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# Meadowhall Shopping Centre Limited

## Annual Report and Accounts

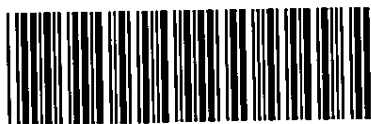
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Year ended 31 March 2008

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Company number: 4276642

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## **Meadowhall Shopping Centre Limited**

### **REPORT OF THE DIRECTORS for the year ended 31 March 2008**

The directors present their Annual Report and audited Accounts for the year ended 31 March 2008

#### **Business review and principal activities**

The company is a wholly owned subsidiary of The British Land Company PLC. The company has effectively been operating as an investment holding company since the refinance effective 19 December 2006 and related transfer of all investment properties into a REIT from the 1 January 2007. The directors continue to explore new investment opportunities.

#### **Results and dividends**

As shown in the company's Profit and loss account on page 4, the company has effectively not traded in the year under review.

Dividends paid are shown on the face of the Balance Sheet within reserves. The directors do not recommend the payment of a dividend (2007 - £Nil).

The main change to the Balance sheet on page 5 is due to the capital injection effective 18 April 2007, the consideration was made via a reduction in amounts due to fellow group companies details of which are shown in note 9 on page 9.

The company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group comprising The British Land Company PLC and subsidiaries, which includes the company, is discussed in the group's Annual Report which does not form part of this report.

Details of significant events since the balance sheet date are contained in note 14 of the financial statements.

The subsidiaries held by the company are listed in note 6 to the accounts. Where the company has subsidiaries, consolidated financial statements are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

#### **Risk management**

The company generates returns to shareholders through long-term investment decisions requiring the evaluation of opportunities arising in the following areas:

- demand for space from occupiers against available supply,
- differential pricing for premium locations and buildings,
- alternative use for buildings,
- demand for returns from investors in property, compared to other asset classes,
- economic cycles, including their impact on tenant covenant quality, interest rates, inflation and property values,
- price differentials for capital to finance the business,
- legislative changes, including planning consents and taxation, and
- construction pricing and programming.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to senior executives and is considered and managed on a continuous basis. Executives use their knowledge and experience to knowingly accept a measured degree of market risk.

The company's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, present lower risks than many other property portfolios.

The company is financed by a variable interest rate loan from its immediate holding company and has no third party debt. Interest can be charged at nil% where the company is not active or where to do so would put the company in financial difficulty.

#### **Interest rate management**

To manage interest rate fluctuations the Board determines a range for the proportion of projected debt to be maintained at fixed or capped rates of interest. With financing raised at both fixed and variable rates, derivatives (primarily interest rate swaps) are used to achieve the desired interest rate profile.

#### **Liquidity and cash management**

The Group maintains undrawn revolving bank facilities to provide financial liquidity. These can be drawn/repaid at short notice without additional expense, reducing the need to hold liquid resources in cash and deposits.

**Meadowhall Shopping Centre Limited**

**REPORT OF THE DIRECTORS  
for the year ended 31 March 2008**

**Environment**

Across the Group, The British Land Company PLC recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The company operates in accordance with Group policies. The Group's full Corporate Responsibility Report is available online at [www.britishland.com/crReport2007/](http://www.britishland.com/crReport2007/)

**Directors**

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

S A M Hester

G C Roberts

R E Bowden (resigned 31/12/2007)

L M Bell

P C Clarke

A Braine

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). 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 period. In preparing these statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 the financial statements comply with the Companies Act 1985. 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

**Disclosure of information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

**Annual General Meeting**

At the Annual General Meeting of the company held on 6 February 2006 Elective Resolutions were passed to dispense with the following requirements

- to lay accounts and reports before a general meeting of the company,
- to appoint auditors annually (Deloitte & Touche LLP are willing to continue in office), and
- to hold annual general meetings in the future

This report was approved by the Board on 09 September 2008



Director

**Meadowhall Shopping Centre Limited**

**INDEPENDENT AUDITORS REPORT  
for the year ended 31 March 2008**

**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 2008 which comprise the profit and loss account, statement of total recognised gains and losses, note of historical cost profits and losses, balance sheet and the related notes 1 to 15. 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 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

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 have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been 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 adequate 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte & Touche LLP*  
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

UK

*15 September 2008*

**Meadowhall Shopping Centre Limited**

**PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2008**

	Note	2008 £	2007 £
<b>Turnover</b>			
Rental income		-	45,965,820
Service charge receivable		-	9,012,507
<b>Total turnover</b>		-	54,978,327
 Cost of turnover		-	(10,291,892)
Management fees payable - Group		-	(6,126,302)
<b>Operating profit</b>		-	38,560,133
Profit on disposal of properties		-	27,147,193
Exceptional costs - bond refinancing	4	-	(52,019,624)
Interest receivable			
External - unlisted		-	2,067,147
Interest payable			
Group		-	(34,097,331)
<b>Loss on ordinary activities before taxation</b>	2	-	(18,342,482)
Taxation	5	130,795	(31,844,904)
<b>Profit/(Loss) on ordinary activities after taxation for the year</b>	10	130,795	(50,187,386)

