

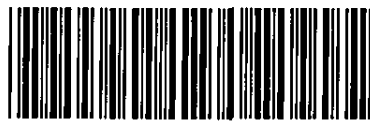
Miller Homes Cambuslang Limited

Directors' Report and Financial Statements

For the year ended 31 December 2010

Registered number: SC337900

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Directors' Report

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2010.

Principal activity

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

Results and dividends

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.

Directors

The Directors of the company during the year were:

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

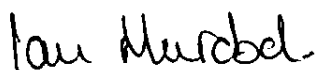
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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

On behalf of the Board



Ian Murdoch
Director
2 March 2012

Miller House
2 Lochside View
Edinburgh
EH12 9DH

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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



KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report to the members of Miller Homes Cambuslang Limited

We have audited the financial statements of Miller Homes Cambuslang Limited for the year ended 31 December 2010 set out on pages 4 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

M Ross (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

2 March 2012

Profit and Loss Account

For the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	1	3,304,170	2,085,149
Cost of sales		(3,221,624)	(1,976,290)
Gross profit		82,546	108,859
Administrative expenses		(1,095)	(2,495)
Operating profit		81,451	106,364
Interest payable and similar charges	3	(332,140)	(299,517)
Loss on ordinary activities before taxation	2	(250,689)	(193,153)
Tax on loss on ordinary activities	4	-	-
Loss for the financial year	10	(250,689)	(193,153)

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

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

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

Balance sheet

As at 31 December 2010

	Note	2010 £	2009 £
Current assets			
Stocks and work in progress	5	11,316,513	11,927,553
Debtors	6	2	2,802
		<u>11,316,515</u>	<u>11,930,355</u>
Creditors: amounts falling due within one year	7	(127,067)	(76,877)
Total assets less current liabilities		<u>11,189,448</u>	<u>11,853,478</u>
Creditors: amounts falling out with one year	8	(12,131,605)	(12,544,946)
Net liabilities		<u>(942,157)</u>	<u>(691,468)</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	(942,159)	(691,470)
Shareholders' deficit	11	<u>(942,157)</u>	<u>(691,468)</u>

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

These financial statements were approved by the Board of Directors on 2 March 2012 and were signed on its behalf by:



Ian Murdoch
 Director

Notes

(Forming part of the financial statements)

1. Accounting policies

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

Basis of accounting

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

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £942,157, 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 2010 amounted to £3,582,015, are not repayable until such time as the bank term loan facilities have been repaid and, only then, on the basis that the company has sufficient funds remaining, following repayment of the bank indebtedness, to settle the inter company indebtedness.

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

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

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

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

Notes (continued)

1. Accounting policies (continued)

Development work in progress

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

The directors have refined the methodology used in applying this accounting policy by re-assessing the overheads to be included in determining the net realisable value of housing stocks and work in progress. The aggregate financial impact associated with this refinement is to reduce housing work in progress as at 31 December 2010 by £0.1m and to reduce current year operating profit by an equivalent amount. The directors believe this accounting policy refinement has the effect of more closely aligning the application of the company's accounting policy with equivalent policies adopted by the company's housing industry peers.

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. Where cash incentives are given the full cash amount is deducted from turnover. Where properties are sold under a shared equity scheme, up to 25% of the value of the property is offered to the customer by way of an interest free loan from a fellow subsidiary undertaking. In recognising the initial sale of the properties sold under shared equity schemes, the company includes the relevant value in turnover and in balances with fellow subsidiary undertakings.

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 more likely than not to be recoverable in the foreseeable future.

Dividend on shares presented within shareholders' funds

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

2. Loss on ordinary activities before taxation

	2010 £	2009 £
<i>This is stated after charging:</i>		
Auditor's remuneration	1,095	1,090
Exceptional charge – write down of land and housing stock	109,884	-
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The company has no employees. The directors did not receive any remuneration from the company during the year.

Notes (continued)

3. Interest payable and similar charges

	2010 £	2009 £
Interest payable on bank loan	332,140	299,517
	<u> </u>	<u> </u>

4. Tax on loss on ordinary activities

Analysis of charge for the year

	2010 £	2009 £
UK corporation tax:		
Current tax on loss in year	-	-
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

Factors affecting tax credit for year

The current tax charge for the year is higher than (2009: higher than) the standard rate of corporation tax in the UK of 28% (2009: 28%).

Current tax reconciliation

	2010 £	2009 £
Loss on ordinary activities before tax	(250,689)	(193,153)
	<u> </u>	<u> </u>
Current tax at 28% (2009: 28%)	(70,193)	(54,083)
<i>Effect of:</i>		
Current year losses carried forward for which no deferred tax asset has been provided	70,193	54,083
	<u> </u>	<u> </u>
Total current tax charge (see above)	-	-
	<u> </u>	<u> </u>

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. The Budget on 25 March 2011 announced an incremental rate reduction from 27% to 26% to apply from 1 April 2011. This will reduce the company's future tax charge accordingly.

No deferred tax asset has been recognised because it is not possible to confirm with reasonable assurance that sufficient future taxable profit will be available against which the company can utilise its tax losses.

Notes (continued)

5. Stocks and work in progress

	2010 £	2009 £
Work in progress	11,166,782	11,927,553
Part exchange properties	149,731	-
	<u>11,316,513</u>	<u>11,927,553</u>

6. Debtors

	2010 £	2009 £
Unpaid share capital	2	2
Other debtors	-	2,800
	<u>2</u>	<u>2,802</u>

7. Creditors: amounts falling due within one year

	2010 £	2009 £
Accruals and deferred income	11,522	12,785
Amounts from fellow subsidiary undertaking	115,545	64,092
	<u>127,067</u>	<u>76,877</u>

8. Creditors: amounts falling out with one year

	2010 £	2009 £
Bank loan (secured)	8,549,590	8,962,931
Loan from fellow subsidiary undertaking	3,582,015	3,582,015
	<u>12,131,605</u>	<u>12,544,946</u>

Final repayment of the bank loan is due to be made by 31 May 2013. The bank loan is secured against the company's assets and bears interest at commercial rates. The loan from the fellow subsidiary undertaking is not subject to any interest charge and repayment is due subsequent to the repayment of the bank loan and, only then, on the basis that the company has sufficient resources available to it to make such repayment. Following the company's bank refinancing in 2012, final repayment of the bank loan is now due to be made by 30 September 2015.

Notes (continued)

9. Called up share capital

	2010 £	2009 £
<i>Authorised:</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up, and unpaid:</i>		
2 ordinary share of £1 each	2	2
	<hr/>	<hr/>

10. Profit and loss account

	2010 £	2009 £
At beginning of year	(691,470)	(498,317)
Loss for the year	(250,689)	(193,153)
	<hr/>	<hr/>
At end of year	(942,159)	(691,470)
	<hr/>	<hr/>

11. Reconciliation of movement in shareholders' deficit

	2010 £	2009 £
Loss for the year	(250,689)	(193,153)
Shareholders' deficit at beginning of year	(691,468)	(498,315)
	<hr/>	<hr/>
Shareholders' deficit at end of year	(942,157)	(691,468)
	<hr/>	<hr/>

12. Immediate and ultimate parent company

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

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