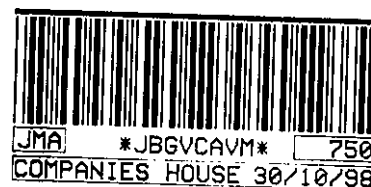


to Reg of Co's

Registered no: 2693876

Vector Investments Limited
Annual report
for the year ended 31 December 1997



Vector Investments Limited

Annual report for the year ended 31 December 1997

	Pages
Directors and advisers	1
Directors' report	2
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7
Report of the auditors to the directors	14

Vector Investments Limited

1

Directors and advisers

Executive directors

J D Beverton, FCA
(Managing director)

M A Moore, BA M.Sc(Econ) MRTPI

Registered Auditors

Coopers & Lybrand
Abacus Court
6 Minshull Street
Manchester
M1 3ED

Non-executive directors

Sir David Trippier RD JP DL
(Chairman)

D Bate
R Waddington
R W E Charlton

Solicitors

Slaughter & May
35 Basinghall Street
London
EC2V 5DB

Company secretary

A E W Hudson MA MBA FCIS
Hudson Administration
2nd Floor
Peter House
2-14 Oxford Street
Manchester
M1 5AN

Registered office

Arena Point
1 Hunts Bank
Manchester
M3 1AP

**Directors' report
for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activity of the company is the development and ownership of the arena complex at Victoria Station, Manchester.

Review of business and future developments

The company has been engaged in the management of the development at Victoria Station Manchester, including the Nynex arena, and in securing tenants for the un-let commercial development.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the year of £3,161,000, which is stated after charging an appropriation for dividends on the cumulative preference shares amounting to £374,000, will be added to the accumulated deficit on the profit and loss account.

Directors

The directors of the company at 31 December 1997 are listed on page 1.

Councillor R C Leese resigned as a director on 22 July 1997.

Mr N Turner resigned as a director on 23 April 1997.

Mr R W E Charlton was appointed on 10 October 1997.

Mr R Reames resigned as a director on 31 December 1997.

The remaining directors were directors for the whole year.

Directors' interests in shares of the company

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 the year.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year 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 and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 8 to the financial statements.

Auditors

The auditors, Coopers & Lybrand, announced their merger with Price Waterhouse with effect from 1 July 1998. The combined firms will practice in the name PricewaterhouseCoopers. A resolution proposing that PricewaterhouseCoopers be appointed as auditors will be put to the members at the next Annual General Meeting.

By order of the board



A E W Hudson
Company Secretary
22 September 1998

Report of the auditors to the members of Vector Investments Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 of the state of the company's affairs at 31 December 1997 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
22 September 1998

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Continuing operations			
Turnover		2,493	1,705
Administrative expenses		(2,354)	(1,668)
Operating profit		139	37
Interest payable and similar charges	4	(3,031)	(2,863)
Interest receivable		105	103
Loss on ordinary activities before taxation	5	(2,787)	(2,723)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	(2,787)	(2,723)
Appropriations in respect of non-equity shares	7	(374)	(197)
Transfer to accumulated losses		(3,161)	(2,920)


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

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

Balance sheet at 31 December 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	8	69,154	70,079
Investment	9	-	-
		<u>69,154</u>	<u>70,079</u>
Current assets			
Debtors	10	531	982
Cash at bank and in hand		482	2,597
		<u>1,013</u>	<u>3,579</u>
Creditors: amounts falling due within one year	11	(7,028)	(8,966)
Net current liabilities		<u>(6,015)</u>	<u>(5,387)</u>
Total assets less current liabilities		63,139	64,692
Accruals and deferred income	12	(35,394)	(36,234)
Creditors: amounts falling due after one year	13	(33,338)	(31,264)
Net liabilities		<u>(5,593)</u>	<u>(2,806)</u>
Capital and reserves			
Called up share capital	14	4,850	4,850
Profit and loss account	15	(10,443)	(7,656)
Equity shareholders' deficit		<u>(10,914)</u>	<u>(7,556)</u>
Non-equity shareholders' funds		5,321	4,750
Shareholders' deficit	16	<u>(5,593)</u>	<u>(2,806)</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 22 September 1998 and were signed on its behalf by:



Sir David Trippier
Chairman



J D Beverton
Managing Director

**Notes to the financial statements
for the year ended 31 December 1997****1 Principal 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.

Turnover

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

Cash flow

The company qualifies as a small company under section 247 of the Companies Act 1985. As a consequence, it is exempt from the requirement to publish a cash flow statement.

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, 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:

	%
Long leasehold land and buildings:	
Year ended 31 December 1996	0.5
Year ended 31 December 1997	0.75
Subsequent years	1
Motor vehicles	25
Office equipment	25
Plant and machinery	3 - 10

Assets under construction are not depreciated until construction is complete.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which will be credited to the profit and loss account over the related asset's useful life.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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 depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1997 Number	1996 Number
By activity		
Administration	1	1
Directors	1	2
	<u>2</u>	<u>3</u>
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	77	80
Social security	9	8
Staff pension	1	3
	<u>87</u>	<u>91</u>

3 Directors' emoluments

	1997 £'000	1996 £'000
Fees and other emoluments	<u>68</u>	<u>89</u>

4 Interest payable and similar charges

	1997 £'000	1996 £'000
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	1,620	1,481
On finance leases	1,411	1,382
	<u>3,031</u>	<u>2,863</u>

5 Loss on ordinary activities before taxation

	1997 £'000	1996 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	224	152
Depreciation of assets held under finance leases	819	812
Auditors' remuneration	12	8
Bad debt written off	500	-
	<u>1,555</u>	<u>1,772</u>

6 Tax on loss on ordinary activities

There was no taxation charge due to the loss for the year.

