

MEPC (1946) LIMITED
(Formerly MEPC LIMITED)
Financial Statements
for the period from 1 October 2005 to 31 December 2006

Co Reg. No 420575



MEPC (1946) LIMITED (formerly MEPC LIMITED)**Directors' report**

During the period the company changed its name from MEPC Limited to MEPC (1946) Limited ("the Company") and it also changed its accounting reference date to 31 December. The directors submit their report and financial statements for the period ended 31 December 2006. The profit before tax for the period is shown in the attached profit and loss account and the directors consider this to be the key performance indicator for the company.

Principal risks and uncertainties

The company's financial assets and liabilities predominantly relate

- 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.

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.

Board of directors

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

Mr J A Bateman	(resigned 1 March 2006)
Mr R J Clarke	(resigned 17 March 2008)
Mr R De Blaby	(appointed 7 October 2005)
Mr A D Evans	(appointed 7 October 2005)
Mr R A Harrold	(resigned 8 December 2005)
Mr N C W Mustoe	(resigned 31 May 2006)
Ms E Mousley	(appointed 17 March 2008)
Mr R E Quince	
Mr A Watson	(resigned 1 March 2006)

No director had any interest in the ordinary share or loan capital of any group company as at 31 December 2006.

The Company secretary is MEPC Secretaries Limited.

Statement of Directors' responsibilities

The directors are responsible for preparing the 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, 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 the financial statements comply with the Companies Act 1985.

MEPC (1946) LIMITED (formerly MEPC 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

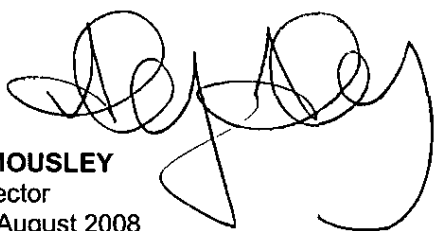
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

Deloitte & Touche LLP have been appointed as auditors during the period Deloitte & Touche 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

E MOUSLEY
Director
20 August 2008

A handwritten signature in black ink, appearing to be 'E. Mousley', written over a horizontal line.

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

We have audited the financial statements of MEPC (1946) Limited for the period from 1 October 2005 to 31 December 2006 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 22. 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 and of its profit for the period from 1 October 2005 to 31 December 2006,
- 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 & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

21/8/2008

MEPC (1946) LIMITED (formerly MEPC LIMITED)**Profit and loss account****For the period from 1 October 2005 to 31 December 2006**

	<u>Notes</u>	Period from 1 October 2005 to 31 December 2006	12 months to 30 September 2005
		£'m	As restated £'m
Net (expenditure)/income from properties	2	(0 1)	1 4
Administrative expenses		(8 8)	(5 3)
Operating loss		(8 9)	(3 9)
Dividends received from joint ventures		2 8	-
Dividends received from subsidiaries		1,058 8	-
Release of provision		113 8	-
Other income		1 0	1 0
Other expenses		(15 7)	(12 8)
Profit/(loss) on ordinary activities before finance and taxation		1,151.8	(15.7)
Interest payable and similar charges	5	(292 5)	(87 4)
Other interest receivable and similar income	5	84 7	68 9
Profit/(loss) on ordinary activities before taxation		944.0	(34 2)
Taxation on profit on ordinary activities	6	(21 8)	(40 6)
Profit/(loss) on ordinary activities after taxation		922.2	(74 8)
Dividends paid	7	(900 0)	-
Retained profit/(loss) for the financial period/year		22.2	(74 8)

All income was derived from United Kingdom continuing operations. Comparative figures have been restated as explained in notes 1 and 20.

