

# **Vector Investments Limited**

## **Annual report and financial statements**

**for the year ended 31 December 2005**

Registered Number 2693876



# **Vector Investments Limited**

## **Annual report and financial statements for the year ended 31 December 2005**

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# **Vector Investments Limited**

## **Directors and Advisors for the year ended 31 December 2005**

### **Directors**

R Corser

A L Howard FCA

### **Secretary**

A L Howard FCA

### **Auditors**

Wilkins Kennedy

Bridge House

London Bridge

London

SE1 9QR

### **Registered Office**

Highlands

15, Vernon Road

Leigh-on-Sea

Essex

SS9 2NG

### **Registered Number**

2693876

# Vector Investments Limited

## Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

### Principal activities

The principal activity of the company continues to be the development of and investment in property.

### Review of business and future developments

The directors consider that the results for the year are in accordance with expectations.

### Results and dividends

The directors do not recommend the payment of an equity dividend. The loss for the year of £1,165,000 (2004: £2,842,000), which is stated after charging an appropriation for dividends on the cumulative preference shares amounting to £1,004,000 (2004: £1,049,000), will be added to the accumulated deficit on the profit and loss account.

### Directors and their interests

The directors who held office during the year are given below:

R W E Charlton (Resigned 5 October 2005)

R Corser

A L Howard FCA

R C Leese CBE (Resigned 5 October 2005)

M A Moore BA M.Sc(Econ) MRTPI (Resigned 24 February 2005)

According to the register kept under Section 325 of the Companies Act 1985, no director had any interest in the shares of the company during 2004 or 2005.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

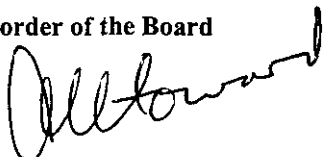
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

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. 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. Moreover, they confirm that no director is aware of any relevant information which has not been disclosed to the auditors.

### Auditors

The auditors, Wilkins Kennedy, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Secretary

1 September 2006

# **Vector Investments Limited**

## **Independent Auditors' Report to the Members of Vector Investments Limited**

We have audited the financial statements of Vector Investments Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cashflow statement, and the related notes. 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 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**

As described in the statement of Directors Responsibilities within the Directors' Report the directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounts Practice).

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 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

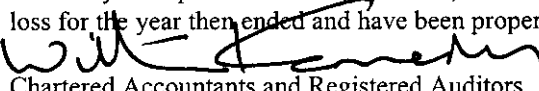
### **Basis of opinion**

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.

### **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 at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants and Registered Auditors  
London

6 September 2006

# Vector Investments Limited

## Profit and loss account for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>Continuing operations</b>			
<b>Turnover</b>		<b>225</b>	<b>3,372</b>
Administrative expenses		(489)	(1,310)
<b>Operating (loss)/profit</b>		<b>(264)</b>	<b>2,062</b>
Profit on sale of property		-	756
Profit on sale of motor vehicles		7	-
Net interest receivable/(payable) and similar charges	3	96	(4,611)
<b>Loss on ordinary activities before taxation</b>	4	<b>(161)</b>	<b>(1,793)</b>
Taxation	5	-	-
<b>Loss for the financial year</b>		<b>(161)</b>	<b>(1,793)</b>
Appropriations in respect of non-equity shares	6	(1,004)	(1,049)
<b>Transfer to accumulated losses</b>	13	<b>(1,165)</b>	<b>(2,842)</b>

The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

The company's operations are continuing. There have been no acquisitions or discontinued operations during the current or preceding period.


There is no material difference between the loss on ordinary activities before taxation, and the retained losses for the year stated above, and their historical cost equivalents.

# Vector Investments Limited

## Balance sheet as at 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Tangible assets	7	2,000	2,000
Investment	8	-	-
		<b>2,000</b>	<b>2,000</b>
<b>Current assets</b>			
Debtors	9	5,884	5,539
Cash at bank and in hand		-	74
		<b>5,884</b>	<b>5,613</b>
<b>Creditors: amounts falling due within one year</b>	10	<b>(9,239)</b>	<b>(8,557)</b>
<b>Net current (liabilities)/assets</b>		<b>(3,355)</b>	<b>(2,944)</b>
<b>Total assets less current liabilities</b>		<b>(1,355)</b>	<b>(944)</b>
<b>Creditors: amounts falling due after one year</b>	11	<b>-</b>	<b>(250)</b>
<b>Net liabilities</b>		<b>(1,355)</b>	<b>(1,194)</b>
<b>Capital and reserves</b>			
Called up share capital	12	18,350	18,350
Profit and loss account	13	(19,705)	(19,544)
<b>Shareholders' deficit</b>	14	<b>(1,355)</b>	<b>(1,194)</b>
<b>Equity shareholders' deficit</b>		<b>(24,641)</b>	<b>(23,476)</b>
<b>Non-equity shareholders' funds</b>		<b>23,286</b>	<b>22,282</b>
		<b>(1,355)</b>	<b>(1,194)</b>

The financial statements on pages 4 to 15 were approved by the board of directors on 1 September 2006 and signed on its behalf by:



