

Reg of Co,

Vector Investments Limited
Annual report and financial statements
for the year ended 31 December 2000

Registered Number 2693876



Vector Investments Limited

Vector Investments Limited

Annual report and financial statements for the year ended 31 December 2000

Contents

Directors and Advisors for the year ended 31 December 2000	1
Directors' report for the year ended 31 December 2000	2
Auditors' report to the members of Vector Investments Limited	4
Profit and loss account for the year ended 31 December 2000	5
Balance sheet as at 31 December 2000	6
Accounting policies	7
Notes to the financial statements for the year ended 31 December 2000.....	8

Vector Investments Limited

Directors and Advisors for the year ended 31 December 2000

Directors

J D Beverton FCA
M A Moore BA M.Sc (Econ) MRTPI
R W E Charlton
R Corser
R C Leese CBE (appointed 19 September 2000)
D Bate CBE (resigned 7 June 2000)
Sir D Trippier (resigned 31 July 2000)
R Waddington (resigned 7 August 2000)

Secretary

A L Howard FCA (appointed 7 December 2000)
A E W Hudson (resigned 7 December 2000)

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office

Arena Point
1 Hunts Bank
Manchester
M3 1AP

Registered Number

2693876

Vector Investments Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

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 directors continue to seek increased income through further lettings and expect to secure the company's financial position through appropriate funding arrangements.

Results and dividends

The directors do not recommend the payment of a dividend. The loss for the year of £1,437,000 (1999: £1,813,000), which is stated after charging an appropriation for dividends on the cumulative preference shares amounting to £331,000 (1999: £301,000), will be added to accumulated deficit on the profit and loss account.

Directors and their interests

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

J D Beverton FCA
M A Moore BA M.Sc(Econ) MRTPI
Sir David Trippier RD JP DL
D Bate CBE
R C Leese CBE
R Waddington
R W E Charlton
R Corser

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.

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 2000 and that applicable accounting standards have been followed.

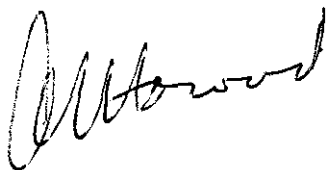
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Vector Investments Limited

Auditors

The auditors, PricewaterhouseCoopers, 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

A handwritten signature in black ink, appearing to read 'A L Howard', written in a cursive style.

A L Howard

Secretary

11 May 2001

Vector Investments Limited

Auditors' report to the members of Vector Investments Limited

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

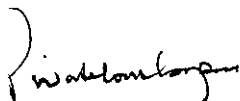
Basis of audit opinion

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



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
11 May 2001

Vector Investments Limited

Profit and loss account for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Continuing operations			
Turnover		3,046	2,595
Administrative expenses		(1,026)	(1,222)
Operating profit		2,020	1,373
Net interest payable and similar charges	3	(3,126)	(2,885)
Loss on ordinary activities before taxation	4	(1,106)	(1,512)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year		(1,106)	(1,512)
Appropriations in respect of non-equity shares	6	(331)	(301)
Transfer to accumulated losses	14	(1,437)	(1,813)

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.

Note of historical profit and loss

	2000 £'000	1999 £'000
Reported loss for the financial year	(1,437)	(1,813)
Difference between historical cost depreciation charge and the actual depreciation charge	(1,119)	(1,119)
Amortisation of grant on historical cost basis	888	888
Historical cost loss for the year	(1,668)	(2,044)

Vector Investments Limited

Balance sheet as at 31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	7	34,685	34,650
Investment	8	-	-
		34,685	34,650
Current assets			
Debtors	9	225	745
Cash at bank and in hand		751	1,030
		976	1,775
Creditors: amounts falling due within one year	10	(28,339)	(9,773)
Net current liabilities		(27,363)	(7,998)
Total assets less current liabilities		7,322	26,652
Creditors: amounts falling due after one year	11	(17,863)	(36,087)
Net liabilities		(10,541)	(9,435)
Capital and reserves			
Called up share capital	12	4,850	4,850
Profit and loss account	13	(15,391)	(14,285)
Shareholders' deficit	14	(10,541)	(9,435)
Equity shareholders' deficit		(16,868)	(15,431)
Non-equity shareholders' funds		6,327	5,996
		(10,541)	(9,435)

The financial statements on pages 5 to 13 were approved by the board of directors on 11 May 2001 and signed on its behalf by:

M. A. Moore

M A Moore
Director

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.

Going concern

The financial statements have been prepared on the basis that the company is a going concern, which assumes that the company will continue in operational existence for the foreseeable future. This is dependent on the company obtaining sufficient funds to meet the company's needs for the foreseeable future. The directors have received assurances that the company will be provided with sufficient financial support for the foreseeable future.

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.

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 (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
Office equipment	25

Investment property

Investment property, comprising the arena complex, has been included in the financial statements at directors' valuation. Investment property is not depreciated.

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.