Statement of total recognised gains and losses

Profit/(loss) on ordinary activities after taxation		922 2	(74 8)
Actuarial (loss)/gain on defined benefit scheme	4	(5 3)	2 0
Total recognised gains and losses relating to the period		916.9	(72 8)
Prior year adjustment on adoption of FRS17	19	(13 4)	
Total recognised gains and losses since last report		903.5	

MEPC (1946) LIMITED (formerly MEPC LIMITED)**Balance sheet****As at 31 December 2006**

	<u>Notes</u>	31 December 2006 £'m	30 September 2005 As restated £'m
Fixed assets			
Tangible assets-Investment property	8	0 3	0 3
Investment in subsidiary undertakings	9	2,816 7	3,046 8
Investment in joint ventures	10	0 1	-
Other fixed asset investments	11	0 7	0 7
		<hr/> 2,817 8	<hr/> 3,047 8
Current Assets			
Loans to immediate parent company - Leconport Estates	12	793 2	1,457 1
Deferred taxation	6	-	23 4
Amounts due from subsidiary undertakings		616 2	988 7
Other debtors falling due within one year	13	11 9	9 4
Cash and short-term deposits	14	4 1	1 9
		<hr/> 1,425 4	<hr/> 2,480 5
Creditors Amounts falling due within one year			
Borrowings	16	(3 6)	(117 3)
Other creditors	15	(3,506 2)	(10 2)
		<hr/> (2,084 4)	<hr/> 2,353 0
Net current (liabilities) / assets			
Total assets less current liabilities		<hr/> 733 4	<hr/> 5,400 8
Creditors Amounts falling due after more than one year			
Borrowings	16	-	(213 2)
Other creditors	15	-	(4,465 1)
		<hr/> 733 4	<hr/> 722 5
Net assets excluding pension liabilities			
Pension liabilities	4	(5 9)	(11 9)
Net assets		<hr/> 727 5	<hr/> 710.6

MEPC (1946) LIMITED (formerly MEPC LIMITED)**Balance sheet (continued)****As at 31 December 2006**

	<u>Notes</u>	31 December 2006 £'m	30 September 2005 As restated £'m
Capital and reserves			
Called up share capital	17	105 8	105 8
Share premium account	18	78 1	78 1
Capital redemption reserve	18	405 2	405 2
Profit and loss account	18	138 4	121 5
		<hr/>	<hr/>
Shareholders' funds		727 5	710 6

Comparative figures have been restated as explained in notes 1 and 20

Approved by the Board of Directors
on 20 August 2008
and signed on its behalf by



A D EVANS
Director

MEPC (1946) LIMITED (formerly MEPC 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 period and the preceding year, with the exception of the new accounting standard adopted in the period as set out below.

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. During the period the company has fully adopted FRS 17 "Retirement Benefits" which resulted in a reduction in the 2005 shareholder's funds of £11 million (see Note 20).

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.

Rental Income

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). This accounting policy has been applied in respect of all leases beginning on or after 1 October 1999.

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.

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.

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.

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 MEPC (1946) Limited and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking.

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

1 Accounting policies (continued)

Pension costs

Pension costs for Group pension schemes are charged to the profit and loss account. The disclosure requirements of FRS 17 (Retirement benefits) have been provided in note 4. Contributions to the Group's defined contribution scheme are expensed as incurred.

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.

Deferred tax

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.

2. Net (expenditure)/income from properties

	<u>Period from</u> <u>1 October 2005</u> <u>to 31 December</u>	<u>12 months to</u> <u>30 September</u> <u>2005</u>
	<u>2006</u> <u>£'m</u>	<u>£'m</u>
Gross rental income	0.2	2.0
Recoveries from tenants less other property outgoings	(0.3)	(0.6)
	<u>(0.1)</u>	<u>1.4</u>

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

3. Administrative expenses

	<u>Period from 1 October 2005 to 31 December 2006 £'m</u>	<u>12 months to 30 September 2005 £'m</u>
Administrative expenses are stated after charging,		
Depreciation of office furniture, equipment and computers,	-	(0 3)
Auditor's remuneration	(0 2)	(0 1)

4. Employee information

Employee numbers

At 31 December 2006 the total number of persons employed by the company was 9 (30 September 2005 32) which included nil (30 September 2005 5) part-time employees. The average number of persons employed by the company during the period, including part-time employees, was 20 (year to 30 September 2005 30) as analysed below