Director

# Vector Investments Limited

## Cash flow statement for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>Reconciliation of operating profit to net cash inflow (outflow) from operating activities</b>			
Operating (loss)/profit for the year		(264)	2,062
Depreciation	4	-	5
Loss on disposal of fixed assets		-	8
(Increase)/Decrease in debtors		(345)	1,196
Increase in creditors		390	286
<b>Net cash flow from operating activities</b>	<b>A</b>	<b>(219)</b>	<b>3,557</b>
<b>Returns on investments and servicing of finance</b>			
Interest received	3	96	124
Interest payable	3	-	(707)
Interest element of finance lease	3	-	(4,028)
<b>Net cash flow from financing operations</b>	<b>B</b>	<b>96</b>	<b>(4,611)</b>
<b>Capital expenditure and financial investment</b>			
Expenditure to acquire fixed assets	7	-	(2,000)
Receipts from sales of tangible fixed assets		7	-
Receipts from sales of current asset investments		-	44,680
<b>Net cash inflow/(outflow) for capital expenditure and financial investment</b>	<b>C</b>	<b>7</b>	<b>42,680</b>
<b>Financing</b>			
Repayment of loans		-	(25,047)
Capital element of finance lease rental payments	12	-	(17,144)
<b>Net cash (outflow) from financing</b>	<b>D</b>	<b>-</b>	<b>(42,191)</b>
<b>Decrease in cash in the year</b>	<b>A+B+C+D</b>	<b>(116)</b>	<b>(565)</b>
<b>Cash at 1<sup>st</sup> January</b>		<b>74</b>	<b>639</b>
<b>(Overdraft)/Cash at 31<sup>st</sup> December</b>		<b>(42)</b>	<b>74</b>



# Vector Investments Limited

## Notes to cash flow statement

	2005 £'000	2004 £'000
<b>1) Reconciliation of net cash flow to movement in net debt</b>		
Decrease in cash in the year	(116)	(565)
Cash outflow from decrease in debt and lease financing	-	42,191
(Increase)/Decrease in net debt resulting from cash flows	(116)	41,626
Net funds/(debt) at 1 <sup>st</sup> January	74	(41,552)
<b>Net (debt)/funds at 31<sup>st</sup> December</b>	<b>(42)</b>	<b>74</b>

## 2) Analysis of changes in net debt

	At 1 <sup>st</sup> Jan £'000	Cash flows £'000	Other changes £'000	At 31st Dec £'000
Cash in hand, at bank	74	(116)	-	(42)
<b>Total</b>	<b>74</b>	<b>(116)</b>	<b>-</b>	<b>(42)</b>

# Vector Investments Limited

## Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of investment properties.

### Going concern

The directors have received assurances from the parent undertaking that the company will be provided with sufficient financial support for the foreseeable future. Accordingly, the financial statements have been prepared on the basis that the company is a going concern.

### Turnover

Turnover, which excludes value added tax, represents rents receivable and the invoiced value of goods and services supplied. All turnover arises in the United Kingdom.

### Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets (other than investment property), less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Motor vehicles	25

### Investment property

Investment property has been included in the financial statements at directors' valuation and have not been depreciated. In accordance with SSAP 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve.

### Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are not depreciated as they are held as investment property.

### Deferred taxation

Deferred taxation is provided for at current rates for taxation in respect of all timing differences except to the extent that, in the opinion of the directors, there is a reasonable probability that the liability will not arise in the foreseeable future. Deferred tax assets are recognised only to the extent that the directors consider 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.

# Vector Investments Limited

## Notes to the financial statements for the year ended 31 December 2005

### 1 Employee information

The company has no employees, other than its directors, and no staff costs.

### 2 Directors' emoluments

	2005 £'000	2004 £'000
Fees and other emoluments	-	-

No payments have been made to any director for services as director during the year. However, payments made for other services are disclosed under related party transactions, note 18.

### 3 Net interest payable and similar charges

	2005 £'000	2004 £'000
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	-	707
On finance leases	-	4,028
Interest payable and similar charges	-	4,735
Interest receivable	(96)	(124)
Net interest (receivable)/payable and similar charges	(96)	4,611

## Vector Investments Limited

### 4 Operating (Loss)/Profit

	2005 £'000	2004 £'000
Operating (loss)/profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	-	5
Auditors' remuneration for:		
Audit	10	10
Other services	6	35

### 5 Tax on loss on ordinary activities

There was no taxation charge in respect of the result for the year (2004: £Nil).

