

3604306.

QVS DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 2000



QVS DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

The directors submit their annual report and the audited accounts for the period ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the company is property development.

REVIEW OF THE BUSINESS

The company was formed to redevelop Times Square - Queen Victoria Street, London, EC4. A proposed development is being marketed with a view to securing a tenant.

FUTURE DEVELOPMENTS

It is the directors' intention to commence the construction after securing a pre-letting.

RESULTS AND DIVIDENDS

There was no profit or loss for this or the prior period. All expenditure has been capitalised as work in progress.

The directors do not recommend the payment of a dividend (17 months ended 31 December 1999 : nil).

CLOSE COMPANY STATUS

The company is a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1988.

DIRECTORS

The directors in office during the year and up to the date of this report were:

D M Blackburn
S M Gray
D R W Harrison
E F Steiner
J Sussman

None of the directors had a beneficial interest in the shares of the company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers, as permitted by section 310(3) of the Companies Act 1985.

AUDITORS

KPMG were appointed as auditors and a resolution to re-appoint KPMG will be put to the members at the Annual General Meeting.

QVS DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2000

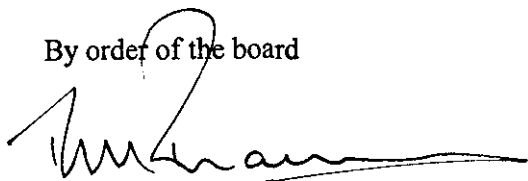
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 positions of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the board



D.M. Blackburn

Director

30 April 2001

Registered company number: 3604306

Registered office: Queensberry House
3 Old Burlington Street
London W1S 3LD

REPORT OF THE AUDITORS, KPMG, TO THE MEMBERS OF QVS DEVELOPMENTS LIMITED

We have audited the financial statements on pages 4 to 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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. 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 company is not disclosed.


Basis of 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 accounts. 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.

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 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG

Chartered Accountants
Registered Auditors
30 April 2001

QVS DEVELOPMENTS LIMITED

BALANCE SHEET

AT 31 DECEMBER 2000

	<u>NOTES</u>	<u>2000</u>	<u>1999</u>
		£	£
CURRENT ASSETS			
Stock - Work in progress		4,674,829	3,925,551
Debtors	7	46,246	123,721
Cash at bank and in hand		505,115	168,203
		<u>5,226,190</u>	<u>4,217,475</u>
 CREDITORS (amounts falling due within one year)	8	<u>(241,090)</u>	<u>(707,375)</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		4,985,100	3,510,100
 CREDITORS (amounts falling due after more than one year)	8	<u>(4,985,000)</u>	<u>(3,510,000)</u>
 NET ASSETS		<u>100</u>	<u>100</u>
 CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account		-	-
 SHAREHOLDERS' FUNDS		<u>100</u>	<u>100</u>

These financial statements were approved by the board of directors on 30 April 2001 and were signed on its behalf by:



D.M. Blackburn

Director

The notes on pages 5 to 6 form an integral part of these accounts.

QVS DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

1 ACCOUNTING POLICIES

i. Basis of accounting

The accounts are drawn up under the historical cost convention and in accordance with applicable Accounting Standards.

ii. Stocks

Stocks are stated at the lower of cost or net realisable value.

2 PROFIT AND LOSS ACCOUNT

No profit and loss account is prepared as the company had no income or expenditure, other than expenditure capitalised, in the year or the prior period.

3 AUDITORS' REMUNERATION

Auditors' remuneration of £4,000 has been capitalised, (17 months ended 31 December 1999 : £4,000).

4 EMPLOYEES AND DIRECTORS

The company has no employees. The directors received no emoluments during the year for their services to the company.

Mr D.M. Blackburn is a director of Blackburn Associates Limited who received fees of £210,000 (17 months ended 31 December 1999 - £266,226) in relation to services provided to the company. The balance owing to Blackburn Associates Limited at 31 December 2000 was £20,562 (17 months ended 31 December 1999 - £20,562).

5 TAXATION

There is no current or deferred liability, potential or otherwise, to UK corporation tax,

6 COMMITMENTS

There are no commitments at the year end.

7 DEBTORS

	<u>2000</u>	<u>1999</u>
	£	£
Other debtors	46,246	123,721

8 CREDITORS

	<u>2000</u>	<u>1999</u>
	£	£
Amounts falling due within one year:		
Due to Louis Dreyfus & Co Ltd	-	288,346
Accruals and deferred income	241,090	419,029
	<u>241,090</u>	<u>707,375</u>

QVS DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS
AT 31 DECEMBER 2000

8 CREDITORS (continued)

Amounts falling due after more than one year:

Loan advance due to Sableknight Victoria Ltd	2,766,675	1,948,050
Loan advance due to L D (Victoria) Ltd	2,218,325	1,561,950
	<u>4,985,000</u>	<u>3,510,000</u>

9 CALLED UP SHARE CAPITAL

	<u>2000</u>	<u>1999</u>
	£	£
Authorised : Redeemable preference shares	100,000,000	100,000,000
Authorised : 100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid : 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 RELATED PARTY DISCLOSURES

The company is jointly controlled by:

Sableknight Victoria Ltd, 90 Fetter Lane, London, EC4V 4BS.

and

L.D. (Victoria) Ltd, Queensberry House, 3 Old Burlington Street, London, W1S 3LD.

The ultimate parent company and controlling party of Sableknight Victoria Limited is the Observer Publishing Trust. The ultimate parent company and controlling party of L D (Victoria) Ltd is SA Louis Dreyfus et CIE. The following material transactions with related parties were undertaken during the year:

	<u>2000</u>	<u>1999</u>
	£	£
Loan advances by shareholders:		
Sableknight Victoria Ltd	818,625	1,948,050
L D (Victoria) Ltd	656,375	1,561,950
Development costs charged by related parties:		
Sableknight Victoria Ltd	-	306,062
Louis Dreyfus & Co Ltd	-	245,401