

Miller East Kilbride Limited

Annual report and financial statements

For the year ended 31 December 2016
Registered number SC217614

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Strategic report

The directors have pleasure in presenting their annual report and audited financial statements for the year ended 31 December 2016.

Business review

The principal activity of the company is that of residential property development. During the year the company traded as normal.

Results and dividends

The profit for the year ended 31 December 2016 is set out in the profit and loss account on page 5. The directors did not recommend the payment of a dividend (2015: £nil).

Principal risks and uncertainties

Miller East Kilbride Limited ("the company") is part of the Miller Homes Holdings Limited group ("MHHL"). The directors are of the opinion that there is no difference between the principal risks and uncertainties between the company and MHHL. The principal risks and uncertainties of MHHL have been reported in the financial statements of MHHL, which can be obtained from the address as detailed in note 11.

Key performance indicators

The directors do not believe that an analysis using key performance indicators would enhance the understanding of the users of these financial statements, given the simplicity of the financial statements.

By order of the Board



Julie M Jackson
Director

27 July 2017

Miller House
2 Lochside View
Edinburgh
EH12 9DH

Directors' report

Directors

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

Ian Murdoch
Julie M Jackson

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 auditor is 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 auditor is aware of that information.

Auditor

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

By order of the Board



Julie M Jackson
Director

27 July 2017

Miller House
2 Lochside View
Edinburgh
EH12 9DH

Statement of directors' responsibilities in respect of the Annual report and the financial statements

The directors are responsible for preparing the Annual 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Miller East Kilbride Limited

We have audited the financial statements of Miller East Kilbride Limited for the year ended 31 December 2016 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit 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 Strategic report and the Directors' report for the financial year is consistent with the financial statements.


Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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



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

27 July 2017

Profit and loss account and Other comprehensive income

For the year ended 31 December 2016

		2016 £	2015 £
Turnover	1	13,067,147	6,219,183
Cost of sales		(10,135,452)	(4,917,124)
Gross profit		2,931,695	1,302,059
Administrative expenses		-	(3,485)
Operating profit		2,931,695	1,298,574
Interest payable and similar charges	3	-	(22,813)
Profit on ordinary activities before taxation	2	2,931,695	1,275,761
Tax on profit on ordinary activities	4	(310,386)	310,386
Profit for the financial year		2,621,309	1,586,147

There are no items of Other comprehensive income other than those disclosed above.

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

The notes on pages 8 to 14 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2016

	Share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2015	1	(2,584,175)	(2,584,174)
Profit for the year	-	1,586,147	1,586,147
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	1	(998,028)	(998,027)
Profit for the year	-	2,621,309	2,621,309
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	1	1,623,281	1,623,282
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet

As at 31 December 2016

	Note	2016 £	2015 £
Current assets			
Stocks	5	170,424	5,196,522
Debtors – due within one year	6	1,460,582	65,594
– due after more than one year	6	-	310,386
Cash and cash equivalents		276	276
		<u>1,631,282</u>	<u>5,572,778</u>
Creditors: amounts falling due within one year	8	(8,000)	(6,570,805)
Net assets / (liabilities)		<u>1,623,282</u>	<u>(998,027)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		1,623,281	(998,028)
		<u>1,623,282</u>	<u>(998,027)</u>
Equity shareholders' funds / (deficit)		<u>1,623,282</u>	<u>(998,027)</u>

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on
 signed on its behalf by:

27 July 2017 and were

Ian Murdoch

Ian Murdoch
 Director

Notes

(Forming part of the financial statements)

1. Accounting policies

Miller East Kilbride Limited (the "company") is a company limited by shares and incorporated and domiciled in the UK.

These company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The company's parent undertaking, Miller Homes Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Miller Homes Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the address in note 11. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 10.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1. Accounting policies (continued)

Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The company has traded profitably and is in a strong net assets position. Based on this information the directors believe that the company is able to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

Basis of accounting

As the company's results are consolidated within its ultimate parent company, The Miller Homes Group (UK) Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 102 section 33 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).

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Stocks and development work in progress

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

Land purchased on deferred payment terms is recorded at fair value. Any difference between fair value and the amount which will ultimately be paid is charged as interest payable in the income statement over the deferral period.

The purchase and subsequent sale of part exchange properties is an activity undertaken in order to achieve the sale of a new property. As such, the activity is regarded as a mechanism for selling. Accordingly, impairments and gains and losses on the sale of part exchange properties are classified as a cost of sale, with the sales proceeds of part exchange properties not being included in turnover.

Notes (continued)

1. Accounting policies (continued)

Turnover

Turnover principally represents the amounts (excluding value added tax) derived from the sale of new homes. Turnover from home sales represents the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash. Profit is recognised on a per completion basis, by reference to the remaining margin forecast across the development.

