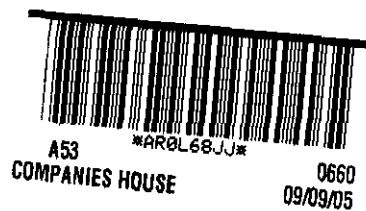


SABLEKNIGHT VICTORIA LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2004



SABLEKNIGHT VICTORIA LIMITED

I N D E X

Year ended 31 December 2004

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SABLEKNIGHT VICTORIA LIMITED**GENERAL INFORMATION****Year ended 31 December 2004**

| | |
|--------------------------|---|
| Directors | S M Gray I C Woodward |
| Secretary | G Spinks |
| Registered office | 90 Fetter Lane London EC4A 1PT |
| Company number | 3576145 |
| Auditors | KPMG LLP PO Box 695 8 Salisbury Square London EC4Y 8BB |
| Bankers | Coutts & Co Commercial Banking 440 Strand London WC2R 0QS |

SABLEKNIGHT VICTORIA LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2004

The directors submit their report and accounts for the year ended 31 December 2004.

Review of the business

The principal activity of the company is the holding of an investment property following the redevelopment of a site in London.

Results and dividends

The profit on ordinary activities before taxation for the year amounted to £661,284 (2003 - £16,677), details of which are given in the attached financial statements. The directors do not propose a payment of a dividend (2003 - £nil).

Directors

The directors who served throughout the year are as shown on page 2.

No director had any beneficial interests in the shares of the company or the parent company during the year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint KPMG LLP as auditors in accordance with section 385 of the Companies Act 1985 will be proposed at the forthcoming annual general meeting.

By order of the board



G SPINKS
Secretary

25 April

2005

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Sableknight Victoria Limited

We have audited the financial statements on pages 5 to 12.

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 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 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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 April 2005

SABLEKNIGHT VICTORIA LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 31 December 2004**

| | Note | 2004 £ | 2003 £ |
|--|-------------|-------------------------|-------------------------|
| Turnover | 1 | 2,555,924 | - |
| Administrative expenses | | (202,182) | (22,691) |
| Operating profit/(loss) | 2 | 2,353,742 | (22,691) |
| Interest receivable | | 46,989 | 39,368 |
| Interest payable | 3 | (1,739,447) | - |
| Profit on ordinary activities before taxation | | 661,284 | 16,677 |
| Tax on profit on ordinary activities | 4 | - | - |
| Retained profit for the year | 11 | 661,284 | 16,677 |
| Retained loss brought forward | | (917,553) | (934,230) |
| Retained loss carried forward | | (256,269) | (917,553) |

All amounts relate to continuing operations.

SABLEKNIGHT VICTORIA LIMITED

**STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES**

Year ended 31 December 2004

| | 2004 | 2003 |
|--|-------------------|---------------|
| | £ | £ |
| Profit for the financial year after taxation | 661,284 | 16,677 |
| Unrealised surplus on revaluation of property | 31,393,748 | - |
| Total recognised gains relating to the year | <u>32,055,032</u> | <u>16,677</u> |

