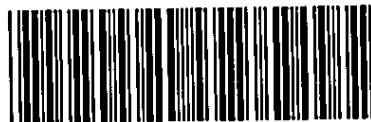


MEPC (1946) LIMITED
Financial Statements
for the year ended 31 December 2008

Co. Reg. No. 420575

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MEPC (1946) LIMITED

Directors' report

The directors submit their report and financial statements for the year ended 31 December 2008. The profit before tax for the year is £102.6m (2007: £65.1m) as shown in the attached profit and loss account and the directors consider this to be the key performance indicator for the company.

Business review and principal activities

The principal activity of the company is property investment. The directors foresee no material change in the scope or nature of the company's activities. The company is in a net current asset position and net assets position in the current year. No dividends were paid by MEPC (1946) Limited during the year (2007:£nil).

Board of directors

The directors of the company who served during the year and to date, together with appointments and resignations, are listed below;

Mr R J Clarke	(resigned 17 March 2008)
Mr S Dunkling	(appointed 22 January 2009)
Mr R De Blaby	(resigned 22 January 2009)
Mr A D Evans	
Ms E Mousley	(appointed 17 March 2008)
Mr R E Quince	(resigned 22 January 2009)

The Company secretary is MEPC Secretaries Limited.

Principal risks and uncertainties

The company's financial assets and liabilities predominantly relate to:

- Investments in subsidiary undertakings
- Receivables from its immediate parent entity
- Amounts payable and receivable from subsidiary undertakings.

The directors do not consider there are any issues surrounding the valuation or recoverability of these assets and liabilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The company has no material price, credit, liquidity or interest rate risk.

Statement of Directors' responsibilities

The directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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.

MEPC (1946) LIMITED
Directors' report (continued)

Statement of Directors' responsibilities (continued)

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:

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) 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.

Auditors

Deloitte LLP have been appointed as auditors during the year. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A D EVANS', with a long horizontal stroke extending to the right.

A D EVANS
Director
26 August 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEPC (1946) LIMITED

We have audited the financial statements of MEPC (1946) Limited for the year from 1 January 2008 to 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 21. 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) 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 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 with the company 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 judgements 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEPC (1946) LIMITED
(continued)

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 December 2008 and of its profit 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.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom

26 August 2009

MEPC (1946) LIMITED**Profit and loss account****For the year ended 31 December 2008**

	<u>Notes</u>	2008	2007
		£'m	£'m
Net income/(expenditure) from properties	2	-	0.1
Administrative expenses		(1.0)	(1.3)
Operating loss	3	(1.0)	(1.2)
Dividends received from subsidiaries		3,677.9	44.4
Write down investment in subsidiary		(3,616.8)	-
Provision against intercompany debtor balance		(4.7)	(26.6)
Other income		0.5	2.9
Other expenses		(3.7)	(2.2)
Profit on ordinary activities before interest and taxation		52.2	17.3
Interest payable and similar charges	5	(1.2)	(0.4)
Other interest receivable and similar income	5	51.6	48.2
Profit on ordinary activities before taxation		102.6	65.1
Taxation on profit on ordinary activities	6	1.0	(0.7)
Retained profit for the financial year		103.6	64.4

All income was derived from United Kingdom continuing operations.

Statement of total recognised gains and losses

Profit on ordinary activities after taxation		103.6	64.4
Property revaluation		0.1	-
Actuarial (loss)/gain on defined benefit scheme	4	(2.9)	6.7
Total recognised gains and losses relating to the year		100.8	71.1

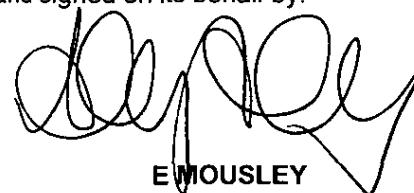
MEPC (1946) LIMITED**Balance sheet****As at 31 December 2008**

