
Meadowhall Shopping Centre Limited

Annual Report and Accounts

Year ended 31 March 2004



Company number: 4276642

Meadowhall Shopping Centre Limited

REPORT OF THE DIRECTORS for the year ended 31 March 2004

The directors present their Annual Report and audited Accounts for the year ended 31 March 2004.

Principal activity

The principal activity of the company is that of property investment.

Review of business and prospects

The activities and prospects of this and other group companies are reviewed in the Chairman's Statement, Financial Review and Property Review of The British Land Company PLC, the ultimate holding company.

Details of significant events since the balance sheet date are contained in note 18 of the financial statements.

Results and dividends

The results for the year are set out in the profit and loss account on page 4.

The directors do not recommend the payment of a dividend (2003 - £Nil).

Directors

The directors who served throughout the year were, except as noted:

J H Ritblat
C Metliss
G C Roberts (appointed 09/10/2003)
J H Weston Smith
N S J Ritblat
R E Bowden
L M Bell
P C Clarke
T A Roberts (Resigned 09/10/2003)
A Braine

The directors' interests in the share and loan capital of the company are set out in note 12 to the financial statements.

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which 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 those 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 accounting standards have been followed; 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 which 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 1985. They are also responsible for the system of internal control and for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Meadowhall Shopping Centre Limited

**REPORT OF THE DIRECTORS
for the year ended 31 March 2004**

Auditors

The auditors, Deloitte & Touche LLP are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

Employment Policy

The Company places emphasis on employee involvement and keeps employees informed through formal and informal briefings.

There were no major changes in the Companies pension schemes during the year. In the United Kingdom separate pension fund reports are made available to members.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

This report was approved by the Board on **24 AUG 2004**



R J Scudamore
Secretary

10 Cornwall Terrace
Regent's Park
London
NW1 4QP

Meadowhall Shopping Centre Limited

**INDEPENDENT AUDITORS REPORT
for the year ended 31 March 2004**

To the members of Meadowhall Shopping Centre Limited

We have audited the financial statements of Meadowhall Shopping Centre Limited for the year ended 31 March 2004 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, note of historical cost profits and losses and the related notes 1 to 19. 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 our auditors' 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 described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 circumstances of the company, 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 of the state of affairs of the company at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

**Deloitte & Touche LLP
Chartered Accountants and Registered Auditors**

London

24 August 2004

Meadowhall Shopping Centre Limited

**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2004**

	Note	2004 £	2003 £
Turnover			
Rental income		69,800,668	72,587,649
Fees and commissions		9,755,099	9,382,899
Total turnover		<u>79,555,767</u>	<u>81,970,548</u>
Administrative expenses		(16,575,128)	(17,873,393)
Operating profit		<u>62,980,639</u>	<u>64,097,155</u>
Interest receivable			
External - unlisted		356,094	260,352
Interest payable			
Group		(63,782,685)	(65,002,421)
Loss on ordinary activities before taxation	2	<u>(445,952)</u>	<u>(644,914)</u>
Taxation	4	(74,325)	(8,360)
Loss on ordinary activities after taxation and retained for the year	13	<u><u>(520,277)</u></u>	<u><u>(653,274)</u></u>

Turnover and results are derived from continuing operations in the United Kingdom. The company has only one significant class of business.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2004**

	2004 £	2003 £
Loss on ordinary activities after taxation	(520,277)	(653,274)
Unrealised surplus on revaluation of investment properties	93,455,300	14,420,855
Total recognised gains and losses relating to the financial year	<u><u>92,935,023</u></u>	<u><u>13,767,581</u></u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 March 2004**

	2004 £	2003 £
Loss on ordinary activities before taxation	(445,952)	(644,914)
Realisation of prior year revaluations		
Taxation on realisation of prior year revaluations		
Historical cost loss on ordinary activities before taxation	<u>(445,952)</u>	<u>(644,914)</u>
Historical cost loss for the year retained after taxation	<u><u>(520,277)</u></u>	<u><u>(653,274)</u></u>

Meadowhall Shopping Centre Limited

**BALANCE SHEET
as at 31 March 2004**

	Note	2004 £	2003 £
Fixed assets			
Investment properties	5	1,406,088,327	1,305,064,017
Current assets			
Debtors	6	7,588,394	29,425,718
Cash and deposits		20,300,062	18,689,254
		<u>27,888,456</u>	<u>48,114,972</u>
Creditors due within one year	7	<u>(33,326,196)</u>	<u>(457,469,954)</u>
Net current liabilities		(5,437,740)	(409,354,982)
Total assets less current liabilities		<u>1,400,650,587</u>	<u>895,709,035</u>
Creditors due after one year	8	(1,222,188,668)	(810,263,909)
Provision for liabilities and charges	9	(106,214)	(24,444)
Net assets		<u><u>178,355,705</u></u>	<u><u>85,420,682</u></u>
Capital and reserves			
Called up share capital	11	64,000,001	64,000,001
Revaluation reserve	13	115,729,255	22,273,955
Profit and loss account	13	(1,373,551)	(853,274)
Shareholders' funds	13	<u><u>178,355,705</u></u>	<u><u>85,420,682</u></u>

Non-equity interests are stated in note 17.