### 6 Dividends and appropriations

	2005 £'000	2004 £'000
Dividends on non-equity shares:		
Appropriation for dividend on cumulative redeemable preference shares not paid	1,004	1,049

# Vector Investments Limited

## 7 Tangible fixed assets

	Investment Property £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2005	2,000	21	2,021
Disposals	-	(21)	(21)
Additions at cost	-	-	-
<b>At 31 December 2005</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>
<b>Depreciation</b>			
At 1 January 2005	-	21	21
Released on disposal	-	(21)	(21)
Charge for the year	-	-	-
<b>At 31 December 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
At 31 December 2005	<b>2,000</b>	<b>-</b>	<b>2,000</b>
At 31 December 2004	<b>2,000</b>	<b>-</b>	<b>2,000</b>

Depreciation is not provided on investment property. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, this property is not held for consumption but for investment and the directors consider that annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

## 8 Fixed asset investment

The company owns the whole of the issued share capital of Vector Trading Limited, a company registered in England and Wales. Vector Trading Limited had the benefit of the underlease of certain commercial property within the Victoria Station complex, Manchester (sold on 27 September 2004). As at 31 December 2005 the company had net assets of £1,364,865 (2004: £1,364,594) and returned profits after taxation for the year then ended of £270 (2004: £1,329,719).

The group qualifies as a small group and as such is exempt under paragraph 248 of Financial Reporting Standard No 2 from preparing consolidated financial statements.

# Vector Investments Limited

## 9 Debtors

	2005 £'000	2004 £'000
Amounts falling due within one year		
Amounts recoverable from former tenant	4,281	3,957
Other debtors	1,603	1,580
Prepayments and accrued income	-	2
	5,884	5,539

Included in other debtors is an amount of £1,500,000 cash held on escrow with solicitors.

## 10 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Bank loans and overdrafts	42	-
Amounts owed to parent undertaking	7,246	6,371
Trade creditors	105	317
Accruals and deferred income	264	76
Amounts owed to subsidiary undertakings	1,332	1,253
Other creditors	250	540
	9,239	8,557

# Vector Investments Limited

## 11 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Other creditors	-	250
	-	250

## 12 Called up share capital

	2005 £'000	2004 £'000
<b>Authorised</b>		
100,000 (2004: 100,000) ordinary shares of £1 each	100	100
18,750,000 (2004: 18,750,000) cumulative redeemable preference shares of £1 each	18,750	18,750
	<b>18,850</b>	<b>18,850</b>
<b>Allotted, called up and fully paid</b>		
100,000 (2004: 100,000) ordinary shares of £1 each	100	100
18,250,000 (2004: 18,250,000) cumulative redeemable preference shares of £1 each	18,250	18,250
	<b>18,350</b>	<b>18,350</b>

Dividends accrue on the preference shares at 1% above Barclays Bank base rates. Dividends accumulated not paid at the balance sheet date amount to £5,036,125 (2004: £4,032,375). These shares are redeemable by the company given six weeks notice by shareholders.

## 13 Reserves

	Profit and loss account £'000
At 1 January 2005	(19,544)
Loss for the year	(1,165)
Appropriations not paid	1,004
<b>At 31 December 2005</b>	<b>(19,705)</b>

## Vector Investments Limited

### 14 Reconciliation of movements in shareholders' deficit

	2005 £'000	2004 £'000
Loss for the financial year	(1,165)	(2,842)
Appropriations not paid	1,004	1,049
Opening shareholders' (deficit)/surplus	(1,194)	599
Closing shareholders' (deficit)	(1,355)	(1,194)

### 15 Commitments

The company has no financial commitments under non cancellable operating leases (2004: £Nil).

### 16 Deferred taxation

A deferred tax asset has not been provided in respect of available tax losses as at 31 December 2005 on the grounds that there is insufficient evidence that the asset will be recoverable. The amount that has not been recognised is approximately £6.24 million calculated at an effective tax rate of 30%. The deferred tax asset will *only be recognised once the directors are certain that sufficient future profits will be made to cover the full extent of the available losses.*

### 17 Contingent liabilities

The company has entered into an arrangement with the purchaser on completion of the disposal of the investment property concerning the cash held on escrow in a commercial matter. Should certain contractual issues not be finalised by 26 September 2006 then the entire balance becomes forfeit for the benefit of the purchaser. The directors are confident that negotiations will conclude in their favour.



# Vector Investments Limited

## 18 Related party disclosures

Disclosable transactions and balances with the related parties for the year were:

Related party	Relationship	Nature of transaction	Value of Transactions		Balances owed to/(owed by) the company	
			2005 £'000	2004 £'000	2005 £'000	2004 £'000
R C Leese CBE	^	Directors' Services	-	560	-	(40)
A L Howard	+	Accountancy Services	46	76	-	10
		Sale of Motor Vehicle	7	-	-	-
M A Moore	Director	Consultancy	6	12	-	-

^ R C Leese who resigned as director on 25 October 2005 is a councillor on the Manchester City Council who were tenants of the company until disposal on 27 September 2004 and was involved in management arrangements together with NCP who jointly with the Council managed that interest. Amounts disclosed are transactions with Manchester City Council and NCP and not R C Leese as director.

+ A L Howard, a director, is a partner in a firm that provides the company with accountancy, company secretarial and clerical services.

European Ferries Limited holds 100% of the issued ordinary share capital and 60% of the redeemable preference shares of the company. As a wholly owned subsidiary company no disclosure of transactions with group companies is required under FRS 8.

## 19 Controlling entity

The company considers Peninsular and Oriental Steam Navigation Company to be its ultimate parent undertaking.