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 2008**

	2008 £	2007 £
<b>Profit/(Loss) on ordinary activities after taxation for the year</b>	130,795	(50,187,386)
Unrealised surplus on revaluation of investment properties	-	-
<b>Total recognised gains and losses relating to the financial year</b>	130,795	(50,187,386)

**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
for the year ended 31 March 2008**

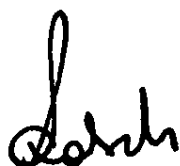
	2008 £	2007 £
<b>Loss on ordinary activities before taxation</b>	-	(18,342,482)
Realisation of prior year revaluations	-	227,282,443
Taxation on realisation of prior year revaluations	-	(68,184,733)
<b>Historical cost profit on ordinary activities before taxation</b>	-	140,755,228
<b>Historical cost profit for the year retained after taxation</b>	130,795	108,910,324

**Meadowhall Shopping Centre Limited**

**BALANCE SHEET  
as at 31 March 2008**

	Note	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Investments	6	787,873,379		787,873,379	
		<u>787,873,379</u>		<u>787,873,379</u>	
<b>Current assets</b>					
Debtors	7	547,118	1,893,085		
		<u>547,118</u>	<u>1,893,085</u>		
<b>Creditors due within one year</b>	8	(5,232,078)	(551,708,840)		
		<u></u>	<u></u>		
<b>Net current liabilities</b>		(4,684,960)		(549,815,755)	
<b>Total assets less current liabilities and net assets</b>		<u>783,188,419</u>		<u>238,057,624</u>	
<b>Capital and reserves</b>					
Called up share capital	9	609,000,001		64,000,001	
Profit and loss account	10	174,188,418		174,057,623	
<b>Shareholders' funds</b>	10	<u>783,188,419</u>		<u>238,057,624</u>	

These financial statements were approved by the Board of Directors on 09 September 2008



Director

# **Meadowhall Shopping Centre Limited**

## **Notes to the accounts for the year ended 31 March 2008**

### **1 Accounting policies**

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

#### **Accounting basis**

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

#### **Cash flow statement**

The company is exempt from preparing a cash flow statement in accordance with FRS 1. The company's cash flow is included in the group cash flow statement prepared by The British Land Company PLC as part of its consolidated financial statements, which are publicly available (see note 15).

#### **Investments**

Fixed asset investments are stated at cost less provision for impairment.

#### **Taxation**

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are not taxable (or tax deductible). In particular the Group (including this company) became a REIT on 1 January 2007 and income and gains on qualifying assets are now exempt from taxation.

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis. On business combinations, the deferred tax effect of fair value adjustments is incorporated in the consolidated balance sheet.

# **Meadowhall Shopping Centre Limited**

## **Notes to the accounts for the year ended 31 March 2008**

### **1 Accounting policies (continued)**

#### **Net rental income**

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the next rent review date. Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the next rent review date.

Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the next rent review date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned is immediately reflected in income.

#### **Pensions**

Certain full time employees are eligible to join the Meadowhall Pension Scheme. This is a contributory money purchase scheme. Employer contributions are 2.5%-10% of employees' salaries and these are charged to the profit and loss account in the year to which they relate.

<b>2 Loss on ordinary activities before taxation</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>

Loss on ordinary activities before taxation is stated after charging

Amortisation of premium payments	<u>-</u>	<u>616,673</u>
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A notional charge of £1,040 (2007: £1,040) is deemed payable to Deloitte & Touche LLP in respect of the audit of the financial statements. Actual amounts payable to Deloitte & Touche LLP are paid at group level by The British Land Company PLC.

<b>3 Staff costs</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Wages and salaries	-	3,699,285
Social security costs	-	243,530
Pension costs	-	101,395
	<u>-</u>	<u>4,044,210</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 nil (2007: 213).

Pension costs were incurred in the year in respect of a defined contribution scheme. There were no outstanding or prepaid contributions at 31 March 2008 (2007: £Nil).