	<u>Period from 1 October 2005 to 31 December 2006 Number</u>	<u>12 months to 30 September 2005 Number</u>
On-site management	11	18
Property management	1	1
Administration	8	11
Total	20	30
Part time	-	5
Full time	20	25
Total	20	30

MEPC (1946) LIMITED (formerly MEPC 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>Period from 1 October 2005 to 31 December</u>	<u>12 months to 30 September 2005</u>
	<u>2006</u>	
	<u>£'m</u>	<u>£'m</u>
Wages and salaries	1.5	2.7
Social security costs	0.1	0.2
Pension contributions	0.2	1.2
Total	<u>1.8</u>	<u>4.1</u>

Directors remuneration

	<u>Period from 1 October 2005 to 31 December</u>	<u>12 months to 30 September 2005</u>
	<u>2006</u>	
	<u>£'m</u>	<u>£'m</u>
Directors' emoluments	-	0.7

There was no directors remuneration paid in the current year (year end 30 September 2005 £0.7m). At the year end retirement benefits are accruing to no directors (year ended 30 September 2005: 1) under defined contribution schemes and no director (year ended 30 September 2005: 1) under defined benefit schemes.

Pensions

MEPC (1946) Limited operates a number of schemes. The two principal schemes are, the MEPC Limited Pension & Assurance Scheme (the MEPC Scheme), which is of the defined benefit type, and the MEPC (Defined Contribution) Pension Scheme, which is of the defined contribution type. With effect from 1 August 1998, all new employees who have joined the company have (subject to eligibility) been offered membership of the MEPC (Defined Contribution) Pension Scheme. The assets of all the schemes are held in separate Trustee administered funds. The total pension cost for the company was £11.6m of which £11.5m relates to the defined benefit scheme (2005: £1.2m of which £1.1m relates to the defined benefit scheme). The pension cost is assessed in accordance with the advice of qualified actuaries in accordance with FRS 17.

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 2006. It is estimated that at 31 December 2006 the scheme was more than 100% funded on the Minimum Funding Requirement basis.

MEPC (1946) LIMITED (formerly MEPC 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 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.

Assumptions and net liability	31 December 2006	30 September 2005	30 September 2004
Valuation method	Projected unit	Projected unit	Projected unit
Rate of inflation	3.0%	2.8%	2.9%
Rate of earnings increases	4.5%	4.3%	4.4%
Rate of increase in pensions in deferment	3.0%	2.8%	2.9%
Rate of increase in pensions in payment (LPI)	2.9%	2.7%	2.8%
Discount rate applied to liabilities	5.1%	5.0%	5.5%
Rate of return on equities	6.5%	6.3%	6.8%
Rate of return on UK Government bonds	4.5%	4.3%	4.8%
Rate of return on bonds and other investments	5.2%	5.1%	5.6%
Market value of assets at period end	£m	£m	£m
- Equities	45.1	35.3	37.0
- Bonds and other fixed interest investments	42.5	34.9	26.1
Total market value of assets	87.6	70.2	63.1
Discounted value of scheme liabilities at period end	(93.5)	(82.1)	(77.4)
Liability in the scheme	(5.9)	(11.9)	(14.3)
Related deferred tax asset	-	-	4.3
Net pension liability	(5.9)	(11.9)	(10.0)
Movement in deficit during the period/year			
Deficit in the scheme – opening balance	(11.9)	(14.3)	(17.1)
Current service costs	(0.2)	(0.2)	(0.3)
Past service costs	-	(0.1)	-
Service costs	(0.2)	(0.3)	(0.3)
Contributions in year	11.4	1.1	0.8
Expected return on scheme assets	5.2	3.7	3.6
Interest on pension scheme liabilities	(5.1)	(4.1)	(3.9)
Finance costs	(0.1)	(0.4)	(0.3)
Actual return less expected return on scheme assets	3.7	6.9	3.5
Experience gains and losses arising on scheme liabilities	1.5	1.0	(0.7)
Change in assumptions underlying the present value of scheme liabilities	(10.5)	(5.9)	(0.2)
Actuarial (loss)/gain	(5.3)	2.0	2.6
Deficit in the scheme - closing balance	(5.9)	(11.9)	(14.3)
Actual return less expected return on scheme assets as a percentage of the market value of scheme assets	4%	10%	6%
Experience gains and losses arising on scheme liabilities as a percentage of the discounted value of scheme liabilities	2%	1%	(1%)
Actuarial (loss)/gain as a percentage of the discounted value of scheme liabilities	(6%)	2%	3%

