

Mill Finance Limited

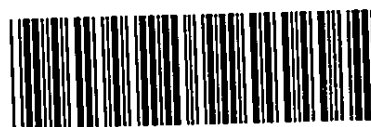
Report and Financial Statements

Year Ended

31 December 2011

Company Number 5257957

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Mill Finance Limited

Report and financial statements for the year ended 31 December 2011

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Directors

D H S Toplas
S N Phillips

Secretary and registered office

D H S Toplas, Alhambra House, 27-31 Charing Cross Road, London, WC2H 0AU

Company number

5257957

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Mill Finance Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results and dividends

The profit and loss account is set out on page 9 and shows the result for the year

The directors do not recommend the payment of a dividend for the year (2010 - £Nil)

Principal activities

The principal activity of the company during the year was establishing and operating collective investment schemes. The company is authorised and regulated by the Financial Services Authority number 456593

Review of business

During the course of the year the company has acted as operator of an unregulated collective investment scheme

At the year end the company had shareholders' funds of £196,474 (2010 - £182,457)

The directors have assessed the main risk facing the company as being the ability to expand the business to act as operator of other schemes

The directors have reviewed the activities of the business for the year and the position as at 31 December 2011 and consider them to be satisfactory

Key performance indicators

The Board of Directors measure the company's progress against its strategic objectives. The company's operating plan can then be adjusted to assist the directors to achieve the company's strategic objectives. The company is in the early stages of its development and there are limited numbers of relevant performance indicators as shown below

2011

Operating profit	£12,803
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Return on capital employed	6.5%
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The company is exposed to liquidity risk, credit risk and interest rate risk. However, as there are no external borrowings, these risks are not considered material. The company's principal financial assets are cash and trade receivables. Therefore, the company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made when there is objective evidence that the company will not be able to collect all amounts according to the general terms of the receivables concerned.

Mill Finance Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Financial instruments and Pillar 3 disclosures

Introduction

Because of the nature of the firm's business, it falls within the scope of the Basel II Accord ("Basel II"), implemented through the EU Capital Adequacy and Banking Consolidation Directives. Together these require the firm to make certain disclosures under "Pillar 3" of the capital framework implemented by Basel II. Pillar 3 complements the existing pillars: minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes.

The firm intends to make the disclosures annually in its annual report. All the disclosures made herein are of the position at 31 December 2011, and are disclosed on an individual, stand-alone basis for the company. The firm will not disclose items judged by the directors to be immaterial. Information is considered to be material if its omission or misstatement could change or influence the assessment or decision of a user relying on it to make economic decisions.

As a limited licence firm, there are no statements made under Pillar 3 that are equivalent to disclosures required to be made by accounting standards to which the firm is subject. Therefore none of the statements made are subject to audit.

Financial risk management objectives and policies

The objective of financial risk management is to plan, organise and perform sufficient actions to provide reasonable assurance that the firm's overall objectives and goals will be met, and to limit the risk of adverse events occurring to a level that is acceptable to the directors.

The firm identifies and manages its key financial risks by means of a risk management policy that is appropriate to its size while preserving its effectiveness. Key parts of the policy to manage financial risk, including operational risk, are:

- regular management meetings,
- regular management information,
- regular compliance monitoring, and
- annual risk assessments as part of the firm's ICAAP process.

The firm does not hedge any of its financial risks.

Exposure to credit risk

The firm does not generally extend credit to its clients or counterparties, although exposure does arise when performance fees or commissions become payable. Adherence to agreed credit terms is monitored closely by senior management and regulatory capital is maintained to cover assessed risk of default. The firm's credit exposures are set out in note 6 to the financial statements. The firm also maintains an exposure in connection with funds held on current and deposit accounts with its bankers.

Exposure to price risk

The firm does not take positions itself and hence does not expose itself to price risk.

Exposure to liquidity risk

The firm assesses its exposure to liquidity risk as part of its ICAAP process and the implementation of its Liquidity Risk Management Framework and maintains regulatory capital to cover the assessed risk of adverse changes in the value of the firm's assets, including its illiquid assets.

Mill Finance Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Financial instruments and Pillar 3 disclosures (*continued*)

Exposure to cash flow risk

The firm seeks to maintain at all times sufficient funds in readily accessible accounts with its bankers to meet its liabilities when they fall due. Details of the balances are given in the balance sheet on page 10.

In addition, in accordance with the FSA rules the firm maintains capital equivalent to €125,000 (its 'base capital requirement'). The relevant figure to be maintained is kept under regular review.

Capital resources

The firm's capital resources are comprised only of core tier one capital, specifically permanent equity share capital and audited retained earnings.