These financial statements were approved by the Board of Directors on **24 AUG 2004**

LM Bell

L M Bell

G C Roberts

G C Roberts
Directors

Meadowhall Shopping Centre Limited

Notes to the accounts for the year ended 31 March 2004

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and the previous year.

These financial statements are designed to cover a wide variety of companies and circumstances. As a result some notes may not be relevant for this company and so may be intentionally left blank.

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties.

Cash flow statement

In accordance with FRS 1, the company is exempt from preparing a cash flow statement. The company's cash flow is included in the group cash flow statement prepared by The British Land Company PLC.

Properties

Investment properties are independently valued each year on an open market basis. Any surplus or deficit arising is transferred to revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account. The profit on disposal is based on book value.

In accordance with Statement of Standard Accounting Practice 19 no amortisation or depreciation is provided in respect of freehold or long leasehold properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view. The financial effect of the departure from these rules cannot reasonably be quantified as depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. Where properties held for investment are appropriated to trading stock, they are transferred at market value.

Investments

Fixed asset investments are stated at market value when listed and at directors' valuation when unlisted. Any surplus or deficit arising on revaluation is taken to revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to profit and loss account.

Investments in subsidiaries are stated at cost or directors' valuation less provision for impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

On disposal of an investment property the element of tax relating to the profit in the year is charged to the profit and loss account and the element relating to earlier revaluation surpluses is included in the statement of total recognised gains and losses.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation.

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Meadowhall Shopping Centre Limited

**Notes to the accounts
for the year ended 31 March 2004**

1. Accounting policies (continued)

Net rental income

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants. Where a lease incentive does not enhance the property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rent, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date.

Pensions

Certain full time employees are eligible to join the Meadowhall Pension Scheme. This is a contributory money purchase scheme. Employer contributions are 5-10% of employees' salaries and these are charged to the profit and loss account in the year to which they relate.

Debt Instruments

Debt instruments are recorded at their net proceeds on issue. The issue costs are being amortised over the life of the instruments in the profit and loss account.

2. Loss on ordinary activities before taxation	2004	2003
	£	£

Loss on ordinary activities before taxation is stated after charging (crediting):

Amortisation and depreciation	<u>445,952</u>	<u>644,914</u>
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Amounts payable to Deloitte & Touche LLP in respect of audit and non-audit services are paid at group level by The British Land Company PLC.

3. Staff costs	2004	2003
	£	£
Wages and salaries	4,673,058	4,436,000
Social security costs	408,114	350,679
Pension costs	<u>129,810</u>	<u>135,862</u>
	<u>5,210,982</u>	<u>4,922,541</u>

No director received any remuneration for services to the company in either year.

Average number of employees, including directors, of the company during the year was 310 (2003 - 288).

Pension costs were incurred in the year in respect of a defined contribution scheme. There were no outstanding or prepaid contributions at 31 March 2004 (2003 - £Nil).

Meadowhall Shopping Centre Limited

**Notes to the accounts
for the year ended 31 March 2004**

4. Taxation	2004	2003
	£	£
Current tax		
UK corporation tax	(7,445)	(16,084)
Total current tax credit	<u>(7,445)</u>	<u>(16,084)</u>
Deferred tax		
Origination and reversal of timing differences	81,770	24,444
Total deferred tax charge	<u>81,770</u>	<u>24,444</u>
Total taxation (effective tax rate – (16.7)%; 2003 – 1.3%)	<u><u>74,325</u></u>	<u><u>8,360</u></u>
 Tax reconciliation		
Profit on ordinary activities before taxation	<u>(445,952)</u>	<u>(644,914)</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2003 - 30%)	(133,786)	(193,474)
Effects of:		
Capital allowances	(41,937)	(16,084)
Tax losses and other timing differences	34,493	
Expenses not deductible for tax purposes	133,785	193,474
Current tax credit	<u><u>(7,445)</u></u>	<u><u>(16,084)</u></u>

Where the company currently owns properties, further taxation that might become payable if the properties were sold at open market value is estimated at £306.9m (2003 - £290.6m). This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £0.1m (2003 - £0.0m) recorded in the balance sheet which would be expected to be released on sale.

