

Miller Holdings (International) Limited

Directors' report and financial statements

For the year ended 31 December 2011

Registered number SC115235

TUESDAY



S1BEKNU0

SCT

19/06/2012

#78

COMPANIES HOUSE

Contents

| | |
|-----------------------------------------------------------------------------------------------------------|---|
| Directors' report | 1 |
| Statement of directors' responsibilities in respect of the Directors' Report and the financial statements | 4 |
| Independent auditor's report to the members of Miller Holdings (International) Limited | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes | 8 |

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011.

Principal activity

The principal activity of the company is to act as a holding company for investments in overseas subsidiaries and joint venture companies.

Business Review

Markets

Following the welcome return to stability last year, 2011 displayed similar trends. There was high demand for quality prime property. Demand has continued to be led by institutions and overseas investors.

The picture for secondary property has continued to weaken. There remains an absence of willing buyer / willing seller transactions and the lack of bank funding for secondary property continues to put downward pressure on values.

Occupational demand has remained a challenge. A more sustained and broad based recovery in occupational markets is key to growth in both values and the volume of transactions.

Whilst economic conditions have remained challenging across all markets, our European retail projects have continued to show progress with new lettings at our factory outlet schemes at Ringsted near Copenhagen to MacDonalds and ASICS, and at Budapest to a number of local retail businesses including Marc Shoes and Skiny.

Our German portfolio remains fully let and strongly cash generative whilst in Romania, we continue to work closely with our tenants in a difficult market, enabling us to maintain satisfactory occupancy levels.

Performance and Operations

The company made an operating loss of £4.7m (2010: £8.9m)

Asset write-downs totalling £3m (2010 £5.6m) have been provided for in the results as exceptional costs. These relate to the carrying value of some SPVs which are to be transferred to their existing lenders as part of a wider Miller Group refinancing transaction concluded in February 2012.

We have reduced debt significantly during the year and as at 31 December 2011, had net current assets of £1.8m (2010: liabilities of £8.2m)

Strategy

In Europe, our focus is predominantly on retail developments in major population centres. We continue to actively manage current development projects to maximise lettings, income and cashflow

A strong risk management culture and strategy is firmly embedded in our approach to business. Many of our development activities are either pre-let, undertaken in joint venture, forward sold or forward funded. Where external funding is available, we continue to use non-recourse arrangements to maximise the efficiency of our equity.

Directors' Report (continued)

Refinancing

In February 2012, the Miller Group Limited (Miller Holdings (International) Limited's ultimate parent company) completed a refinancing that equipped it with additional investment capital and a significantly strengthened balance sheet. This transaction provides:

- a significantly strengthened balance sheet (with pro forma net assets as at 31 December 2011)
- refinancing of existing lender debt to provide five year committed facilities
- the platform to further develop the existing business
- support from a long-term investor group

The debt restructuring resulted in the conversion and waiver of £264m of existing bank debt for ordinary shares. New Group lending facilities of £238m have been made available to the Group for the period through to February 2017. In addition, a consortium led by GSO Capital Partners International has injected £160m of new equity share capital into the Miller Group Limited. These events have transformed the Miller Group's financial standing.

As part of the wider refinancing, an exercise was undertaken in order to restructure the balance sheet of this company. The financial restructuring of this company comprised:

- a waiver, for nil consideration, of £19m due to The Miller Group Limited by the company
- a loan of £8m provided by Miller Developments Holdings Limited, which was subsequently waived for nil consideration

Set out below is a pro-forma Balance Sheet which shows the effect, after expenses incurred, of the financial restructuring, as described above, on the company's balance sheet as if it had taken place as at 31 December 2011:

| | Proforma 2011 £000 | Reported 2011 £000 |
|-----------------------------------------------|--------------------------|--------------------------|
| Fixed assets | | |
| Investments | 1,587 | 1,587 |
| Current assets | | |
| Debtors | 23,397 | 19,860 |
| Cash at bank and in hand | 8,000 | - |
| | <hr/> 31,397 | <hr/> 19,860 |
| Creditors amounts falling due within one year | (18,103) | (18,103) |
| | <hr/> 13,294 | <hr/> 1,757 |
| Net current assets | | |
| Creditors amounts falling due within one year | (14,497) | (30,002) |
| | <hr/> 384 | <hr/> (26,658) |
| Net assets/(liabilities) | <hr/> <hr/> 384 | <hr/> <hr/> (26,658) |