SABLEKNIGHT VICTORIA LIMITED

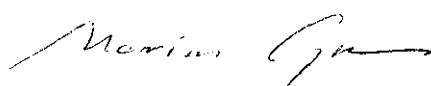
BALANCE SHEET

At 31 December 2004

| | Note | 2004 £ | 2003 £ |
|--|------|--------------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 5 | 100,730,000 | 21,572,876 |
| Investments | 6 | 50 | 50 |
| | | <u>100,730,050</u> | <u>21,572,926</u> |
| Current assets | | | |
| Debtors | 7 | 47,166,597 | 40,959,025 |
| Cash at bank and in hand | | 1,632,990 | 1,124,754 |
| | | <u>48,799,587</u> | <u>42,083,779</u> |
| Creditors: amounts falling due within one year | 8 | (49,429,048) | (602,500) |
| Net current (liabilities)/assets | | <u>(629,461)</u> | <u>41,481,279</u> |
| Total assets less current liabilities | | <u>100,100,589</u> | <u>63,054,205</u> |
| Creditors: amounts falling due after more than one year | 9 | (68,963,109) | (63,971,757) |
| Net assets/(liabilities) | | <u>31,137,480</u> | <u>(917,552)</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 1 | 1 |
| Revaluation reserve | 11 | 31,393,748 | - |
| Profit and loss account | 11 | (256,269) | (917,553) |
| Shareholders' funds/(deficit) | 11 | <u>31,137,480</u> | <u>(917,552)</u> |

Debtors includes £nil due after more than one year (2003 - £40,926,567).

The financial statements on pages 5 to 12 were approved by the board of directors on 25 April 2005 and were signed on its behalf by:-



S M GRAY
Director

SABLEKNIGHT VICTORIA LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2004

Accounting convention

The financial statements are prepared under the historical cost convention.

The going concern basis has been used to prepare the financial statements, since the company's parent company has undertaken to provide such support as is necessary to enable the company to meet its obligations as and when they fall due.

Cash flow

The company is exempt from the requirement to include a cash flow statement within its financial statements since it is classified as a small company under sections 246 to 249 of the Companies Act 1985.

Rental income

Rental income is recognised evenly over the life of lease or to the next rent review date, if earlier.

Investment property

Investment property is included in the balance sheet at open market values as determined by independent valuers (note 5).

No depreciation is provided on the investment properties. This constitutes a departure from the statutory accounting requirements of the Companies Act 1985, but in the opinion of the directors, the effect of this departure is that the financial statements present a true and fair view of the value of properties. Depreciation or amortisation 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.

All changes in the open market values of the investment properties are taken to the statement of total recognised gains and losses, being a movement on the investment property revaluation reserve (note 11).

SABLEKNIGHT VICTORIA LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2004**

| 1. Turnover | 2004 | 2003 |
|---|------------------|---------------|
| | £ | £ |
| Turnover represents rental income receivable | <u>2,555,924</u> | <u>-</u> |
| <hr/> | | |
| 2. Operating profit | | |
| This is stated after charging: | | |
| Auditors' remuneration for audit services | <u>3,350</u> | <u>2,500</u> |
| <hr/> | | |
| 3. Interest payable | | |
| Bank loan | <u>1,739,447</u> | <u>-</u> |
| <hr/> | | |
| 4. Tax on profit on ordinary activities | | |
| Based on the profit for the year: | | |
| UK corporation tax | <u>-</u> | <u>-</u> |
| Factors affecting the tax charge for the year: | | |
| Profit on ordinary activities before tax | <u>661,284</u> | <u>16,677</u> |
| Profit on ordinary activities multiplied by the applicable corporation tax rate (30%) | <u>198,385</u> | <u>5,003</u> |
| Effects of: | | |
| Capital expenditure deductible for tax purposes | (326,072) | (494,410) |
| Capital allowances | (355,894) | (248,900) |
| Group relief for which no charge is made | 234,881 | 738,307 |
| Adjustment with respect to prior periods | <u>248,700</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |
| <hr/> | | |

SABLEKNIGHT VICTORIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

| 5. Tangible fixed assets | Investment property £ | Freehold assets in the course of construction £ | Total £ |
|-------------------------------|--------------------------|---|--------------------|
| Cost and valuation | | | |
| Cost at 1 January 2004 | - | 21,572,876 | 21,572,876 |
| Additions | - | 47,763,376 | 47,763,376 |
| Transfer | 69,336,252 | (69,336,252) | - |
| Revaluation | 31,393,748 | - | 31,393,748 |
| Valuation at 31 December 2004 | <u>100,730,000</u> | <u>-</u> | <u>100,730,000</u> |
| Cost at 31 December 2004 | <u>68,708,425</u> | <u>-</u> | <u>68,708,425</u> |

