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BADGER PROPERTY PARTNERS LLP
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2008

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BADGER PROPERTY PARTNERS LLP

ANNUAL REPORT

FOR THE YEAR ENDED 5 APRIL 2008

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BADGER PROPERTY PARTNERS LLP

MEMBERS AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS

Mr. R.C. Desmond
Mrs. J. Desmond

REGISTERED NUMBER

OC 313362

AUDITORS

KPMG LLP
20 Farringdon Street
London
EC4A 4PP

BANKERS

Bank of Scotland
PO Box 54873
London
SW1 5WX

REGISTERED OFFICE

The Northern & Shell Building
Number 10 Lower Thames Street
London, EC3R 6EN

BADGER PROPERTY PARTNERS LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 5 APRIL 2008

The members present their report and the audited financial statements for the year ended 5 April 2008.

PRINCIPAL ACTIVITIES

The principal activity of Badger Property Partners LLP is the business of acquiring freehold or leasehold interests in commercial property, the management and exploitation thereof and receiving rental income therefrom.

REVIEW OF THE PERIOD AND FUTURE PROSPECTS

The profit and loss account is set out on page 6.

The members consider the result for the period to be highly satisfactory. Other property transactions were reviewed during the year but did not proceed to completion.

The LLP continues to consider commercial property transactions with a view to increasing its portfolio.

RESULTS FOR THE PERIOD

The profit for the period available for distribution to members was £755,264 (2007: £639,300).

Revaluation reserves available for distribution to members amounted to £36,673,933 as at 5 April 2008 (2007: £36,673,933).

DESIGNATED MEMBERS

The following were designated members during the year:

Mr. R.C. Desmond
Mrs. J. Desmond

POLICY WITH RESPECT TO MEMBERS' DRAWINGS AND REPAYMENT OF MEMBERS' CAPITAL

The members participate in the LLP's profit.

The members have subscribed to capital in set percentages per the partnership agreement. The members shall contribute any further capital which the designated members determine as being required for the purpose of the LLP based on the same percentages.

There is no opportunity for appreciation of capital subscribed. Members introduce their capital at 'par' and retiring members are repaid their capital at 'par'. An outgoing member will be paid the amount of any capital which he is entitled to be credited by the LLP to his capital account.

The profits of the LLP shall be divided between the members in the set percentages per the partnership agreement as soon as the annual accounts for the relevant accounting year are approved by the members.

All payments are made subject to the cash requirements of the LLP and must be approved by the designated members.

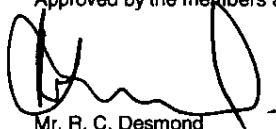
DISCLOSURE OF INFORMATION TO AUDITORS

The members as at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditors are unaware; and each member has taken all the steps that he/she ought to have taken as a member to make himself/herself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the members and signed on their behalf



Mr. R. C. Desmond
Designated Member

Date: 1 September 2008



Mrs. J. Desmond
Designated Member

Date: 1 September 2008

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS

BADGER PROPERTY PARTNERS LLP

FOR THE YEAR ENDED 5 APRIL 2008

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The law relating to Limited Liability Partnerships ('LLP') requires the members to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable 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 LLP will continue in business.

Under the Limited Liability Partnerships Regulations 2001, the members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

BADGER PROPERTY PARTNERS LLP

FOR THE YEAR ENDED 5 APRIL 2008

We have audited the financial statements of Badger Property Partners LLP for the year ended 5 April 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the Limited Liability Partnership ('LLP'), as a body, in accordance with section 235 of the Companies Act 1985 as required by Paragraph 3 of the Limited Liability Partnerships Regulation 2001. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITORS

The members' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Members' Responsibilities on page 4.

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 Members' 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 members' remuneration and other transactions is not disclosed.