	<u>Notes</u>	31 December 2008	31 December 2007
		£'m	£'m
Fixed assets			
Tangible assets - Investment property	8	0.5	0.4
Investment in subsidiary undertakings	9	566.3	146.4
		<hr/> 566.8	<hr/> 994.0
Current Assets			
Loans to immediate parent company - Leconport Estates	10	902.5	847.2
Loans to subsidiaries – Granta Park	11	81.9	-
Amounts due from Caduceus Estates Limited		0.2	-
Amounts due from subsidiary undertakings		11.4	560.5
Other debtors falling due within one year	12	2.6	0.2
Cash and short-term deposits	13	14.8	6.0
		<hr/> 1,013.4	<hr/> 566.7
Creditors: Amounts falling due within one year			
Other creditors	14	(680.1)	(753.2)
Borrowings	15	-	(10.5)
		<hr/> 333.3	<hr/> (197.0)
Net current assets/(liabilities)			
Total assets less current liabilities		<hr/> 900.1	<hr/> 797.0
Pension (liability)/asset	4	(0.7)	1.6
Net assets		<hr/> 899.4	<hr/> 798.6

MEPC (1946) LIMITED**Balance sheet (continued)****As at 31 December 2008**

	<u>Notes</u>	31 December 2008	31 December 2007
		£'m	£'m
Capital and reserves			
Called up share capital	16	105.8	105.8
Share premium account	17	78.1	78.1
Capital redemption reserve	17	405.2	405.2
Revaluation reserve	17	0.1	-
Profit and loss account	17	310.2	209.5
		<hr/>	<hr/>
Shareholders' funds		899.4	798.6
		<hr/>	<hr/>

Approved by the Board of Directors
on 26 August 2009
and signed on its behalf by:



E MOUSLEY
Director

MEPC (1946) LIMITED
Notes (forming part of the financial statements)

1. Accounting policies

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

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with United Kingdom law and applicable accounting standards.

Basis of preparation

Group accounts incorporating the financial statements of subsidiary undertakings are not prepared as the company is a wholly owned subsidiary undertaking of a company registered in England and Wales. Advantage has been taken of the exemption as defined in FRS 2 from preparing consolidated accounts as the group is consolidated by Leconport Estates, the intermediate holding company.

Going concern

The accounts are prepared on the basis of going concern on the basis that the Directors' intend MEPC (1946) Limited to continue to hold the investments in subsidiary undertakings for the foreseeable future.

The principal activity of the Company is property investment. Whilst the current economic conditions creates uncertainty over the valuation of property, the Directors are satisfied that the subsidiaries' ability to generate income from operating leases; and distribute as dividends is such that, at the time of approving the Financial Statements, it is appropriate to adopt the Going Concern basis in their preparation.

Rental Income

Rental income is accounted for on an accruals basis and recognised on a straight line basis over the term of lease.

In accordance with Urgent Issues Task Force (UITF) Abstract 28 (Operating Lease Incentives) all incentives given for lessees to enter into leases (such as contributions to fitting out costs) are treated as revenue costs and rental income is accounted for from the commencement of a lease rather than from the expiry of any rent free periods. The costs of all incentives, including rent free periods, is offset against the total rent due (effectively a transfer from investment properties to debtors on the balance sheet) and allocated to the profit and loss account on a straight line basis over the period from the rent commencement date (or rent free date if sooner) to the date of the next rent review (or lease end date if sooner).

Properties

The investment properties are included at valuation.

All surpluses and deficits against book value arising on the valuation are transferred to the revaluation reserve except for those deficits expected to be permanent, which are included in the profit and loss account. Net gains or losses on disposal of properties are calculated by reference to book value at date of disposal. Disposals are recognised at point of unconditional exchange.

Revaluation

In accordance with Statement of Standard Accounting Practice No 19, i) investment properties are revalued and the aggregate surplus or deficit is transferred to a revaluation reserve; and ii) no depreciation is provided in respect of freehold investment properties. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

MEPC (1946) LIMITED
Notes (continued)

1. Accounting policies (continued)

Cash flow

Under FRS 1 Cash Flow statement (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

Related party transactions

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with associated undertakings on the grounds that it is a wholly owned subsidiary undertaking.

