

Miller Holdings (International) Limited

Directors' report and financial statements

31 December 2008

Registered Number SC115235

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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

2008 has, without doubt, been one of the toughest years in recent history for commercial property. Values were already adjusting before the compounding effects of the 'credit crunch' and the wider economic recession took a grip. The banking sector crisis and consequent freezing of credit has proved to be deeper and more long lasting than anyone had anticipated. This effect on values has been significant and this is reflected in these accounts.

Occupational demand across our areas of operation held up reasonably well during 2008.

All areas of the market are now suffering as the recession bites into the wider economy, which will feed through in terms of lower occupational demand, lower rental levels and tenant defaults.

On a more positive note, the recent significant reductions in interest rates and medium-term swap rates has resulted in property yields looking attractive compared with other investment classes. The speed of recovery in the wider commercial property sector will, however, in large part be driven by the banks releasing fresh funds to support investment.

Strategy

In Europe our focus is predominantly on retail developments in major population centres. The business has a spread of long-term major development projects and shorter-term properties with development opportunities that allow us to trade on within a two to three year timescale. Over the past 18 months, we have focused on realising mature investments where there is minimal opportunity to add further value and, at the same time, managing current development projects actively to maximise lettings, income and cashflow.

A strong risk management culture and strategy is well embedded in the business. We restrict speculative development to products and locations with an established demand. Many of our development activities are undertaken in joint venture with a range of financial, commercial and public sector partners. In Europe, we undertake all development projects in joint venture with strong local partners; the majority are funded externally by a range of relationship banks on non-recourse arrangements.

Operations

The highlight in Europe was the acquisition of the Mall Varna shopping and leisure complex in Varna, Bulgaria for €120m. This deal represents our biggest property transaction in continental Europe and was one of Bulgaria's largest transactions last year.

Mall Varna, which opened for trading in June 2008, offers 33,000 sq m of GLA, is currently 97% let and comprises around 150 shops, along with extensive leisure facilities including an eight-screen multiplex cinema, bowling alley and food court. It boasts an international line-up of retail tenants, including Adidas, Camper, Esprit, Nike, Nine West, Swarovski and L'Occitane.

Elsewhere, our 129,000 sq ft factory outlet scheme at Ringsted near Copenhagen opened in March 2008. Lettings have grown steadily, with Hugo Boss the most recent tenant to commence trading.

Our existing retail projects in Romania, Germany and Hungary are all well let and funded - we actively manage these projects to maximise income and cashflow in advance of selling when market conditions improve. Along with our joint venture partner, Sonae, we also have a number of contractual positions on projects in Portugal and Spain, which will be progressed dependent on market conditions over the next few years.

Result

The loss after providing for taxation amounted to £4,020,000 (2007: profit of £11,241,000).

Proposed Dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

P H Miller
M Wood
J M Jackson
N W Johnston
D Milloy
A Sutherland
D W Borland

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 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



P Miller
Director
16 April 2009

Edinburgh

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).

The financial statements are required by law to 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 year.

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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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 auditors' 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 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


KPMG LLP
Chartered Accountants
Registered Auditor

Date
27.4.09

Edinburgh

Profit and loss account

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Administrative expenses (including exceptional charge of £7,288,000)		(5,566)	2,398
Operating (loss)/profit		(5,566)	2,398
Gain on sale of fixed asset investments		-	8,084
Interest payable and similar charges	4	(44)	-
Other interest receivable and similar income	5	1,643	759
(Loss)/profit on ordinary activities before taxation	3	(3,967)	11,241
Tax on (loss)/profit on ordinary activities	6	(53)	-
(Loss)/profit for the financial year	11	(4,020)	11,241

The company had no recognised gains or losses other than the (loss)/profit for the above financial years.

The (loss)/profit for the financial year has been derived from continuing activities.

Balance sheet

as at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	7	14,359	9,722
Current assets			
Debtors	8	63,595	29,543
Cash at bank and in hand		163	14,428
		63,758	43,971
Creditors: amounts falling due within one year	9	(63,056)	(34,612)
Net current assets		702	9,359
Net assets		15,061	19,081
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	15,060	19,080
Shareholders' funds	12	15,061	19,081

These accounts were approved by the Board of directors on 16 April 2009 and were signed on its behalf by:



P. Miller
 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 to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. Miller Holdings (International) Limited ("MHIL") and its subsidiaries and joint ventures form part of the property division of The Miller Group Limited. The day to day working capital requirements of MHIL and its subsidiaries are provided through a combination of funds provided by the ultimate parent undertaking, The Miller Group Limited, and property specific term loan facilities provided to individual subsidiaries and secured on the specific developments to which they relate. The Miller Group Limited has committed banking facilities of £797 million to March 2012 of which only £606.3 million was drawn down at 31 December 2008; these borrowings and facilities are on an unsecured basis. The directors of The Miller Group Limited have indicated to the directors of MHIL that The Miller Group Limited will continue to provide MHIL and its subsidiaries with such funds as are necessary to enable them to continue to trade and to meet their liabilities as they fall due and that it will not seek repayment of the amounts currently made available.