We read the Members' 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP'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 LLP's affairs as at 5 April 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 Members' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Date: 3 September 2008

BADGER PROPERTY PARTNERS LLP

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 5 APRIL 2008

	Notes	2008 £	2007 £
Turnover	2	7,706,442	7,098,965
Administrative expenses		<u>(85,068)</u>	<u>(111,874)</u>
Operating profit	3	7,621,374	6,987,091
Interest receivable and similar income	6	14,315	46,579
Interest payable and similar charges	7	<u>(6,880,425)</u>	<u>(6,394,370)</u>
Profit for the financial year available for division among members	13	755,264	639,300
Members' profit allocation		<u>(755,264)</u>	<u>(639,300)</u>
Retained profit for the financial period		<u>-</u>	<u>-</u>

The LLP has no significant recognised gains or losses other than the profit stated above and therefore no separate statement of total recognised gains or losses has been presented.

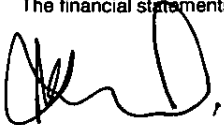
A note on historical gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account, whilst prepared on a modified historical cost basis, do not differ from those that would be prepared on an unmodified and historical cost basis as the company's policy is not to depreciate investment properties.

Turnover and operating profit are wholly attributable to continuing operations.

BADGER PROPERTY PARTNERS LLP**BALANCE SHEET as at 5 April 2008**

	Notes	2008 £	2007 £
FIXED ASSETS			
Tangible assets	8	141,750,000	141,750,000
CURRENT ASSETS			
Debtors	9	490,458	583,665
Cash at bank and in hand		<u>1,925,821</u>	<u>2,154,969</u>
		2,416,279	2,738,634
CREDITORS: amounts falling due within one year	10	<u>(4,115,296)</u>	<u>(3,944,931)</u>
NET CURRENT LIABILITIES		<u>(1,699,017)</u>	<u>(1,206,297)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		140,050,983	140,543,703
CREDITORS: amounts falling due after more than one year	11	<u>(116,023,006)</u>	<u>(117,014,906)</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>24,027,977</u>	<u>23,528,797</u>
REPRESENTED BY:			
LOANS AND OTHER DEBTS DUE TO MEMBERS WITHIN ONE YEAR			
Members' capital classified as a liability under FRS 25	13	150,000	150,000
EQUITY			
Revaluation reserve	13	36,673,933	36,673,933
Members' other interests - other reserves classified as equity under FRS 25	13	<u>(12,795,956)</u>	<u>(13,295,136)</u>
		<u>24,027,977</u>	<u>23,528,797</u>
TOTAL MEMBERS' INTERESTS			
Members' other interests	13	<u>24,027,977</u>	<u>23,528,797</u>
		<u>24,027,977</u>	<u>23,528,797</u>

The financial statements were approved by the members on 1 September 2008 and signed on their behalf by:



Mr. R.C. Desmond
Designated Member

Date: 1 September 2008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2008

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships, except for the departure from the Companies Act described below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £1,699,017 (2007: £1,206,297) which the members believe to be appropriate for the following reasons. The members have prepared profit and cash flow projections for the period to the end of the term loan which indicate that the business is expected to be profitable and cash generative. On the basis of this cash flow information the members consider it will continue in operational existence by meeting its liabilities as they fall due. However, there is no certainty in relation to these matters. The financial statements do not include any adjustments that would result from the partnership not achieving its cash flow projections.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. In accordance with SSAP19, (i) investment properties are revalued annually by the members at open market value and the aggregate surplus or deficit is transferred to an investment revaluation reserve unless the deficit is expected to be permanent, in which case it is charged to the profit and loss account, (ii) an external professional valuation will be carried out at least every five years, (iii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run, (iv) the profit on disposal is based on book value. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The members consider that, as the property is not held for consumption but for investment, to depreciate it would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leases

Income in respect of assets held for use in operating leases is recognised over the period it relates to, based on the accruals principal.

Taxation

Taxation on all LLP profits is solely the personal liability of individual members. Consequently neither taxation nor related deferred taxation arising in respect of the LLP are accounted for in these financial statements.

Classification of members' capital of the partnership

In line with FRS 25, the members capital of the partnership is treated as equity only to the extent that the partnership has an unconditional right to avoid repaying the capital. If the partnership is liable to repay the capital, it should be classified as debt.