Other income

Other income is recognised net of any VAT or other sales taxes.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that asset are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made in such a basis. Benefits received and receivable as an incentive to sign and operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Investment in subsidiaries

Investments in subsidiary undertakings are held at cost and provision by the parent undertaking is only made where the underlying value of the subsidiary is less than the book value in the parent undertaking and the deficit is considered to be permanent.

Pension costs

The disclosure requirements of FRS 17 (Retirement benefits) have been provided in note 4.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

MEPC (1946) LIMITED
Notes (continued)

1. Accounting policies (continued)

Debt instruments and interest rate derivatives

Debt instruments are stated at their net proceeds on issue. Issue costs are amortised to the profit and loss account over the life of the instrument and are included in interest payable.

Amounts payable or receivable under interest rate derivatives are matched with the interest payable in the debt which the derivatives hedge. In the course of the Group's investment and financing activity underlying debt may be retired or redeemed such that an interest rate derivative becomes a surplus. In these circumstances, the derivative is closed out. Any deficit/surplus arising is charged/credited to the profit and loss account and included in net interest payable.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with FRS19, deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except for:

- Provision is not made in respect of capital gains which might be realised if properties were sold at the net amount at which they are included in the financial statement unless by the balance sheet date a binding agreement has been entered into to sell the properties.
- Provision is made in respect of gains on disposal of assets that have been rolled over into replacement assets only where there is a commitment to dispose of the replacement assets.
- Provision is not made in respect of the remittance of a subsidiary or joint venture's earnings that would cause tax to be payable where there is no binding agreement to distribute the earnings.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted at the balance sheet date.

MEPC (1946) LIMITED
Notes (continued)

2. Net income/(expenditure) from properties

	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'m	<u>Year ended</u> <u>31 December</u> <u>2007</u> £'m
Gross rental income	0.6	0.6
Recoveries from tenants less other property outgoings e.g. service charge income	(0.6)	(0.5)
	<u>-</u>	<u>0.1</u>

3. Operating loss

	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'m	<u>Year ended</u> <u>31 December</u> <u>2007</u> £'m
Operating loss is stated after charging:		
Auditor's remuneration for the audit of the Company accounts	(0.1)	(0.1)

There were no non-audit fees incurred in the current year (2007: £nil).

4. Employee information

Employee numbers

The average number of persons (including directors) employed by the company during the year, including part-time employees, was five (2007: five) as analysed below.

	<u>Year ended</u> <u>31 December</u> <u>2008</u> Average Number	<u>Year ended</u> <u>31 December</u> <u>2007</u> Average Number
On-site management	3	3
Administration	2	2
Total	<u>5</u>	<u>5</u>
Part-time	1	1
Full-time	4	4
Total	<u>5</u>	<u>5</u>

MEPC (1946) LIMITED
Notes (continued)

4. Employee information (continued)

Staff costs

The aggregate remuneration and associated costs of the Group, including directors' emoluments, were as follows:

	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>Year ended</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Wages and salaries	-	-
Social security costs	-	-
Pension contributions	0.6	0.7
Total	0.6	0.7

All staff costs are now borne by MEPC Limited.

The prior year comparative for pension contributions of £0.7m was correctly recorded in the profit and loss but was incorrectly disclosed in the staff costs note in the 2007 accounts.

Directors remuneration

	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>Year ended</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Directors' emoluments	-	-

There was no directors remuneration paid in the current year (2007: £nil). At the year end no retirement benefits were accrued for any directors (2007: £nil) under defined contribution schemes or under defined benefit schemes.

Pensions

MEPC (1946) Limited operates the MEPC Limited Pension & Assurance Scheme (the MEPC Scheme), which is of the defined benefit type. The assets of all the schemes are held in separate Trustee administered funds. The pension cost is assessed in accordance with the advice of qualified actuaries in accordance with FRS 17. The contribution to the defined benefit scheme is made in relation to employees who receive £nil salary from MEPC (1946) Limited, their salary costs being met by a different group company. Therefore there are no pensionable earnings in the year.