This unprovided taxation could be reduced by tax losses, the amount and availability of which is currently uncertain.

Meadowhall Shopping Centre Limited

**Notes to the accounts
for the year ended 31 March 2004**

5. Investment properties

	Meadowhall Shopping Centre £
Cost and valuation	
1 April 2003	1,305,064,017
Additions	7,569,010
Revaluation surplus	93,455,300
31 March 2004	<u>1,406,088,327</u>
 Analysis of cost and valuation	
31 March 2004	
Cost	1,290,359,072
Revaluation	115,729,255
Net book value	<u>1,406,088,327</u>
 1 April 2003	
Cost	1,282,790,062
Revaluation	22,273,955
Net book value	<u>1,305,064,017</u>

Properties were externally valued at 31 March 2004 by ATIS REAL Weatheralls, Chartered Surveyors, on the basis of open market value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors.

Security has been granted over the above property to secure £60 million 5.92% secured notes due 2035, issued by MSC (Funding) PLC.

Meadowhall Shopping Centre Limited

**Notes to the accounts
for the year ended 31 March 2004**

6. Debtors	2004	2003
	£	£
Trade debtors	3,013,181	5,772,663
Amounts owed by ultimate holding company		19,160,977
Corporation tax	23,529	16,084
Other debtors	4,551,684	4,475,994
	<u>7,588,394</u>	<u>29,425,718</u>

7. Creditors due within one year	2004	2003
	£	£
Amounts owed to group companies		
-subordinated loans from Meadowhall Shopping Centre Property Holdings Ltd - note 10		422,064,699
-current accounts	49,136	5,262,648
-subordinated loans from MSC (Funding) PLC - note 10	4,397,721	4,391,436
-interest accrued on subordinated loan	10,617,765	10,046,533
Other creditors	3,277,218	3,358,893
Accruals and deferred income	14,984,356	12,345,745
	<u>33,326,196</u>	<u>457,469,954</u>

8. Creditors due after one year	2004	2003
	£	£
Amounts owed to group companies		
-subordinated loans from MSC (Funding) PLC - note 10	855,715,787	810,263,909
-subordinated loans from Meadowhall Shopping Centre Property Holdings Ltd - note 10	366,472,881	
	<u>1,222,188,668</u>	<u>810,263,909</u>

The subordinated loan from Meadowhall Shopping Centre Property Holdings Ltd, which is subject to a variable rate of interest, is deeply subordinated and ranks behind subordinated loans from MSC (Funding) PLC.

Meadowhall Shopping Centre Limited

Notes to the accounts for the year ended 31 March 2004

9. Provision for liabilities and charges

Deferred Tax

		£
1 April 2003		24,444
Charged to the profit and loss account		81,770
31 March 2004		<u>106,214</u>

Deferred tax is provided as follows	2004 £	2003 £
Accelerated capital allowances	<u>106,214</u>	<u>24,444</u>

The deferred tax provision relates primarily to capital allowances claimed on plant and machinery within investment properties. When a property is sold and the agreed disposal value for this plant and machinery is less than original cost there is a release of the surplus part of the provision. The entire amount of the capital allowance provision would be expected to be released on sale.

10. Borrowings

	2004 £	2003 £
Creditors due within one year	4,397,721	426,456,135
Creditors due after one year	1,222,188,668	810,263,909
	<u>1,226,586,389</u>	<u>1,236,720,044</u>
Repayments due:		
Within one year	4,397,721	426,456,135
1-2 years	6,636,544	10,826,688
2-5 years	30,048,489	29,398,359
	<u>41,082,754</u>	<u>466,681,182</u>
After 5 years	1,185,503,635	770,038,862
	<u>1,226,586,389</u>	<u>1,236,720,044</u>

The amount is stated net of issue costs.

On 5 December 2001, MSC (Funding) PLC issued a £825 million loan to Meadowhall Shopping Centre Limited, on 14 April 2003 a further loan of £50.6m was made to Meadowhall Shopping Centre Limited. The loan, due 2035, is secured on the Meadowhall Shopping Centre in Sheffield.