Where the profit share of members is pre-determined, without the need for any further decision on the division of those profits, and not at the discretion of the partnership, the profit is classified as a liability of the partnership and shown as a charge to the profit and loss account under members' profit allocation. Where the profit share of members is not pre-determined, the profit is classified as equity and there is no charge to the profit and loss account.

Allocation of profits

The allocation of the profit to those who are members during the period occurs following the finalisation of the annual financial statements as per the LLP agreement. Unallocated profits are shown in 'members' other interests'.

Turnover

Turnover represents rental income receivable in respect of the LLP's property interests.

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2008

2. TURNOVER

The LLP's turnover and profit arises solely from its commercial property interests.

There is no significant turnover and profit arising in geographical locations other than the United Kingdom.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

	2008 £	2007 £
Operating profit is stated after charging/(crediting):		
Auditors' remuneration - audit services	5,875	5,875
Operating income - rental income	<u>(7,706,442)</u>	<u>(7,098,965)</u>

4. PARTICULARS OF MEMBERS AND REMUNERATION

The average number of members of the Limited Liability Partnership for the financial period was 2.

There were no drawings allocated to the members during the period.

The largest entitlement to profit for a member was £679,738 (2007: £575,370).

5. STAFF NUMBERS AND COSTS

There were no employees during the period.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Bank interest receivable	<u>14,315</u>	<u>46,579</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Bank loans and overdrafts	6,787,218	6,268,124
Other financing costs	<u>93,207</u>	<u>126,246</u>
	<u>6,880,425</u>	<u>6,394,370</u>

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2008

8. TANGIBLE ASSETS

	Freehold land and buildings £
Cost:	
At 6 April 2007 and 5 April 2008	<u>141,750,000</u>
Net book value:	
At 5 April 2008	<u>141,750,000</u>
At 5 April 2007	<u>141,750,000</u>

The building is being leased under an operating lease and the period end net book value is shown above. On 24 July 2006 the building was valued at £141.75 million by FPD Savills. The members are of the opinion that the carrying value of the property is not materially different to the open market value.

9. DEBTORS

	2008 £	2007 £
Prepayments and accrued income	<u>490,458</u>	<u>583,665</u>

10. CREDITORS: amounts falling due within one year

	2008 £	2007 £
Bank loan (see note 12)	955,094	811,125
Accruals and deferred income	<u>3,160,202</u>	<u>3,133,806</u>
	<u>4,115,296</u>	<u>3,944,931</u>

11. CREDITORS: amounts falling due after more than one year

	2008 £	2007 £
Bank loan (see note 12)	<u>116,023,006</u>	<u>117,014,906</u>
	<u>116,023,006</u>	<u>117,014,906</u>

12. BANK LOAN OBLIGATION

	2008 £	2007 £
The LLP's bank loan obligations are due:		
Within 1 year	955,094	811,125
In more than 1 year but not more than 2 years	1,392,694	955,094
In more than 2 years but not more than 5 years	4,658,015	4,404,690
In more than 5 years	<u>109,972,297</u>	<u>111,655,122</u>
	<u>116,978,100</u>	<u>117,826,031</u>

Bank loans are secured against the LLP's investment property (note 8). The loans are payable in quarterly instalments over 6 years with a final payment made at the end of the agreement. The loans carry interest at LIBOR plus a margin of 0.9%.

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2008

13. LOANS AND OTHER DEBTS DUE TO MEMBERS

	Members' capital classified as a liability £	Other reserves classified as equity £	Total £
Members' interests at 6 April 2007	150,000	23,378,797	23,528,797
Members' distribution	-	(256,084)	(256,084)
Profit for the financial period available for division among members	-	755,264	755,264
	<hr/>	<hr/>	<hr/>
Members' interests at 5 April 2008	150,000	23,877,977	24,027,977

14. RELATED PARTY TRANSACTIONS

During the year, the LLP made a distribution to its members of £256,084 (2007: £14,250,000).

The LLP leases the property to Express Newspapers, a company of which Mr. R.C. Desmond is also a director, for a rental of £7,627,593 per annum (2007: £7,627,593). No amounts remained outstanding at 5 April 2008 (2007: £nil).

The designated members control the LLP.