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

5. Interest

	<u>Period from 1 October 2005 to 31 December 2006 £'m</u>	<u>12 months to 30 September 2005 As restated £'m</u>
Interest payable and other similar charges		
On loans not wholly repayable within 5 years	-	15.4
On loans repayable wholly within 5 years	14.6	38.1
Cost of waiving debt owed by subsidiary undertakings	281.6	-
(Premium)/costs of repurchasing bonds and swaps	(3.6)	33.5
Expected return on pension scheme assets	(5.2)	(3.7)
Interest on pension scheme liabilities	5.1	4.1
	292.5	87.4

Interest receivable and other similar income

Interest income on loans to immediate parent company – Leconport Estates	75.2	61.5
Interest on loan to subsidiary undertaking	9.2	5.9
External interest income	0.3	1.5
	84.7	68.9

6 Taxation / Deferred taxation

	<u>Period from 1 October 2005 to 31 December 2006 £'m</u>	<u>12 months to 30 September 2005 £'m</u>
Taxation (charge)/credit in profit and loss account;		
United Kingdom corporation tax at 30.0%	-	2.7
Adjustment in respect of previous period	1.6	-
Share of Joint Ventures' taxation	-	-
	1.6	2.7

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

6. Taxation / Deferred taxation (continued)

	<u>Period from</u> <u>1 October 2005</u> <u>to 31 December</u> <u>2006</u> <u>£'m</u>	<u>12 months to</u> <u>30 September</u> <u>2005</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)	(23 4)	(43 3)
Taxation (charge) on profit on ordinary activities	(21 8)	(40 6)
Factors affecting tax credit/(charge) for year;		
Profit/(loss) on ordinary activities before taxation	944.0	(34 2)
Profit/(loss) on ordinary activities before taxation multiplied by tax at the UK standard rate of 30%	283 2	(10 3)
Effects of,		
Capital gains	2 3	34 2
Other timing differences	(2 5)	-
Capital allowances	-	3 9
Non taxable income or imputed income & expenses not deductible for tax	(222 7)	(24 2)
Losses surrendered to group companies	-	24 7
Tax losses utilised	(60 3)	(28 3)
Prior year adjustment	(1 6)	(2 7)
Total current taxation	(1.6)	(2.7)

Deferred tax assets totalling £12.5m (2005 £72.7m) 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

Deferred taxation in the Group balance sheet

Balance at start of year	23 4	66 7
Transfer to profit and loss account (see above)	(23 4)	(43 3)
Balance at end of year	-	23.4
Comprising		
Losses and other timing differences	-	23 4

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

7. Dividends paid

Ordinary dividends on equity shares	<u>Period from</u> <u>1 October 2005</u> <u>to 31 December</u>	<u>12 months to</u> <u>30 September</u> <u>2005</u>
	<u>2006</u> <u>£'m</u>	<u>£'m</u>
Final paid £2 57 per ordinary share (2005 nil)	(900 0)	-

8. Investment and development properties

Investment and development properties were valued at 31 December 2006, 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 3m (2005 £0 3m).

9 Investments in subsidiary undertakings

	<u>Shares at cost</u> <u>less provisions</u> <u>£'m</u>
1 October 2005 - at cost	3,123 8
- provision	(77 0)
	<hr/> 3,046 8
Additions during the year	9 4
Disposals during the year	(154 2)
Adjustment for loan stocks at cost	(70 0)
Provisions during the year	(15 3)
31 December 2006	<hr/> 2,816.7 <hr/>

Principal subsidiary undertakings at 31 December 2006 are listed in note 21

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

10. Investments in joint ventures

	<u>£'m</u>
1 October 2005	-
Additional loan to joints ventures	1 7
Reclassified provision	(0 3)
Provision against investment	(1 3)
	<hr/>
31 December 2006	0 1
	<hr/>