Vector Investments Limited

Notes to the financial statements for the year ended 31 December 2000

1 Employee information

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

	2000 Number	1999 Number
By activity		
Administration	1	1
Directors	1	1
	2	2
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	83	90
Social security	9	9
Staff pension	3	3
	95	102

2 Directors' emoluments

	2000 £'000	1999 £'000
Fees and other emoluments	73	83

3 Net interest payable and similar charges

	2000 £'000	1999 £'000
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	1,739	1,491
On finance leases	1,413	1,414
Interest payable and similar charges	3,152	2,905
Interest receivable	26	20
Net interest payable and similar charges	3,126	2,885

Vector Investments Limited

4 Loss on ordinary activities before taxation

	2000 £'000	1999 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	-	6
Auditors' remuneration for:		
Audit	12	12
Other services	4	6
(Release from)/provision for bad debts	(550)	50

5 Tax on loss on ordinary activities

There was no taxation charge in respect of the loss for the year.

6 Dividends and appropriations

	2000 £'000	1999 £'000
Dividends on non-equity shares:		
Appropriation for dividend on cumulative redeemable preference shares not paid	331	301

7 Tangible fixed assets

	Investment property £'000	Motor Vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 2000	34,650	22	19	34,691
Additions	35	-	1	36
At 31 December 2000	34,685	22	20	34,727
Depreciation				
At 1 January 2000	-	22	19	41
Charge for the year	-	-	1	1
At 31 December 2000	-	22	20	42
Net book value				
At 31 December 2000	34,685	-	-	34,685
At 31 December 1999	34,650	-	-	34,650

The arena complex is held under a long-term lease and is included as investment property at directors' valuation undertaken in 1998. The directors are not aware of any material change in the value of property and have not therefore updated the valuation.

Vector Investments Limited

The investment property includes items of fixed plant which are held under finance lease and have a historical cost book value of £13,838,000 (1999: £14,245,000).

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. If depreciation and the amortisation of related grants had been calculated on historical cost, the amounts would have been £1,119,000 charge and £888,000 credit respectively.

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

9 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	116	36
Other debtors	3	14
Prepayments and accrued income	65	389
Amount due from subsidiary undertakings	41	306
	225	745

10 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Other loan	7,958	6,728
Trade creditors	283	1,174
Tax and social security	41	180
Accruals and deferred income	1,790	1,496
Amounts owed to subsidiary undertakings	41	48
Bank loans	18,000	-
Obligations under finance leases	226	147
	28,339	9,773

Vector Investments Limited

11 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Bank loan	-	18,000
Obligations under finance leases	17,863	18,087
	17,863	36,087

The bank loan is unsecured and carries interest at 0.5% above LIBOR plus RASD margin. The facility for this loan is available until 31 December 2001.

The obligations under finance leases are payable in instalments as follows:

	£'000	£'000
In less than one year	226	147
In 2 - 5 years	1,855	1,453
Over 5 years	16,008	16,634
	18,089	18,234

12 Called up share capital

	2000 £'000	1999 £'000
Authorised		
100,000 (1999: 100,000) ordinary shares of £1 each	100	100
4,750,000 (1999: 4,750,000) cumulative redeemable preference shares of £1 each	4,750	4,750
	4,850	4,850
Allotted, called up and fully paid		
100,000 (1999: 100,000) ordinary shares of £1 each	100	100
4,750,000 (1999: 4,750,000) cumulative redeemable preference shares of £1 each	4,750	4,750
	4,850	4,850

Dividends accrue on the preference shares at 1% above Barclays Bank base rates. These shares are redeemable on six months notice by the preference share holders, unless 75% or more of the company's ordinary shares become controlled by one party in which case the redeemable shares may be redeemed by the company within six weeks.

Vector Investments Limited

13 Reserves

	Profit and loss account £'000
At 1 January 2000	(14,285)
Loss for the year	(1,437)
Appropriations not paid	331
At 31 December 2000	(15,391)

14 Reconciliation of movements in shareholders' deficit

	2000 £'000	1999 £'000
Loss for the financial year	(1,437)	(1,813)
Appropriations not paid	331	301
Opening shareholders' deficit	(9,435)	(7,923)
Closing shareholders' deficit	(10,541)	(9,435)

15 Commitments

	2000 £'000	1999 £'000
Capital expenditure		
No capital expenditure has been contracted for		
Annual cost in respect of non-cancellable operating leases		
Investment property, long term lease	192	192

16 Contingent liabilities

In the event of a sale of the investment property, the company could be required to repay some of the grants received in the past. The amount repayable would be a proportion of the excess of the proceeds of the sale over £35 million.

Vector Investments Limited

17 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 at 31 December 2000
			£'000	£'000
Vector Trading Limited	Wholly-owned subsidiary	Sales	419	(40)
Sir David Trippier & Associates Limited	Director in common	Directors' services	15	-
European Ferries Limited	*	Loan and interest	343	-- 5,673
P & O Steam Navigation Co.	*	Loan interest	190	3,282

* P & O Steam Navigation Co Limited has guaranteed certain of the company's borrowings; and European Ferries Limited holds 50% of the issued ordinary share capital and all the redeemable preference shares of the company. The directors believe that it and all fellow subsidiaries of P & O Steam Navigation Co, are related parties.

Mr R W E Charlton is a representative director for Dexia Banque Internationale a Luxembourg ("DBIL") which provides loan facilities for the company on normal arms length trading terms. The directors believe it is unnecessary to make further disclosure regarding transactions and balances with DBIL as they do not consider the bank to be a related party.