An actuarial valuation of the MEPC Scheme was carried out as at 31 December 2005. The Attained Age method was used and the principal assumptions adopted were investment returns of 6.1% per annum, earnings increases of 4.3% per annum and Retail Prices Index increases of 2.8% per annum. As at 31 December 2005, the market value of the MEPC Scheme's assets was £72.8m and this was sufficient to cover 81% of the benefits that had accrued to the members, after allowing for expected future increases in earnings. The next actuarial valuation of the Scheme is due to be carried out as at 31 December 2008.

MEPC (1946) LIMITED
Notes (continued)

4. Employee information (continued)

FRS 17 disclosures

FRS 17 requires the disclosure of the market value of the scheme's assets at a single point in time measured against the liabilities of the scheme measured in accordance with defined rules. Both the trustees of the scheme and MEPC (1946) Limited as sponsoring employer continue to review the ongoing funding of the scheme based on actuarial valuations and advice from qualified actuaries. Funding of the scheme is determined to ensure the existing fund assets together with future contributions and growth in value will be sufficient to meet liabilities as they fall due. Under FRS 17 the Company is required to disclose the following information about the scheme:

	31 December 2008	31 December 2007
	£'m	£'m
Change in benefit obligation		
Benefit obligation at beginning of the year	89.5	93.5
Current service cost	0.1	0.1
Interest cost	5.0	4.7
Plan participants' contributions	-	-
Past service costs	-	-
Actuarial (gains)	(12.6)	(6.0)
Benefits paid	(3.1)	(2.8)
Benefit obligation at end of the year	78.9	89.5
Change in plan assets		
Fair value of plan assets at beginning of the year	91.1	87.6
Expected return on plan assets	5.1	4.9
Actuarial (losses)/gains	(15.5)	0.7
Employer contribution	0.6	0.7
Plan participants' contributions	-	-
Benefits paid	(3.1)	(2.8)
Fair value of assets at end of year	78.2	91.1
Funded status	(0.7)	1.6
Unrecognised past service cost (benefit)	-	-
Effect of surplus cap	-	-
(Liability)/Asset recognised in the balance sheet	(0.7)	1.6

MEPC (1946) LIMITED
Notes (continued)

4. Employee information (continued)

FRS 17 disclosures (continued)

	Year to 31 December 2008	Year to 31 December 2007
	£'m	£'m
Components of pension cost		
Current service cost	0.1	0.1
Interest cost	5.0	4.7
Expected return on Scheme assets	(5.1)	(4.9)
Past service costs	-	-
Total pension costs recognised in the P&L account	-	(0.1)
Actuarial (gains)/losses recognised immediately	2.9	(6.7)
Effect of surplus cap	-	-
Total pension cost recognised in the STRGL	2.9	(6.7)
Cumulative amount of actuarial losses immediately recognised	13.1	10.2

Scheme assets

The weighted-average asset allocation at the year-end were as follows;

	Scheme Assets at 31 December 2008	Scheme Assets at 31 December 2007
	£'m	£'m
Asset category		
Equities	50%	50%
Bonds and other fixed interest investments	50%	50%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. The expected return on equities was taken to be 2% p.a. above the yields on government bonds. This resulted in the selection of the 5.66% p.a. assumption below.

MEPC (1946) LIMITED
Notes (continued)

4. Employee information (continued)

FRS 17 disclosures (continued)

	Year to 31 December 2008 £'m	Year to 31 December 2007 £'m
Actual return on plan assets	(10.4)	5.6

**Weighted average assumptions used to determine
benefit obligations at:**

	31 December 2008	31 December 2007
Discount rate	6.40%	5.70%
Rate of compensation increase	4.40%	4.90%
Rate of increase of pensions in payment (LPI)	2.80%	3.30%
Rate of increase of pension deferment	2.90%	3.40%
Inflation	2.90%	3.40%

**Weighted average assumptions used to determine net
pension cost for the year ended:**

	31 December 2008
Discount rate	5.70%
Expected long-term return on Scheme assets	5.66%
Rate of compensation increase	4.90%
Rate of increase of pensions in payment (LPI)	3.30%
Rate of increase of pension deferment	3.40%
Inflation	3.40%

