Highfields Developments Limited

Directors' Report and Financial Statements

For the year ended 31 December 2010
Registered Number 5850751

Contents

Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Auditor's Report to the Members of Highfields Developments Limited	3
Profit and Loss Account	4
Balance Sheet	5
Notes	6

Directors' Report

The directors present their annual report and audited accounts for the year ended 31 December 2010

Principal activity

The principal activity of the company is residential property development

Results and dividend

The loss for the year ended 31 December 2010 is £63,000 (2009 £68,000) The directors are unable to recommend the payment of a dividend

Directors

The directors who held office during the year were as follows

Ewan T Anderson	(resigned 29 March 2011)
Steve Birch	
Donald W Borland	
Pamela J Smyth	
John S Richards	
Moira Kinniburgh	
Julie M Jackson	
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 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

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

Ian Murdoch
Director
2 March 2012

6060 Knights Court
Birmingham Business Park
Solihull
B37 7WY

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 Highfields Developments Limited

We have audited the financial statements of Highfields Developments Limited for the year ended 31 December 2010 set out on pages 4 to 9 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

2 March 2012

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

Profit and Loss Account
for the year ended 31 December 2010

	Note	**2010 £000**	2009 £000
Other income		**82**	70
Interest payable and similar charges	4	**(145)**	(123)
Loss on ordinary activities before taxation		**(63)**	(53)
Taxation	5	**-**	(15)
Loss on ordinary activities after taxation	10	**(63)**	(68)

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

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

The notes on pages 6 to 9 form part of these financial statements

Balance Sheet
As at 31 December 2010

	Note	2010	2009
		£000	£000
Current assets			
Stocks and work in progress	6	**2,010**	2,010
Debtors	7	**7**	27
		2,017	2,037
Creditors: amounts falling due within one year	8	**(2,259)**	(2,216)
Net current liabilities		**(242)**	(179)
Net liabilities		**(242)**	(179)
Capital and reserves			
Called up share capital	9	**-**	-
Profit and loss account	10	**(242)**	(179)
Shareholders' deficit	11	**(242)**	(179)

The notes on pages 6 to 9 form part of these financial statements

These accounts were approved by the board of directors on 2 March 2012 and were signed on its behalf by

Ian Murdoch

Ian Murdoch
Director

Notes
(forming part of the financial statements)

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared on the going concern basis, notwithstanding the loss of £63,000 incurred for the financial year and net liabilities of £242,000 at the financial year end, which the directors believe to be appropriate for the following reasons The day to day working capital requirements of the company are funded via an overdraft facility which forms part of the overall committed banking facilities of the ultimate parent undertaking, The Miller Group Limited In addition, the directors of Miller Homes Limited have indicated to the directors of the company that Miller Homes Limited will for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements continue to make available such funds as are needed by the company and that it will not seek repayment of the amounts already made available

Based upon the undertaking of financial support outlined above, and after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, the directors continue to adopt the going concern basis in preparing the annual financial statements The financial statements do not include any adjustments that would result from the going concern basis of reparation being inappropriate

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 13

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of new houses and is based on the selling price for the unit, net of any cash incentives, and is recognised on legal completion and receipt of cash

Stocks and work in progress

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

Taxation

The charges 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

Notes *(continued)*

2 Auditor's remuneration

Auditor's remuneration is borne by a fellow subsidiary undertaking

3. Staff numbers and costs

Other than directors, the company has no employees The remuneration of the directors is borne by a fellow subsidiary undertaking

4. Interest payable and similar charges

	2010 £000	2009 £000
Bank interest payable	**145**	123

5 Taxation

	2010 £000	2009 £000
Prior year adjustment	**-**	15

Tax on the loss on ordinary activities for the year is less than the standard rate of corporation tax in the UK of 28% (2009 28%) as explained below

	2010 £000	2009 £000
Loss on ordinary activities before tax	**(63)**	(53)
Current tax at 28% (2009 28%)	**(18)**	(15)
Effect of		
Timing differences in which deferred tax is not provided	**18**	15
Adjustment in respect of prior years	**-**	15
Total current tax charge	**-**	15

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)*

6 Stocks and work in progress

	2010 £000	2009 £000
Freehold properties	**2,010**	2,010

7 Debtors

	2010 £000	2009 £000
Prepayments	**7**	10
Trade debtors	**-**	9
Amounts due from fellow subsidiary undertaking	**-**	8
	7	27

8 Creditors: Amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft (unsecured)	**2,230**	2,201
Accruals and deferred income	**2**	3
Amounts due to ultimate parent undertaking	**12**	12
Amounts due to fellow subsidiary undertaking	**15**	-
	2,259	2,216

9. Share capital

	2010 £000	2009 £000
Authorised		
2,000 Ordinary shares of £1 each	**2**	2
Allotted, called-up but unpaid		
2 Ordinary shares at £1 each	**-**	-

Notes *(continued)*

10 Profit and loss account

	2010	2009
	£000	£000
At beginning of year	**(179)**	(111)
Loss for the year	**(63)**	(68)
At end of year	**(242)**	(179)

11 Reconciliation of movement in shareholders' deficit

	2010	2009
	£000	£000
Opening shareholders' deficit	**(179)**	(111)
Loss for the year	**(63)**	(68)
Closing shareholders' deficit	**(242)**	(179)

12 Contingent liabilities

The company has with certain other subsidiaries, jointly guaranteed the unsecured senior revolving credit, term loan and working capital facilities available to its ultimate parent company and certain of its subsidiaries

13 Immediate and ultimate parent company

The company's immediate parent company is Miller Homes Holdings Limited and its ultimate parent company is The Miller Group Limited Both companies are registered in Scotland and incorporated in Great Britain and their accounts can be obtained from 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