At 31 December 2006 the Company's investment in joint ventures principally comprised of a 50% interest in Metropolitan & Capital Properties Limited (MCPL) a United Kingdom based company engaged in property related services which had no external borrowings

As at 31 December 2006 there were no trading balances between the company and any joint venture

Subsequently to 31 December 2006, the process to liquidate MCPL was initiated

11 Other fixed asset investments

Other fixed assets investments comprise shares in Stonemartin plc a company listed on the AIM market and shares in Property Investment Exchange Limited

The directors are of the opinion that the carrying value of other fixed asset investments reflects their fair value

The market value of the listed securities as at 31 December 2006 was £0.8m (2005 £1.0m)

Subsequent to the year end these investments were sold at approximately carrying value

12. 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

13. Other debtors falling due within one year

	<u>As at</u> <u>31 December</u> <u>2006</u> <u>£'m</u>	<u>As at</u> <u>30 September</u> <u>2005</u> <u>£'m</u>
Trade debtors	0 3	1 4
Other debtors	11 6	8 0
	<hr/>	<hr/>
Total	11 9	9 4
	<hr/>	<hr/>

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

14. Cash and short-term deposits

	<u>As at</u> <u>31 December</u> <u>2006</u> <u>£'m</u>	<u>As at</u> <u>30 September</u> <u>2005</u> <u>£'m</u>
Short-term deposits	3 4	0 6
Bank and cash balances	0 7	1 3
Total	4 1	1.9
Sterling	3 7	1 1
Other currencies	0 4	0 8
Total	4.1	1 9

15. Other creditors

	<u>As at</u> <u>31 December</u> <u>2006</u> <u>£'m</u>	<u>As at</u> <u>30 September</u> <u>2005</u> <u>£'m</u>
Amounts due within one year		
Taxation and other social security costs	0 1	0 9
Amounts due to subsidiary undertakings	3,498 5	-
Other accruals and deferred income	7 6	9 3
Total	3,506.2	10.2
Amounts due after more than one year		
Amounts due to subsidiary undertakings	-	4,464 0
Other accruals and deferred income	-	1 1
Total	-	4,465 1

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

16. Loan capital and borrowings

Movements in loan capital and borrowings

	<u>As at 31 December 2006 £'m</u>
1 October 2005	330.5
Loans drawn down	-
Repayments	(326.9)
31 December 2006	<u>3.6</u>

Fair values of financial assets and liabilities

	<u>As at 31 December 2006</u>			<u>As at 30 September 2005</u>		
	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	3.6	3.6	-	330.5	336.1	5.6
Interest rate swaps	-	-	-	-	(2.8)	(2.8)
Cash and short-term deposits	(4.1)	(4.1)	-	(1.9)	(1.9)	-
Total net debt	<u>(0.5)</u>	<u>(0.5)</u>	<u>-</u>	<u>328.6</u>	<u>331.4</u>	<u>2.8</u>
Fair value adjustment after tax			<u>-</u>			<u>2.0</u>

These disclosures exclude short-term debtors and creditors. Fair value has been calculated independently and is based on market values of the respective investments at 31 December 2006. The directors consider that the fair value of the loans to the immediate parent company (note 12) are equal to their book value.

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

17 Called up share capital

	<u>Authorised</u>		<u>Allotted, issued and fully paid</u>	
	<u>31 December 2006 £'m</u>	<u>30 September 2005 £'m</u>	<u>31 December 2006 £'m</u>	<u>30 September 2005 £'m</u>
Equity Ordinary shares of 30 ⁵ /19p 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	-	-
	<u>145.8</u>	<u>145 8</u>	<u>105 8</u>	<u>105 8</u>

At 31 December 2006 there were 349,794,991 ordinary shares in issue

18. Reserves

	<u>Share premium account £'m</u>	<u>Capital redemption reserve £'m</u>	<u>Profit and loss account £'m</u>
1 October 2005 - as previously stated	78 1	405 2	132 5
Prior year adjustment on adoption of FRS 17 (see Note 20)	-	-	(11 0)
1 October 2005 - as restated	78 1	405 2	121 5
Actuarial loss on defined benefit scheme	-	-	(5 3)
Retained profit for the period	-	-	22 2
31 December 2006 - closing reserves	<u>78 1</u>	<u>405 2</u>	<u>138 4</u>