**Weighted average life expectancy for mortality table
used to determine benefit obligations at:**

	31 December 2008	31 December 2008
	Male	Female
Member age 63 (current life expectancy)	23.8	26.8
Member age 45 (life expectancy at age 63)	24.9	27.7

MEPC (1946) LIMITED
Notes (continued)

4. Employee information (continued)

FRS 17 disclosures (continued)

Five year history

	Financial year ending in				
	2008	2007	2006*	2005	2004
	£m	£m	£m	£m	£m
Benefit obligation at end of year	78.9	89.5	93.5	82.1	77.4
Fair value of Scheme assets at end of year**	78.2	91.1	87.6	70.2	63.1
Surplus/(deficit)	(0.7)	1.6	(5.9)	(11.9)	(14.3)
Difference between actual and expected return on Scheme assets:					
Amount	(15.5)	0.7	3.7	6.9	3.5
Percentage of Scheme assets	(20%)	1%	4%	10%	6%
Experience gains/(losses) on Scheme liabilities:					
Amount	-	-	1.5	1.0	(0.7)
Percentage of Scheme liabilities	-	-	2%	1%	(1%)

* 15 month period

** Within this disclosure note the value of Scheme assets at 31 December 2008 has been stated at bid value, whilst the value of the Scheme asset at previous dates has been stated at mid value.

Contributions

The company expects to contribute £0.5m to the Scheme in 2009.

MEPC (1946) LIMITED
Notes (continued)

5. Interest

	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>Year ended</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Interest payable and other similar charges		
On loans from subsidiary undertakings	0.9	-
On external loans repayable wholly within five years	0.4	0.6
Expected return on pension scheme assets	(5.1)	(4.9)
Interest on pension scheme liabilities	5.0	4.7
	<u>1.2</u>	<u>0.4</u>
Interest receivable and other similar income		
Interest income on loans to immediate parent company – Leconport Estates	46.4	43.6
Interest on loan to subsidiary undertaking	4.8	4.4
External interest income	0.4	0.2
	<u>51.6</u>	<u>48.2</u>

6. Taxation / Deferred taxation

	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>Year ended</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Taxation (charge)/credit in profit and loss account;		
United Kingdom corporation tax at 28.5% (2007: 30%)	-	-
Adjustment in respect of previous year	(1.0)	0.7
Total current taxation	<u>(1.0)</u>	<u>0.7</u>

MEPC (1946) LIMITED (formerly MEPC LIMITED)
Notes (continued)

6. Taxation / Deferred taxation (continued)

	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>Year ended</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
United Kingdom deferred taxation on timing differences in respect of;		
Potential clawback of capital allowances	-	-
Total deferred taxation charge (see below)	-	-
Taxation (credit)/charge on profit on ordinary activities	<u>(1.0)</u>	<u>0.7</u>
Factors affecting tax credit/(charge) for year;		
Profit/(loss) on ordinary activities before taxation	<u>102.6</u>	<u>65.1</u>
Profit/(loss) on ordinary activities before taxation multiplied by tax at the UK standard rate of 28.5% (2007: 30%)	29.2	19.5
Effects of;		
Other timing differences	(0.6)	(1.3)
Non-taxable income or imputed income & expenses not deductible for tax	(15.2)	(4.6)
Group relief	(13.4)	(13.6)
Prior year adjustment	<u>(1.0)</u>	<u>0.7</u>
Total current taxation	<u>(1.0)</u>	<u>0.7</u>

Deferred tax assets totalling £30.5m (2007: £18.3m) have not been recognised in respect of losses and other timing differences as the company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

MEPC (1946) LIMITED
Notes (continued)

7. Dividends paid

Ordinary dividends on equity shares	<u>Year ended</u> <u>31 December</u>	<u>Year ended</u> <u>31 December</u>
	<u>2008</u>	<u>2007</u>
	£'m	£'m
Final dividend per ordinary share	-	-

8. Investment and development properties

Investment and development properties were valued at 31 December 2008, on the basis of "market value" as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors, by Messrs Knight Frank as external valuers. The external valuation of the freehold property was £0.5m (2007: £0.4m). The historical cost is £0.4m (2007: £0.4m).