The loan is being repaid from April 2003 to July 2035, with a weighted interest rate of 5.53%

11. Share capital

	2004 £	2003 £
Authorised		
64,000,100 ordinary shares of £1 each	<u>64,000,100</u>	<u>64,000,100</u>
Allotted, called up and fully paid		
64,000,001 ordinary shares of £1 each	<u>64,000,001</u>	<u>64,000,001</u>

Meadowhall Shopping Centre Limited

Notes to the accounts for the year ended 31 March 2004

12. Directors' interests in share and loan capital

No director held a beneficial interest in the share capital of the company. Messrs. J H Ritblat, J H Weston Smith, N S J Ritblat, R E Bowden and G C Roberts are also directors of The British Land Company PLC and, as such, their interests in the share and loan capital, including share options, of that company are shown in the accounts of the ultimate holding company. The beneficial interests of the other directors in the ultimate holding company are as follows:-

	Fully paid Ordinary shares		6% Irredeemable Convertible Bonds (£ nominal)	
	31 March 2004	1 April 2003	31 March 2004	1 April 2003
C Metliss	118,905	113,332		
A Braine	13,979	12,992		
L M Bell	10,955	9,968		
P C Clarke	6,247	19,976		

	Options over ordinary shares 1984 Option Scheme		Sharesave Scheme	
	31 March 2004	1 April 2003	31 March 2004	1 April 2003
C Metliss			1,954	4,753
A Braine			2,519	2,519
L M Bell	2,925	17,925	2,427	2,427
P C Clarke			2,632	2,632

	Rights under Restricted Share Plan Ordinary shares		Rights under Long Term Incentive Plan Options over Ordinary shares			
	31 March 2004	1 April 2003	31 March 2004	1 April 2003	31 March 2004	1 April 2003
C Metliss						
A Braine	60,000	57,500	10,000		30,000	
L M Bell	60,000	55,000	10,000		30,000	
P C Clarke	70,000	67,500	10,000		30,000	

Granting and lapsing of options

C Metliss exercised options over 4,753 shares at an option price of 355 p per share and the middle market quotation on the date of exercise of these shares was 658p per share. He was granted options over 1,954 shares at an option price of 472p per share. Both this exercise and grant occurred under British Land's Sharesave Scheme.

A Braine was granted options over 30,000 shares, at an option price of 552p per share, under British Land's Long Term Incentive Plan.

L M Bell exercised options over 15,000 shares, under British Land's 1984 Share Option Scheme. 13,888 had an option price of 394p per share and 1,112 had an option price of 322p per share. The middle market quotation on the date of disposal of these 15,000 shares was 550p per share. She was granted options over 30,000 shares, at an option price of 552 p per share, under British Land's Long Term Incentive Plan.

P C Clarke was granted options over 30,000 shares, at an option price of 552p per share, under British Land's Long Term Incentive Plan.

Meadowhall Shopping Centre Limited

Notes to the accounts for the year ended 31 March 2004

13. Reconciliation of movements in shareholders' funds and reserves

	Share capital	Capital reserve revaluation	Profit and loss account	Total
	£	£	£	£
Opening shareholders' funds	64,000,001	22,273,955	(853,274)	85,420,682
Loss for the year			(520,277)	(520,277)
Unrealised surplus on revaluation of investment properties		93,455,300		93,455,300
Closing shareholders' funds	<u>64,000,001</u>	<u>115,729,255</u>	<u>(1,373,551)</u>	<u>178,355,705</u>

14. Capital commitments

The company had capital commitments contracted at 31 March 2004 of £18.6m (2003 - £6.7m).

15. Contingent liabilities

The company is jointly and severally liable with Meadowhall Shopping Centre Property Holdings Limited, a wholly owned subsidiary of the ultimate holding company, and fellow subsidiaries for all monies falling due under the group VAT registration.

16. Related parties

The company has taken advantage of the exemption granted to 90% subsidiaries not to disclose transactions with group companies under the provisions of Financial Reporting Standard 8.

Smith Young Partnership are associated with W.G. Young and C.T. Smith, key management of Meadowhall Shopping Centre. Fees are paid to Smith Young for their services as rentals agents to the company.

Mr John Ritblat has an effective 4.65% equity interest and is non-executive chairman of Fitzhardinge PLC, which is the holding company of Colliers Conrad Ritblat Erdman who provide construction services to the company.

	Admin Expenses		Amount due to related party	
	2004	2003	2004	2003
	£	£	£	£
<u>Related Party</u>				
Smith Young Partnership	1,352,968	1,759,555	15,510	92,476
Colliers Conrad Ritblat Erdman		25,115		23,488

17. Non-equity interests

Shareholders' funds includes non-equity interests of £Nil (2003 - £Nil).

18. Subsequent events

There have been no significant events since the year end.

19. Immediate & ultimate holding company

The immediate parent company is Meadowhall Shopping Centre Property Holdings Limited.

The British Land Company PLC is the smallest and largest group for which group accounts are available and which include the company. The ultimate holding company and controlling party is The British Land Company PLC, which is incorporated in Great Britain. Group accounts for this company are available on request from 10 Cornwall Terrace, Regent's Park, London NW1 4QP.