Directors' Report *(continued)*

Proposed dividend

The directors do not recommend the payment of a dividend (2010: nil)

Directors

The directors who held office during the year and at the date of signing were as follows:

P H Miller
N W Johnston
D Milloy
A Sutherland
D W Borland
P J Smyth
E Haggerty

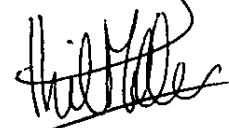
Disclosure of information to auditors

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 directors 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.

Auditor

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



Phil Miller
Director
25 April 2012

2 Lochside View
Edinburgh Park
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 judgments 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.

Independent auditor's report to the members of Miller Holdings (International) Limited

We have audited the financial statements of Miller Holdings (International) Limited for the year ended 31 December 2011 set out on pages 6 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).

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 4, 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 2011 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



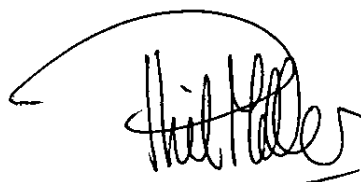
Hugh Harvie
(Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

26 April 2012

Balance sheet
As at 31 December 2011

| | Note | 2011 £000 | 2010 £000 |
|-------------------------------------------------------|------|-----------------|-----------------|
| Fixed assets | | | |
| Investments | 7 | 1,587 | 2,615 |
| Debtors | 8 | 19,860 | 28,991 |
| | | <u>19,860</u> | <u>28,991</u> |
| Creditors: amounts falling due within one year | 9 | (18,103) | (37,246) |
| Net current assets/(liabilities) | | 1,757 | (8,255) |
| Creditors: amounts falling due after one year | 10 | (30,002) | (14,914) |
| Net liabilities | | (26,658) | (20,554) |
| Capital and reserves | | | |
| Called up share capital | 11 | 1 | 1 |
| Profit and loss account | 12 | (26,659) | (20,555) |
| Deficit in shareholders' funds | 13 | (26,658) | (20,554) |

These accounts were approved by the Board of directors and were signed on its behalf by:



Phil Miller

Director

25 April 2012

Notes

(forming part of the financial statements)

1 Basis of preparation

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

Basis of preparation

The financial statements have been prepared on the going concern basis, notwithstanding the loss of £6.1m incurred for the financial year and net liabilities of £26.66m at the financial year end, which the directors believe to be appropriate for the following reasons. Miller Holdings (International) Limited ("MHIL") is a subsidiary company within the developments division of The Miller Group Limited. The day to day working capital requirements of the company are provided through cash generated by the company and funds provided by the ultimate parent undertaking, The Miller Group Limited. In February 2012 The Miller Group secured £160m of new equity investment and restructured its existing banking facilities with new Group lending facilities of £238m being made available through to February 2017 and the waiver and conversion to equity of £264m of external bank debt. Pursuant to this financial restructuring the directors of The Miller Group Limited and Miller Developments Holdings Limited agreed to waive for nil consideration £27m of inter-company borrowings due by the company to The Miller Group Limited and Miller Developments Holdings Limited. The directors of the Miller Group Limited have indicated to the directors of the company that The Miller Group Limited will continue to provide the company with such funds as are necessary to enable it to continue to trade and to meet its liabilities as they fall due and that it will not seek repayment of the amounts currently made available to the company net of the amounts subsequently waived.

Based upon subsequent financial restructuring of the group and 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 following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 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 15.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax 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 FRS 19.

2 Directors and employees

The directors received no remuneration from the company during the year or in the previous year. There were no employee or staff costs (2010: nil).

| 3 Loss on ordinary activities before taxation | 2011 £000 | 2010 £000 |
|------------------------------------------------------------|----------------------|----------------------|
| This is stated after (crediting)/charging: | | |
| Reversal of impairment of fixed asset investments | (1,156) | (2,149) |
| Impairment of fixed asset investments | 1,215 | - |
| Foreign exchange impact on fixed asset investments | (78) | - |
| Provision against amounts due from subsidiary undertakings | 3,044 | - |
| Exceptional charge | <u>3,025</u> | <u>5,630</u> |

Auditor's remuneration will be paid on behalf of the company by a fellow subsidiary company, Miller Developments Limited and disclosed in the accounts of that company.