Interest receivable and Interest payable

Interest payable and similar charges includes interest payable on bank loans.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2. Expenses and auditor's remuneration

	2016	2015
	£	£
Included in the profit and loss are the following:		
<i>Auditor's remuneration:</i>		
Audit of these financial statements	-	2,785
<i>Amounts receivable by the company's auditors and their associates in respect of:</i>		
Other tax advisory services	-	700
	-	3,485

Auditor's remuneration of £2,785 has been borne by Miller Homes Limited, a fellow subsidiary company, during the year.

The company has no employees (2015: nil). The directors did not receive any remuneration from the company during the year (2015: £nil).

3. Interest payable and similar charges

	2016	2015
	£	£
Interest payable on bank loans	-	22,813
	-	22,813

4. Taxation

	2016	2015
	£	£
Analysis of (charge) / credit for the year		
UK corporation tax		
Total current tax (charge) / credit	-	-
	-	-
Deferred tax (charge) / credit:		
Recognition of tax losses in current year	-	310,386
Origination and reversal of temporary differences	(310,386)	-
	(310,386)	310,386
Total deferred tax	(310,386)	310,386
	(310,386)	310,386
Tax (charge) / credit for the year	(310,386)	310,386

Notes (continued)

4. Taxation (continued)

Factors affecting tax (charge) / credit for year

The current tax (charge) / credit on the profit on ordinary activities for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

Tax reconciliation	2016	2015
	£	£
Profit for the year	2,621,309	1,586,147
Total tax (charge) / credit	(310,386)	310,386
Profit excluding tax	2,931,695	1,275,761
Current tax at 20% (2015: 20.25%)	(586,339)	(258,342)
<i>Effect of:</i>		
Utilisation of tax losses	-	258,342
Tax losses not recognised in previous years	46,660	310,386
Impact of difference in tax rate	18,792	-
Group relief received for nil consideration	210,501	-
Total tax (charge) / credit	(310,386)	310,386

Current tax has been charged at 20% (2015: 20.25%) in the reconciliation above. The corporate tax rate reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. It will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020.

The future corporate tax rate of 19% (2015: 19%) is applied to deferred tax, except for temporary differences expected to reverse before this rate becomes effective.

5. Stocks

	2016	2015
	£	£
Land	170,424	1,372,080
Work in progress	-	3,824,442
	170,424	5,196,522

Land and work in progress recognised as cost of sales in the year amounted to £10,133,292 (2015: £4,917,770). The write-down of stocks to net realisable value amounted to £nil (2015: £nil). The reversal of write-downs amounted to £nil (2015: £51,567). The write-down and reversal are included in cost of sales.

Notes (continued)

6. Debtors – due within one year

	2016 £	2015 £
Amounts owed by fellow subsidiary undertakings	1,460,581	65,593
Unpaid share capital	1	1
	1,460,582	65,594

Debtors – due after more than one year

	2016 £	2015 £
Deferred tax asset (see note 7)	-	310,386
	-	310,386

7. Deferred tax asset

		£
At 1 January 2015		-
Credit to profit and loss		310,386
At 31 December 2015		310,386
Charge to profit and loss account		(310,386)
At 31 December 2016		-

As at 31 December 2016, all of the company's brought forward trading losses have been fully utilised.

8. Creditors: amounts falling due within one year

	2016 £	2015 £
Accruals and deferred income	8,000	13,852
Loan from fellow subsidiary undertaking	-	6,556,953
	8,000	6,570,805

The loan from the fellow subsidiary undertaking is not subject to any interest charge and repayment is due only on the basis that the company has sufficient resources available to it to make such repayment. Under the terms of the loan agreement there is no set repayment date.

9. Called up share capital

	2016 £	2015 £
<i>Allotted, called up, and unpaid:</i>		
1 ordinary share of £1	1	1
	1	1

Notes (continued)

10. Accounting estimates and judgements

Key sources of estimation uncertainty

Carrying value of inventories

Inventories of land and development work in progress are stated at the lower of cost and net realisable value. Due to the nature of development activity and in particular, the length of the development cycle, the company has to allocate site wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. These estimates are reflected in the margin recognised on developments where unsold plots remain, and in the carrying value of land and work in progress. There is a degree of uncertainty in making such estimates.

The company has established internal controls that are designed to ensure an effective assessment is made of inventory carrying values and the costs to complete on developments. The company reviews the carrying value of its inventories on a quarterly basis with these reviews performed on a site by site basis using forecast sales prices and anticipated costs to complete based on a combination of the specific trading conditions of each site in addition to future anticipated general market conditions.

Critical accounting judgements in applying the company's accounting policies

The company believes that the major judgement applied is the use of the going concern principle which supports the valuation of assets included in the Balance sheet.

11. Immediate and ultimate parent company

The company's immediate parent company is Miller Homes Holdings Limited and its ultimate parent company is The Miller Homes Group (UK) Limited. Both companies are registered in Scotland and incorporated in Great Britain.

The largest group in which the results of the company are consolidated is that headed by The Miller Homes Group (UK) Limited. The smallest group in which they are consolidated into is that headed by Miller Homes Holdings Limited. The consolidated financial statements of these groups are available to the public and may 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 ultimately controlled by GSO Capital Partners LP, a division of the Blackstone Group LP.