The firm's tier one capital and deductions made there from in accordance with the FSA's rules at 31 December 2011 are summarised as follows:

	£'000
Permanent equity capital	300
Audited retained earnings	(104)
Deductions	-
	<hr/>
Tier one capital	196
Base Capital Requirement	(104)
	<hr/>
Surplus of own funds	92
	<hr/>

Compliance with BIPRU 3,4,6,7 and 10

As a limited licence firm, the firm is required to hold minimum capital computed as the higher of

- (i) its base capital requirement, or
- (ii) its fixed overhead requirement, and
- (iii) the sum of its credit risk and market risk requirements

There is no requirement for the firm to hold any capital in respect of operational risk. However the firm reviews the adequacy of its internal capital, taking into account its capital resources requirements and its current and future activities, at least annually and determines whether it is prudent to hold capital in excess of its capital resources requirements in respect of certain risks.

The firm employs the standardised approach to credit risk. Its credit risk requirement is computed in part by reference to 8% of the risk weighted exposure amounts for each of the standard exposure classes set out in BIPRU 3.2.9 R of the FSA handbook. The relevant amount as at 31 December 2011 is £4,307.

The firm has no trading book. It therefore has no minimum capital requirements in respect of trading book business.

The firm has no foreign currency exposure. It therefore has no minimum capital requirements in respect of foreign currency exposure.

The firm has no positions in commodities and therefore no commodity position risk requirement.

Mill Finance Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Financial instruments and Pillar 3 disclosures (*continued*)

Compliance with BIPRU 3,4,6,7 and 10 (continued)

As a limited licence firm there is no requirement for the firm to maintain an operational risk capital requirement

The firm has neither retail nor equity exposures that require any allocation of capital

The firm does not engage in any derivative trading or otherwise take positions in derivative instruments. It therefore has no counterparty risk in relation to such transactions

Credit risk and dilution risk

The directors consider, for accounting purposes, an exposure to be "past due" when a counterparty has failed to make a payment when contractually due. The directors consider an exposure to be "impaired" when it becomes likely that the exposure will realise less than its book value. The directors review all receivables for impairment on a regular basis and make provisions where they consider it appropriate.

At 31 December 2011 there were no amounts considered by the directors to be impaired and accordingly no provision for impairment existed at the balance sheet date.

Risk weighted exposure amounts in accordance with the standardised approach

The firm employs the simplified method of assessing risk weighted exposure amounts and does not employ ratings agencies in connection with this exercise. The firm's only exposure is in respect of its current account which is held with a UK bank rated 'A' by Standard and Poor's.

Market risk

The firm had no capital resource requirement in respect of foreign currency position risk as the company had no foreign currency positions.

Non-trading book exposures in equities

There are no non-trading book exposures in equities.

Exposures to interest rate risk in the non-trading book

The firm is exposed to interest-rate risk in relation to monies held on interest-bearing deposit with the firm's bankers, although the risk involved is considered negligible and accordingly a detailed measurement of interest-rate risk has not been undertaken.

Securitisation

The firm does not engage in securitisation.

Remuneration

The firm ensures that its remuneration of Code Staff is in line with its business strategy, objectives, values, and long-term interests, promotes sound and effective risk management, and does not encourage risk-taking that exceeds the firm's level of tolerated risk.

The Remuneration Committee is made up of at least two Directors drawn from the firm's Board or parent entity, plus the firm's Compliance Officer or Risk Manager. No change in the remuneration of Code Staff, including the payment of discretionary bonuses or the agreement of guaranteed bonuses, may be made by the Board without having first received a recommendation from the Remuneration Committee.

Various members of the firm's Code Staff also perform functions within other Mill Group subsidiaries. The following disclosures are therefore in respect of the firm and the Group.

	Mill Finance (MFL)	Mill Group (excl MFL)	Number of Code Staff
Key management remuneration for the financial year (refer to note 12)	£66,500	£141,054	3

Mill Finance Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Post balance sheet events

There are no post balance sheet events requiring disclosure

Directors

The directors of the company during the year were

D H S Toplas

S N Phillips

A C Norris (resigned 1 February 2011)

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Mill Finance Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board


D H S Toplas
Director

Date 19 APRIL 2012

Mill Finance Limited

Independent auditor's report

TO THE MEMBERS OF MILL FINANCE LIMITED

We have audited the financial statements of Mill Finance Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 statement of directors' responsibilities, 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 website 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Mill Finance Limited

Independent auditor's report (*continued*)

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



Alexander Tapp (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 19 APRIL 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Mill Finance Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover		126,106	93,750
Administrative expenses		(113,303)	(91,076)
Operating profit	2	12,803	2,674
Interest receivable	4	1,652	1,656
Profit on ordinary activities before taxation		14,455	4,330
Tax on profit on ordinary activities	5	(438)	(464)
Profit for the financial year	10	14,017	3,866

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 12 to 16 form part of these financial statements

Mill Finance Limited

Balance sheet at 31 December 2011

Company number 5257957	Note	2011 £	2010 £
Current assets			
Debtors	6	491	24,903
Cash at bank		269,193	335,766
Net current assets		269,684	360,669
Creditors, amounts falling due within one year	7	(18,226)	(20,979)
		251,458	339,690
Creditors: amounts falling due after more than one year	8	(54,984)	(157,233)
Net assets		196,474	182,457
Capital and reserves			
Called up share capital	9	300,000	300,000
Profit and loss account	10	(103,526)	(117,543)
Shareholders' funds	11	196,474	182,457