Based upon the sources of funding outlined above, and after making appropriate enquiries, the directors of MHIL have a reasonable expectation that MHIL and the MHIL group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors of MHIL adopt the going concern basis in preparing the annual financial statements of MHIL.

The Company is exempt by virtue of Section 228 of the Companies Act 1985 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 14.

Investments

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

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 or the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Notes (continued)

1. Accounting policies (continued)

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' emoluments

The directors received no remuneration from the company during the year or in the previous year.

3. (Loss)/Profit on ordinary activities before taxation

This is stated after charging:

	2008 £000	2007 £000
Impairment of fixed asset investments	4,384	-
Provision for bad debts on loans to subsidiary companies	2,904	-
Exceptional charge	<u>7,288</u>	<u>-</u>

Auditors' remuneration will be paid on behalf of the company by Miller Developments Limited.

4. Interest Payable

	2008 £000	2007 £000
Bank Interest	<u>44</u>	<u>-</u>

5. Interest Receivable

	2008 £000	2007 £000
On loans to group companies	691	406
On loans to joint venture companies	861	264
Bank interest	91	89
	<u>1,643</u>	<u>759</u>

Notes (continued)

6. Taxation

	2008 £000	2007 £000
Analysis of charge in year		
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Prior year adjustment	53	-
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	53	-
	<hr/>	<hr/>

Factors affecting the tax charge for the year

The prior year adjustment relates to withholding tax deducted in Portugal and not reclaimed in Portugal.

Current tax for the year is lower than (2007: lower than) the standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(4,020)	11,241
	<hr/>	<hr/>
Current tax at 28.5% (2007: 30%)	(1,146)	3,372
Effects of:		
Group relief surrendered/(received) for nil consideration	1,146	(3,372)
Prior year adjustment	53	-
	<hr/>	<hr/>
	53	-
	<hr/>	<hr/>

Notes (continued)

7. Fixed Asset investments	Shares in group undertakings £000	Shares in joint venture undertakings £000	Loans to joint venture undertakings £000	Total £000
<i>Cost</i>				
At beginning of year	556	208	8,958	9,722
Additions	2,450	81	7,376	9,907
Repayment of loans	-	-	(4,677)	(4,677)
Foreign exchange movement	-	-	3,791	3,791
At end of year	<u>3,006</u>	<u>289</u>	<u>15,448</u>	<u>18,743</u>
<i>Provision</i>				
At beginning of year	-	-	-	-
Impairment	-	-	(4,384)	(4,384)
At end of year	<u>-</u>	<u>-</u>	<u>(4,384)</u>	<u>(4,384)</u>
<i>Net Book Value</i>				
At beginning of year	556	208	8,958	9,722
At end of year	<u>3,006</u>	<u>289</u>	<u>11,064</u>	<u>14,359</u>

The principle 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>Joint ventures:</i>			
Project Sierra Spain 3 – Centro Commercial SA	Property company	Spain	50%
Project Sierra Portugal 1– Centro Commercial, SA	Property company	Portugal	50%
Setubal Retail Park – Parques Comercial, SA	Property company	Portugal	50%
Mascot Imobiliar SRL	Property company	Romania	50%
QM Investitii One SRL	Property company	Romania	50%
<i>Subsidiary undertakings:</i>			
Miller DK – Outlet Center Ringsted Aps	Property company	Denmark	100%
Miller Romania One Limited	Property company	UK	100%
Miller Romania Two Limited	Property company	UK	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%
Miller Developments SL	Property company	Spain	100%
SC Miller Investitii SRL	Property company	Romania	50%
Miller Mall Varna One EAD	Property company	Bulgaria	100%

Notes (continued)

8. Debtors	2008	2007
	£000	£000
Amounts owed by fellow group companies	59,907	29,525
Other debtors	3,688	18
	<u>63,595</u>	<u>29,543</u>
9. Creditors: amounts falling due within one year	2008	2007
	£000	£000
Bank overdraft	57,452	-
Amounts owed to fellow group companies	5,411	33,742
Other creditors	193	870
	<u>63,056</u>	<u>34,612</u>
See note 13 for the guarantees granted to other group companies.		
10. Called up share capital	2008	2007
	£000	£000
Authorised, allotted, called up and fully paid: 1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
11. Profit and loss account		Profit and loss account £000
At the beginning of year		19,080
Loss for the year		(4,020)
At end of year		<u>15,060</u>

Notes (continued)

12. Reconciliation of movement in shareholders' funds	2008 £000	2007 £000
(Loss)/profit for the year	(4,020)	11,241
Net (reduction)/addition to shareholders' funds	(4,020)	11,241
Opening shareholders' funds	19,081	7,840
Closing shareholders' funds	15,061	19,081

13. Contingent liabilities

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

14. Ultimate parent company

The company's ultimate parent company is The Miller Group Limited, a company registered in Scotland. The financial statements of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh EH1 2EB.