4 Interest payable

| | 2011 £000 | 2010 £000 |
|---------------|----------------------|----------------------|
| Bank interest | <u>1,781</u> | <u>2,199</u> |

5 Interest receivable

| | 2011 £000 | 2010 £000 |
|-----------------------------|----------------------|----------------------|
| On loans to group companies | <u>373</u> | <u>347</u> |

Notes (continued)

6 Taxation

Analysis of charge in year

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | - | - |
| Tax on loss on ordinary activities | - | - |

Current tax for the year is lower than (2010: lower) the standard rate of corporation tax in the UK 26.5% (2010: 28%). The differences are explained below:

| | 2011 £000 | 2010 £000 |
|------------------------------------------------|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Loss on ordinary activities before tax | (6,104) | (10,731) |
| Current tax at 26.5% (2010: 28%) | (1,618) | (3,005) |
| Effects of: | | |
| Group relief surrendered for nil consideration | 1,618 | 3,005 |
| Total current tax (see above) | - | - |

Any future liability to corporation tax will be covered by way of group relief or met by The Miller Group Limited, for which no payment will be made.

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010, a reduction to 26% was substantively enacted on 29 March 2011, effective from 1 April 2011 and a further reduction to 25% was substantively enacted on 5 July 2011 and will be effective from 1 April 2012. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets accordingly.

Notes (continued)

7 Fixed asset investments

| | Shares in group undertakings | Shares in Joint venture undertakings | Loans to joint venture undertakings | Total |
|------------------------|------------------------------------|-----------------------------------------------|-------------------------------------------|----------------|
| | £000 | £000 | £000 | £000 |
| <i>Cost</i> | | | | |
| At beginning of year | 550 | 2,345 | 3,275 | 6,170 |
| Additions | - | - | 560 | 560 |
| Disposals | - | (830) | - | (830) |
| | <u>550</u> | <u>1,515</u> | <u>3,835</u> | <u>5,900</u> |
| <i>Provision</i> | | | | |
| At beginning of year | - | (2,118) | (1,437) | (3,555) |
| Impairment | (549) | (136) | (530) | (1,215) |
| Reversal of impairment | - | 820 | 336 | 1,156 |
| JV interest | - | - | (699) | (699) |
| | <u>(549)</u> | <u>(1,434)</u> | <u>(2,330)</u> | <u>(4,313)</u> |
| <i>Net Book Value</i> | | | | |
| At beginning of year | 550 | 227 | 1,838 | 2,615 |
| At end of year | <u>1</u> | <u>81</u> | <u>1,505</u> | <u>1,587</u> |

The principal companies in which the company's interest at the year end is more than 20% are as follows:

| | Principal activity | Country of incorporation | Percentage of ordinary shares held |
|----------------------------------------|--------------------|-----------------------------|------------------------------------------|
| <i>Subsidiary undertakings:</i> | | | |
| Miller DK – Outlet Centre Ringsted ApS | Property company | Denmark | 100% |
| Miller Germany Two GmbH | Property company | Germany | 100% |
| Miller Germany Three GmbH | Property company | Germany | 100% |
| Miller Germany Four GmbH | Property company | Germany | 100% |
| Miller Germany Five GmbH | Property company | Germany | 100% |
| Miller Germany Six GmbH | Property company | Germany | 100% |
| SC Miller Investiti SRL | Property company | Romania | 50% |

Notes (continued)

8 Debtors

| | 2011 £000 | 2010 £000 |
|-------------------------------------------|---------------|---------------|
| Amounts owed by fellow group undertakings | 19,860 | 28,989 |
| Other debtors | - | 2 |
| | <u>19,860</u> | <u>28,991</u> |

9 Creditors: amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|-----------------|---------------|---------------|
| Bank overdraft | 1,262 | 17,762 |
| Bank loan | 16,760 | 17,136 |
| Other creditors | 81 | 2,348 |
| | <u>18,103</u> | <u>37,246</u> |

As at 31 December 2011, the bank loan was unsecured and bears interest at commercial rates.