The investment property was valued at 10 December 2004 by FPD Savills on an open market basis at an amount of £100.73 million. If the property were sold at its revalued amount, UK corporation tax of £9.4 million will become payable.

| 6. Fixed asset investments | Investment in joint venture £ |
|--|-------------------------------------|
| Cost and net book value | |
| At 1 January 2004 and 31 December 2004 | <u>50</u> |

The company's joint venture investment at 31 December 2004 was:

| Name | Country of registration | Principal activity | Interest in ordinary shares |
|--------------------------|-------------------------|------------------------------|--------------------------------|
| QVS Developments Limited | England and Wales | Property development company | * 55.5% |

* Sableknight Victoria Limited shares management control on a 50%/50% basis with LD (Victoria) Limited, a subsidiary of Louis Dreyfus & Co Limited.

At 31 December 2004 the aggregate capital and reserves of QVS Developments Limited was £100. The profit for the year ended 31 December 2004 was £nil.

| 7. Debtors | 2004 £ | 2003 £ |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | 45,219,979 | 30,147 |
| Amounts owed by joint venture | - | 40,926,567 |
| Other debtors | 1,946,618 | 2,311 |
| | <u>47,166,597</u> | <u>40,959,025</u> |

SABLEKNIGHT VICTORIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

| 8. Creditors: amounts falling due within one year | 2004 £ | 2003 £ |
|---|-------------------|----------------|
| Bank loans | 1,889,000 | - |
| Accruals and deferred income | 46,896,996 | 602,500 |
| Amount owed to joint ventures | 643,052 | - |
| | <u>49,429,048</u> | <u>602,500</u> |

| 9. Creditors: amounts falling due after more than one year | | |
|--|-------------------|-------------------|
| Bank loans | 48,005,924 | 43,175,365 |
| Amounts owed to parent company | 20,957,185 | 20,796,392 |
| | <u>68,963,109</u> | <u>63,971,757</u> |

The long term bank loan bears interest at the LIBOR rate plus 1% and a further rate to cover compliance costs. The loan is repayable in quarterly instalments. The repayment amount depends on interest rates and rental income but is estimated to be as follows:

| | 2004 £ | 2003 £ |
|--|-------------------|-------------------|
| Amounts repayable within one year | 1,889,000 | - |
| Amounts repayable between one and two years | 1,889,000 | 1,889,000 |
| Amounts repayable between two and five years | 5,667,000 | 5,667,000 |
| Amounts repayable after five years | 40,449,924 | 35,619,365 |
| | <u>49,894,924</u> | <u>43,175,365</u> |

10. Share capital

| | | |
|--|-----|-----|
| Authorised 100 ordinary shares of £1 each | 100 | 100 |
| Allotted, called up and fully paid 1 ordinary share of £1 | 1 | 1 |

11. Reconciliation of movements in shareholders' funds

| | Share capital £ | Revaluation reserve £ | Profit and loss account £ | 2004 £ | 2003 £ |
|------------------------------------|-----------------------|-----------------------------|------------------------------------|-------------------|------------------|
| At 1 January 2004 | 1 | - | (917,553) | (917,552) | (934,229) |
| Revaluation of investment property | - | 31,393,748 | - | 31,393,748 | - |
| Retained profit for the year | - | - | 661,284 | 661,284 | 16,677 |
| At 31 December 2004 | <u>1</u> | <u>31,393,748</u> | <u>(256,269)</u> | <u>31,137,480</u> | <u>(917,552)</u> |

SABLEKNIGHT VICTORIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

12. Related party transactions

As the company is a wholly owned subsidiary of Sableknight Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Sableknight Limited. The consolidated financial statements of Sableknight Limited, in which this company is included, can be obtained from Companies House.

13. Ultimate parent company

The company's controlling party and parent undertaking is Sableknight Limited, a company incorporated in Great Britain and registered in England and Wales. The company's ultimate controlling party is the Observer Publishing Trust.

The only group in which the results of the company are consolidated is that headed by Sableknight Limited.