The financial statements were approved by the Board of Directors and authorised for issue on 19 APRIL 2012


D H S Toplas
Director

The notes on pages 12 to 16 form part of these financial statements

Mill Finance Limited

Cash flow statement for the year ended 31 December 2011

	Note	2011 £	2010 £
Operating profit		12,803	2,674
(Decrease)/increase in creditors		(105,440)	51,966
Decrease/(increase) in debtors		24,412	(24,903)
Net cash (outflow)/inflow from operating activities		(68,225)	29,737
Returns on investments			
Interest received		1,652	1,656
(Decrease)/increase in cash	13	(66,573)	31,393
Cash brought forward		335,766	304,373
Cash carried forward		269,193	335,766

The notes on pages 12 to 16 form part of these financial statements

Mill Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover is attributable to fees earned on an accrual basis, from operating collective investment schemes. Turnover arises solely within the United Kingdom.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

2 Operating profit

	2011 £	2010 £
The operating profit has been arrived at after charging:		
Auditors' remuneration	5,250	5,250
	<u> </u>	<u> </u>

3 Directors and employees

	2011 £	2010 £
Directors' remuneration	9,000	43,000
	<u> </u>	<u> </u>

The directors' remuneration in the current and previous year, has been borne by Mill Group Limited (the immediate parent undertaking), and recharged to Mill Finance Limited (refer to note 12).

The company has no employees other than the directors in the current and previous year. Management costs borne by Mill Group Limited are recharged to Mill Finance Limited (refer to note 12).

Mill Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

4 Interest receivable

	2011 £	2010 £
Bank interest	1,652	1,656

5 Tax on profit on ordinary activities

	2011 £	2010 £
<i>Current tax</i>		
UK corporation tax charge on result for the year	438	464

The tax assessed for the year differs from the standard rate of corporation tax in the UK The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	14,455	4,330
Loss on ordinary activities multiplied at the standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	3,831	1,212
Effects of Utilisation of tax losses	(3,393)	(748)
Current tax charge for the year	438	464

6 Debtors

	2011 £	2010 £
Trade debtors	-	22,560
Prepayments	-	2,343
Amounts due from group undertakings (see note 12)	491	-
	491	24,903

All amounts shown under debtors fall due for payment within one year

Mill Finance Limited

**Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)**

7 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	12,498	13,765
Accruals	5,290	6,750
Corporation tax	438	464
	<u>18,226</u>	<u>20,979</u>

8 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts due to group undertakings (see note 12)	54,520	75,015
Amounts due to immediate parent undertaking (see note 12)	464	82,218
	<u>54,984</u>	<u>157,233</u>

9 Share capital

	2011 £	2010 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

10 Reserves

	Profit and loss account £
At 1 January 2011	(117,543)
Profit for the year	<u>14,017</u>
At 31 December 2011	<u>(103,526)</u>

Mill Finance Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (*continued*)

11 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	182,457	178,591
Profit for the financial year	14,017	3,866
	<hr/>	<hr/>
Closing shareholders' funds	196,474	182,457
	<hr/>	<hr/>

12 Related party transactions

During the year, the company had transactions in the ordinary course of business and on an arms length basis with companies which are related parties by virtue of being under the common ultimate control of Mill Group Limited or under common directorship at the year end

Outstanding balances at the year end with these companies have been disclosed in note 8 as amounts owed to group undertakings. These balances can be further analysed as follows

	2011 £	2010 £
Creditors amounts falling due after more than one year (note 8)		
Mill Group Limited - immediate parent undertaking	464	82,218
Mill Funds Limited - fellow subsidiary undertaking	54,520	75,015
	<hr/>	<hr/>
	54,984	157,233
	<hr/>	<hr/>

Mr D Toplas is a director of IICF GP Limited to which fees of £126,106 (2010 - £93,750) were charged during the year by the company

The company incurred expenditure during the year in respect of management and administration services of £12,000 (2010 - £12,000) provided by Mill Funds Limited, a group undertaking company

Directors' remuneration and management costs were incurred by Mill Group Limited and recharged to the company during the year. The total recharge for the year was £ 31,220 (2010 - £48,504)

Included in debtors is an amount of £491 (2010 - £nil) which represents monies owed by Investors in Homes Management Limited, a fellow subsidiary undertaking

Mill Finance Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

13 Analysis of net debt

	At 1 January 2011 £	Cash flow 2011 £	At 31 December 2011 £
Cash in hand and at bank	335,766	(66,573)	269,193

14 Immediate and ultimate parent company

The immediate parent company is Mill Group Limited which is registered in England and Wales

The ultimate parent company is Hexworth Holdings Limited which is registered in the British Virgin Islands
Both Hexworth Holdings Limited and Mill Group Limited are under the ultimate control of the D H S Toplas Settlement