7 Dividends and appropriations

	1997 £'000	1996 £'000
Dividends on non-equity shares:		
Appropriation for dividend on cumulative redeemable preference shares not paid	374	197
	<u>374</u>	<u>197</u>

8 Tangible fixed assets

	Motor vehicles	Plant and equipment	Fixtures and fittings	Long leasehold land and buildings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 1997	22	17,500	18	53,510	71,050
Additions	-	17	-	101	118
Disposals	-	-	-	-	-
At 31 December 1997	22	17,517	18	53,611	71,168
Depreciation					
At 1 January 1997	5	812	12	142	971
Charge for the year	5	819	5	214	1,043
Disposals	-	-	-	-	-
At 31 December 1997	10	1,631	17	356	2,014
Net book value					
At 31 December 1997	12	15,886	1	53,255	69,154
Net book value					
At 31 December 1996	17	16,688	6	53,368	70,079

The net book value of assets held under finance leases is £15,886,000 (1996:£16,688,000).

9 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 has the benefit of an underlease and sub-underlease of certain commercial property within the Victoria Station complex, Manchester. Its activities are concentrated on the letting of commercial property within the Victoria Station complex, Manchester.

The group qualifies as a medium sized group and as such is exempt under paragraph 219(a) of Financial Reporting Standard No 2 from preparing consolidated financial statements.

The audited financial statements of Vector Trading Limited for the period ended 31 December 1997 show capital and reserves amounting to £6,732. Vector Trading Limited made a profit of £5,777 during the period ended 31 December 1997.

10 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year		
Trade debtors	206	782
Other debtors	5	9
Prepayments and accrued income	320	143
Amounts owed by subsidiary undertakings	-	48
	<u>531</u>	<u>982</u>

11 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Bank loans and overdraft	2,828	3,130
Other loan	3,100	3,350
Trade creditors	174	900
Other creditors	52	213
Accruals and deferred income	860	1,373
Amounts owed to subsidiary undertakings	14	-
	<u>7,028</u>	<u>8,966</u>

12 Accruals and deferred income

	1997 £'000	1996 £'000
Deferred government grant	33,959	34,765
Deferred local authority grant	1,435	1,469
	<u>35,394</u>	<u>36,234</u>

13 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Bank loan	15,000	13,764
Obligations under finance leases	18,338	17,500
	<u>33,338</u>	<u>31,264</u>

14 Called up share capital

	1997 £'000	1996 £'000
Authorised		
100,000 (1996: 100,000) ordinary shares of £1 each	100	100
4,750,000 (1996: 4,750,000) cumulative redeemable preference shares of £1 each	4,750	4,750
	<u>4,850</u>	<u>4,850</u>
Allotted, called up and fully paid		
100,000 (1996: 100,000) ordinary shares of £1 each	100	100
4,750,000 (1996: 4,750,000) cumulative redeemable preference shares of £1 each	4,750	4,750
	<u>4,850</u>	<u>4,850</u>

15 Profit and loss account

	1997 £'000	1996 £'000
Accumulated losses		
At 1 January	(7,656)	(4,933)
Loss for the year	(3,161)	(2,920)
Appropriations not paid	374	197
	<u>(10,443)</u>	<u>(7,656)</u>
At 31 December		

16 Reconciliation of movements in shareholders' deficit

	1997 £'000	1996 £'000
Increase in share capital	-	4,849
Loss for the financial year	(3,161)	(2,920)
Appropriations not paid	374	197
Opening shareholders' deficit	(2,806)	(4,932)
	<u>(5,593)</u>	<u>(2,806)</u>
Closing shareholders' deficit		

17 Capital commitments

	1997 £'000	1996 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	151
	<u>-</u>	<u>151</u>

18 Related party disclosures

The company has had transactions with the following related parties during the period:

Related party	Relationship	Nature of business	Value of transaction	Balances owed to/(owed by) the company at 31 December 1997
			£	£
Vector Trading Limited	Wholly-owned subsidiary	Sales	235,373	(97,036)
Bovis Construction Limited	Guarantee	Construction	17,184	-
Bovis Engineering Limited	Guarantee	Purchases	1,000	(1,000)
P&O Developments Limited	Guarantee	Purchases	18,808	-
Arena 7 Limited	Guarantee	Construction	363,852	427,150
Bovis Construction Limited	Guarantee	Loan interest	-	11,780
Bovis Limited	Guarantee	Purchases	-	(66,959)
Bovis Limited	Guarantee	Loan interest	249,076	(249,076)
Bovis Limited	Guarantee	Preference shares issued	-	(4,750,000)
Bovis Limited	Guarantee	Loan drawdown	-	(3,100,000)

The company is in protracted negotiations involving two related parties, to procure settlement of a debt. No provision has been made in respect of this debt and the directors believe that the company will not incur any significant loss as a result of the dispute.

There were no other material transactions or balances with related parties during the period ended 31 December 1997.