Property markets, in common with many other capital markets, are at present volatile and illiquid and valuers therefore have to place less reliance on transactional evidence in forming their views on valuations. As a result the valuers have commented on current market conditions in their report, but their valuation methodology remains consistent.

9. Investments in subsidiary undertakings

	<u>£'m</u>
Cost	
At 1 January 2008	223.1
Additions	4,658.2
Write downs	(4,303.8)
At 31 December 2008	577.5
Provisions for impairment	
At 1 January 2008	(76.7)
Written off	-
Written back	65.5
At 31 December 2008	(11.2)
Net book value	566.3

MEPC (1946) LIMITED
Notes (continued)

9. Investments in subsidiary undertakings (continued)

On the 30th September 2008, MEPC (1946) Limited acquired 100% of the issued share capital of the subsidiaries held by MEPC Business Space Limited (a subsidiary of MEPC (1946) Limited) for a consideration of £4,658.2m. Subsequently, dividends were paid by many subsidiaries and certain subsidiaries were liquidated resulting in the write down of £4,303.8m above. The remaining principal subsidiary undertakings at 31 December 2008 are listed in note 19.

The five largest subsidiaries acquired were:

	<u>Net Book</u> <u>Value</u> <u>30 Sept 2008</u> <u>£'m</u>
Caledonian Land Limited	78.2
Carlton Healthcare Limited	50.0
The London County Freehold & Leasehold Properties Limited	359.9
MEPC Investments Limited	26.4
MEPC Milton Park Limited	17.5

There was no amount of goodwill created during the acquisition. The subsidiaries were purchased at net book value which is considered to be fair value and therefore there was no fair value adjustment. The consideration for the transaction was by the creation and settlement of intercompany balances.

Acquisitions are accounted for under the acquisition method.

10. Loans to immediate parent company – Leconport Estates

The amounts owed by Leconport Estates bear interest at 0.5% below LIBOR payable quarterly in arrears and are repayable by giving 14 days notice to Leconport Estates. On 30 July 2009, the facilities between Leconport Estates and MEPC (1946) Limited were terminated and a new facility was extended of £1.75 billion with revised terms as set out in Note 20.

11. Loans to subsidiaries – Granta Park

The amounts owed by Iceni Investments LLP and TWI Technology Limited as partners of the Granta Park Partnership bear interest at 1.6% above LIBOR payable quarterly in arrears and are repayable on 2 November 2009 or on such a date as the Lender and Borrower agree.

12. Other debtors falling due within one year

	<u>As at</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>As at</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Prepayments and accrued income	2.4	-
Other debtors	0.2	0.2
Total	2.6	0.2

MEPC (1946) LIMITED
Notes (continued)

13. Cash and short-term deposits

	<u>As at</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>As at</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Bank and cash balances	14.8	6.0
Total	14.8	6.0
Sterling	14.8	5.6
Other currencies	-	0.4
Total	14.8	6.0

14. Other creditors

	<u>As at</u> <u>31 December</u> <u>2008</u> <u>£'m</u>	<u>As at</u> <u>31 December</u> <u>2007</u> <u>£'m</u>
Amounts due within one year		
Amounts due to subsidiary undertakings	678.1	751.4
Other accruals and deferred income	2.0	1.8
Total	680.1	753.2

The amounts due to UK subsidiary undertakings are non interest bearing and no security has been provided in respect of the amounts due. The amounts due to the European subsidiary undertakings are interest bearing.

MEPC (1946) LIMITED
Notes (continued)

15. Loan capital and borrowings

Movements in loan capital and borrowings

	£'m
1 January 2008	10.5
Loan repayments	(10.5)
	<hr/>
31 December 2008	-
	<hr/>

During the year £6.9m due to the BT Pension Scheme was repaid.