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

19 Reconciliation of movements in shareholders' funds

	<u>31 December</u>	<u>30 September</u>
	<u>2006</u>	<u>2005</u>
	<u>£'m</u>	<u>As restated</u>
		<u>£'m</u>
Profit/(loss) on ordinary activities after taxation	922.2	(74.8)
Dividends paid	(900.0)	-
Actuarial (loss)/gain on defined benefit scheme	(5.3)	2.0
Net increase/(decrease) in shareholders funds	16.9	(72.8)
Opening shareholders' funds	710.6	796.8
Prior year adjustment on adoption of FRS 17	-	(13.4)
Closing shareholders' funds	727.5	710.6

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

20 Change in accounting policy

For the current period, the company has fully adopted Financial Reporting Standard 17 which is effective for the accounting period beginning on 1 October 2005

The impact of the adoption of FRS 17 on the comparative profit and loss account and balance sheet is described below

Profit and Loss Account	<u>12 months to</u> <u>30 September</u> <u>2005</u>	<u>Adjustment</u> <u>£'m</u>	<u>12 months</u> <u>to 30</u> <u>September</u> <u>2005</u>
	<u>Pre-</u> <u>adjustment</u> <u>£'m</u>		<u>As adjusted</u> <u>£'m</u>
Loss on ordinary activities before finance and taxation	(16 5)	0 8	(15 7)
Net Interest (payable) receivable and similar (charges) income	(18 1)	(0 4)	(18 5)
Taxation	(40 6)	-	(40 6)
Retained loss for the financial year	(75 2)	0.4	(74 8)

Balance Sheet	<u>30</u> <u>September</u> <u>2005</u>	<u>Adjustment</u> <u>£'m</u>	<u>30</u> <u>September</u> <u>2005</u>
	<u>As presented</u> <u>£'m</u>		<u>As adjusted</u> <u>£'m</u>
Net assets excluding pension liabilities	721 6	0 9	722 5
Pension liabilities	-	(11 9)	(11 9)
Net assets	721.6	(11.0)	710.6
Shareholders' funds	721 6	(11 0)	710.6

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

21. Principal subsidiary undertakings at 31 December 2006

The subsidiary entities owned by MEPC (1946) Ltd are

	Country of Incorporation	% Holding of ordinary share capital
Alsterkrugchausse Immobilien AG	Luxembourg	99 992%
Beethovenstrasse Immobilien AG	Luxembourg	99 983%
Blittersdorf Immobilien AG	Luxembourg	99 994%
Fasanenhof Immobilien AG	Luxembourg	99 996%
Ferdinandsrasse Immobilien AG	Luxembourg	99 995%
Geothestrassse Immobilien AG	Luxembourg	99 989%
Icenl Estates Limited	England & Wales	90 000%
Keppletree Limited	England & Wales	100 00%
Lanco Grundstücksgesellschaft mbH	Germany	73 890%
MEPC Business Space Limited	England & Wales	100 00%
MEPC Germany GmbH	Germany	100 00%
MEPC Holdings Limited	England & Wales	97 000%
MEPC Limited	England & Wales	100 00%
MEPC Secretaries Limited	England & Wales	100 00%
MEPC UK Holdings	England & Wales	100 00%
MEPC UK Limited	England & Wales	99 985%
Metrobarn Limited – Ordinary 'A'	England & Wales	99 960%
Metrobarn Limited – Ordinary 'B'	England & Wales	100 00%
Metropolitan Investment Property	England & Wales	50 00%
RAM Euro-Centres (Doncaster) Limited	England & Wales	100 00%
	Country of Incorporation	% Holding of 7.5% preference shares
MEPC UK Holdings	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

22 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 Caduceus Estates Limited. The consolidated accounts of this group are available from Lloyds Chambers, Portsoken Street, London, E1 8HZ