Following the company's bank refinancing in 2012, final repayment of the bank loan is now due to be made by February 2017 and as disclosed in note 14 is secured.

10 Creditors: amounts falling due in more than one year

| | 2011 £000 | 2010 £000 |
|-------------------------------------------|--------------|--------------|
| Amounts owed to fellow group undertakings | 30,002 | 14,914 |

Although amounts due to parent and subsidiary undertakings are technically repayable on demand, the company has received confirmation from the directors of the relevant parties that no repayment will be sought for at least twelve months from the date of approval of these financial statements.

As explained in note 16 (post balance sheet events), a significant element of inter-company debt owed by the company to The Miller Group Limited and Miller Developments Holdings Limited was waived in February 2012 for nil consideration.

11 Called up share capital

| | 2011 £000 | 2010 £000 |
|-------------------------------------------------------------------------------------|--------------|--------------|
| Authorised, allotted, called up and fully paid: 1,000 ordinary shares of £1 each | <u>1</u> | <u>1</u> |

Notes (continued)

| | | |
|-----------|--------------------------------|----------------------|
| 12 | Profit and loss account | 2011 £000 |
| | At the beginning of year | (20,555) |
| | Loss for the year | (6,104) |
| | At end of year | (26,659) |

| | | | |
|-----------|----------------------------------------------------------------------|----------------------|----------------------|
| 13 | Reconciliation of movements in deficit in shareholders' funds | 2011 £000 | 2010 £000 |
| | Loss for the year | (6,104) | (10,731) |
| | Net reduction to shareholders' funds | (6,104) | (10,731) |
| | Opening shareholders' deficit | (20,554) | (9,823) |
| | Closing deficit in shareholders' funds | (26,658) | (20,554) |

14 **Contingent liabilities**

At 31 December 2011 the company has, with certain other subsidiaries, jointly guaranteed the bank facilities available to the ultimate parent company, the Miller Group Limited, and certain of its subsidiaries.

In February 2012 The Miller Group Limited completed a restructuring of its existing bank facilities and secured significant new third party investment. The company, along with certain fellow subsidiaries is a joint guarantor of the new bank facilities.

The Group's banks have security by way of a debenture over the whole assets and undertakings of the company.

15 **Ultimate parent company**

At 31 December 2011, the company's ultimate parent company is The Miller Group Limited. The Miller Group Limited is registered in Scotland and incorporated in the United Kingdom.

The largest group in which the results of the company are consolidated is that headed by The Miller Group Limited. The consolidated financial statements of The Miller Group Limited 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 controlled by GSO Capital Partners LP, a division of the Blackstone Group LP.

Notes (continued)

16 Post balance sheet events

In February 2012 the Group completed a restructuring of its existing banking facilities and secured significant new third party investment. As part of this process, The Miller Group Limited has undertaken and exercise to restructure the company's financial position from that shown in the balance sheet as at 31 December 2011. Had the restructuring been completed at that date, the restructuring would have increased the company's net assets at that date by £27m.

The financial restructuring of this company comprised:

- A waiver, for nil consideration, of £19m due to The Miller Group Limited by the company
- A loan of £8m provided by Miller Developments Holdings Limited, which was subsequently waived for nil consideration

Set out below is a pro-forma Balance Sheet which shows the effect, of the financial restructuring, as described above, on the company's balance sheet as if it had taken place as at 31 December 2011.

| | Proforma 2011 £000 | Reported 2011 £000 |
|-----------------------------------------------|-----------------------------------|-----------------------------------|
| Fixed assets | | |
| Investments | 1,587 | 1,587 |
| Current assets | | |
| Debtors | 23,397 | 19,860 |
| Cash at bank and in hand | 8,000 | - |
| | <hr/> 31,397 | <hr/> 19,860 |
| Creditors amounts falling due within one year | (18,103) | (18,103) |
| | <hr/> 13,294 | <hr/> 1,757 |
| Net current assets | | |
| Creditors amounts falling due after one year | (14,497) | (30,002) |
| | <hr/> 384 | <hr/> (26,658) |
| Net assets/(liabilities) | <hr/> <hr/> 384 | <hr/> <hr/> (26,658) |