**Meadowhall Shopping Centre Limited**

**Notes to the accounts  
for the year ended 31 March 2008**

**4 Exceptional costs**

	2008 £	2007 £
Recoupon fees	-	31,285,360
FRS 4 Note issue costs net of premiums written off	-	7,577,479
Implementation fees	-	6,844,000
SWAP Close out fees	-	3,370,000
Professional fees associated with redemption	-	1,500,000
Early solicitation fees	-	1,442,785
	-	-
<b>Total exceptional costs</b>	<b>-</b>	<b>52,019,624</b>

Exceptional costs from last year relate to the redemption of loan notes on 19 December 2006. From 1 January 2008 all trading balances were transferred into Meadowhall Limited Partnership, consequently there are no exceptional costs this year.

**5 Taxation**

	2008 £	2007 £
<b>Current tax</b>		
UK corporation tax	-	32,696,202
Adjustments in respect of prior years	(130,795)	7,424
<b>Total current tax (credit)/charge</b>	<b>(130,795)</b>	<b>32,703,626</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(858,722)
<b>Total deferred tax charge</b>	<b>-</b>	<b>(858,722)</b>
<b>Total taxation</b>	<b>(130,795)</b>	<b>31,844,904</b>

**Tax reconciliation**

Loss on ordinary activities before taxation	-	(18,342,482)
Tax on profit on ordinary activities at UK corporation tax rate of 30% (2007 - 30%)	-	(5,502,745)
Effects of		
REIT conversion charge	-	32,696,202
REIT exempt income and gains	-	5,700,816
Capital allowances in excess of depreciation	-	(305,200)
Tax losses and other timing differences	-	(946,809)
Expenses not deductible for tax purposes	-	1,229,449
Group relief not paid for	-	(175,511)
Adjustments in respect of prior years	(130,795)	7,424
<b>Current tax (credit)/charge</b>	<b>(130,795)</b>	<b>32,703,626</b>

Included in the tax credit is a net charge of £Nil (2007 - £Nil) attributable to property sales.

# Meadowhall Shopping Centre Limited

## **Notes to the accounts for the year ended 31 March 2008**

### **6 Investments**

	Capital investment in Limited Partnership £
At cost or directors' valuation 1 April 2007 and at 31 March 2008	<u>787,873,379</u>
At cost <b>31 March 2008</b>	<u>787,873,379</u>
1 April 2007	<u>787,873,379</u>
The company has an investment in the following partnership	
Meadowhall Limited Partnership	<div>Trading Activity</div> <div>Investment Property</div> <div>Holding %</div> <div>99 99%</div>

The value of the investment represents the transfer in value of all assets and liabilities associated with the Mortgaged Property as at 19 December 2006. On this date all assets including investment properties were transferred into Meadowhall Limited Partnership, the trading company of a wider Partnership structure specifically set up to run the activities of the Meadowhall Shopping Centre, Sheffield.

<b>7 Debtors</b>	<b>2008</b> £	<b>2007</b> £
Amounts owed by ultimate holding company	547,118	-
Other debtors	-	1,893,085
	<u>547,118</u>	<u>1,893,085</u>

<b>8 Creditors due within one year</b>	<b>2008</b> £	<b>2007</b> £
Amounts owed to group undertakings	4,815,755	551,708,840
Corporation tax	416,323	-
	<u>5,232,078</u>	<u>551,708,840</u>

<b>9 Share capital</b>	<b>2008</b> £	<b>2007</b> £
<b>Authorised</b>		
609,000,100 ordinary shares of £1 each	<u>609,000,100</u>	<u>64,000,100</u>
<b>Allotted, called up and fully paid</b>		
609,000,001 ordinary shares of £1 each	<u>609,000,001</u>	<u>64,000,001</u>

A capital injection from the immediate parent, Meadowhall Shopping Centre Property Holdings Limited, was made with value £545m on 18 April 2007. This resulted from the issue of 545 million ordinary shares of £1 each, consideration for which came via the reduction in amounts owed to group undertakings - current accounts.

# Meadowhall Shopping Centre Limited

## **Notes to the accounts for the year ended 31 March 2008**

### **10 Reconciliation of movements in shareholders' funds and reserves**

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
Opening shareholders' funds	64,000,001	-	174,057,623	238,057,624
Profit for the year	-	-	130,795	130,795
Capital injection (see note 9)	545,000,000	-	-	545,000,000
Closing shareholders' funds	<u>609,000,001</u>	<u>-</u>	<u>174,188,418</u>	<u>783,188,419</u>

### **11 Capital commitments**

The company had capital commitments contracted at 31 March 2008 of £Nil (2007 - £Nil)

### **12 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

### **13 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 managing agents of Meadowhall Shopping Centre and fees are paid to them in this capacity

	Admin Expenses		Amount due to related party	
	2008 £	2007 £	2008 £	2007 £
<u>Related Party</u>				
Smith Young Partnership	-	1,196,628	-	-

### **14 Subsequent events**

There have been no significant events since the year end

### **15 Immediate and 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 York House, 45 Seymour Street, London W1H 7LX