		
50,000,000 ordinary shares of £1 each	**50,000**	50,000
Allotted, called up and fully paid		
25,000,000 ordinary shares of £1 each	**25,000**	25,000

17. Profit and loss account

	Group £000	Company £000
At start of year	**100,731**	3,792
Profit for the year	**26,350**	15,125
Share based payments (note 19)	**(445)**	
Dividend (note 8)	**(14,399)**	(14,399)
At end of year	**112,237**	4,518

18 Reconciliation of movement in shareholders' funds

	Group £000	Company £000
Opening shareholders' funds	**125,731**	28,792
Profit for the year	**26,350**	15,125
Share based payments (note 19)	**(445)**	
Dividend (note 8)	**(14,399)**	(14,399)
Closing shareholders' funds	**137,237**	29,518

Notes *(continued)*

19 Share based payments

Details of provisional awards outstanding at the year end under the group's share schemes are given below

	Number	Exercise prices	Weighted average remaining contractual life	Maximum term
Performance share plan	392,154	£nil	21 months	40 months
Executive share option plan	410,000	£6 04 £8 49	83 months	10 years

Performance share plan

The group operates a Performance Share Plan ("PSP") under which, at the discretion of The Miller Group Remuneration Committee, shares can be provisionally allocated at nil value to selected employees Before the provisional share allocation vests predetermined performance conditions must be met Currently the performance condition requires cumulative profit before tax ("PBT") growth of at least 7 5% per annum over a three year period at which point 25% of the shares provisionally awarded vest For the provisional shares to vest in full, an increase in PBT equating to an aggregate of 20% per annum over a three year period is required This performance condition is considered a stretching target and an appropriate indicator of management's success in growing the business

The fair value of these awards at the grant date is calculated using the Black Scholes model The key assumptions made in the model are as follows

	PSP 1 May 2007	PSP 1 May 2006
Date of grant		
Share price at date of grant	**£16.50**	£10 76
Exercise price	**£nil**	£nil
Risk free interest rate	**4.88%**	4 1%
Expected volatility	**33%**	15%
Term of the option	**40**	40
Expected dividend growth	**25%**	15%
Fair value of option	**£15.11**	£9 82

The expected volatility is based on historical volatility of The Miller Group share price over the last five years

Share options

In previous years the group operated an Executive Share Option Scheme under which, at the discretion of The Miller Group Remuneration Committee, options could be provisionally granted at market value to selected employees Before the options may be exercised predetermined performance conditions must be met The performance condition requires an increase in Group profit before tax equating to an aggregated 4% above the annual increase in the Retail Price Index over a three year period

Notes *(continued)*

19. Share based payments *(continued)*

The number of weighted average exercise price of share options and other awards are as follows

	2007 Number	2006 Number	Weighted average exercise price 2007 £	2006 £
At beginning of year	**823,255**	750,000	**5 47**	7 27
Granted	**163,899**	228,255		
Exercised	**(185,000)**	(155,000)	**7.00**	6 09
At end of year	**802,154**	823,255	**4.00**	5 47
Exercisable at end of year	**175,000**	65,000	**6 95**	6 13

The weighted average share price at the date of exercise of share options exercised during the year was £16 50 (2006 £10 76)

The total credit recognised in respect of share based payment transactions was £533,000 (2006 charge of £1,700,000) included within which is a credit of £445,000 (2006 charge of £721,000) in relation to equity settled transactions

20 Commitments

The group has commitments under non cancellable operating leases to make payments in the year to 31 December 2008 as follows

	Land and buildings £000	Other £000
Leases expiring		
Within one year		169
Between two and five years	839	1,381
Greater than five years	546	2
	1,385	1,552

21 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 scheme has been accounted for, in these financial statements as if it was a defined contribution scheme Following the latest actuarial valuation of the group pension scheme, carried out on 1 July 2007, there is a deficit of £0 5m (2006 £10 0m)

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

Notes *(continued)*

22 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

23 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