Fair values of financial assets and liabilities

	As at 31 December 2008			As at 31 December 2007		
	Book value	Fair value	Fair value adjustment	Book value	Fair value	Fair value adjustment
	£m	£m	£m	£m	£m	£m
Net Debt						
Loan capital and borrowings	-	-	-	10.5	10.5	-
Cash and short-term deposits	(14.8)	(14.8)	-	(6.0)	(6.0)	-
Total net debt	<hr/> (14.8) <hr/>	<hr/> (14.8) <hr/>	<hr/> - <hr/>	<hr/> (4.5) <hr/>	<hr/> (4.5) <hr/>	<hr/> - <hr/>

16. Called up share capital

	Authorised		Allotted, called up and fully paid	
	<u>31</u> <u>December</u> <u>2008</u> <u>£'m</u>	<u>31</u> <u>December</u> <u>2007</u> <u>£'m</u>	<u>31</u> <u>December</u> <u>2008</u> <u>£'m</u>	<u>30</u> <u>December</u> <u>2007</u> <u>£'m</u>
Equity: Ordinary shares of £0.3026p each	140.0	140.0	105.8	105.8
Non-equity: 4.75% non-cumulative redeemable preference shares of 96p each (B shares)	5.8	5.8	-	-
	<hr/> 145.8 <hr/>	<hr/> 145.8 <hr/>	<hr/> 105.8 <hr/>	<hr/> 105.8 <hr/>

At 31 December 2008 there were 349,794,991 (2007: 349,794,991) ordinary shares in issue.

MEPC (1946) LIMITED
Notes (continued)

17. Reserves

	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total
	£'m	£'m	£'m	£'m	£'m
1 January 2008	78.1	405.2	-	209.5	692.8
Actuarial loss on defined benefit scheme	-	-	-	(2.9)	(2.9)
Property revaluation	-	-	0.1	-	0.1
Retained profit for the year	-	-	-	103.6	103.6
31 December 2008	78.1	405.2	0.1	310.2	793.6

18. Reconciliation of movements in shareholders' funds

	<u>31 December</u> <u>2008</u>	<u>31 December</u> <u>2007</u>
	<u>£'m</u>	<u>£'m</u>
Profit on ordinary activities after taxation	103.6	64.4
Dividends paid	-	-
Property revaluation	0.1	-
Actuarial (loss)/gain on defined benefit scheme	(2.9)	6.7
Net increase in shareholders funds	100.8	71.1
Opening shareholders' funds	798.6	727.5
Closing shareholders' funds	899.4	798.6

MEPC (1946) LIMITED
Notes (continued)

19. Principal subsidiary undertakings at 31 December 2008

The principal subsidiary entities owned by MEPC (1946) Limited are:

	Country of Incorporation	% Holding of ordinary share capital
Caledonian Land Limited	England & Wales	100.00%
Carlton Healthcare Limited	England & Wales	100.00%
The London County Freehold & Leasehold Properties Limited	England & Wales	100.00%
MEPC Cardiff Investments Limited	England & Wales	100.00%
MEPC Investments Limited	England & Wales	100.00%
MEPC Milton Park Limited	England & Wales	100.00%
Second Covent Garden Property Company Limited	England & Wales	100.00%
Threadneedle Property Company Limited	England & Wales	100.00%
Town Investments Limited	England & Wales	100.00%
Tuckridge Limited	England & Wales	100.00%

The principal activities of the Group companies are property investment, development and trading, together with the management of the Group's properties.

20. Subsequent events

On 30 July 2009, the four facilities between MEPC (1946) Limited and Leconport Estates were terminated and a new facility of £1.75 billion was extended. The new facility is due for repayment on 28 February 2011 or within 14 days of demand by MEPC (1946) Limited.

The interest rate in respect of the facility is LIBOR plus 1.5%

21. Ultimate parent company and intermediate holding company

The ultimate parent company and largest group in which the results of the company are consolidated is that headed by BT Pension Scheme. The consolidated accounts of this group are available from Lloyds Chambers, Portsoken Street, London E1 8HZ.

The intermediate holding company and smallest group in which the results of the company are consolidated is that headed by Leconport Estates. The consolidated accounts of this group are available from Lloyds Chambers, Portsoken Street, London E1 8HZ.