Registered Number 979395

# THE NATIONAL EXHIBITION CENTRE LIMITED

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2006

Registered Office:
NEC
Birmingham B40 1NT

Tel. No. 0121 780 4141

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The National Exhibition Centre Limited
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# Directors' report

## Report and Financial Statements

The Directors present their report and the audited financial statements for the year ended 31 March 2006.

## Business review

Business structure

The company is structured into two main business operations:

- agency venue management for third party owned venues
- principal for the operation and management of wholly owned venues

which makes up the statutory NEC group together with subsidiary and associate undertakings (See note 26).

The company manages and operates the venues as a single entity brand known as NEC Group, which comprises five exciting venues: The NEC (National Exhibition Centre) and The NEC Arena located eight miles south-east of Birmingham; and The ICC (International Convention Centre), Symphony Hall and The NIA (National Indoor Arena) in Birmingham city centre.

Together the venues provide unrivalled flexibility for staging exhibitions, conferences, concerts, sporting championships and entertainment events for all to enjoy.

The group acts as agent for Birmingham City Council for the purposes of managing the NEC Arena, exhibition halls 1 to 8, 16 and associated property, and for National Exhibition Centre (Developments) Plc for the purposes of managing halls 17 to 20, all at the NEC. The services provided include strategic and operational management.

The company, supported by Birmingham City Council, owns and operates as principal the ICC, NIA, and exhibition halls 9 to 12 at the NEC (known as Hall 10).

The company is the sole member of Symphony Hall (Birmingham) Limited, a registered charity, to which the group provides business support services.

Birmingham City Council, which owns 50% of the company's ordinary share capital, guarantees the group's solvency and provides grant funding. The NEC Group is organised and managed as business units. The business units are aggregated into reportable segments according to economic characteristics, services, business processes and customer relationships. This forms the basis of the segmental analysis contained in note 1 to the accounts.

Funding structure and economic impact

Birmingham City Council provides financial support and guarantees that the group will be able to meet its debts as they fall due, and provides annual revenue grants to fund the venue deficits.

Broader benefit to Birmingham City Council accrues from the economic regeneration of Birmingham. In a study undertaken by KPMG, the economic impact of the NEC Group venue activity was estimated to generate £1.3 billion in visitor and business expenditure each year and support the equivalent of 22,000 full-time (FTE) jobs.

Group financial performance

The financial results of the group exclude the performance of third party owned venues and comprise:

- Trading results of wholly owned venues Hall 10, ICC and NIA; and
- Agency fees from management of third party owned venues.

The results of the group for the year are set out in the Profit and Loss Account on page 8.

Revenue from continuing operations at £76.3m increased by £1.5m when compared to the previous year. This was driven by venue occupancy levels, with the ICC and NIA showing growth from association and corporate conference activity. This was offset by £1.4m reduced revenue from the operation of Hall 10 due to the cycle of exhibition activity.

The group receives grant funding under the terms of a management agreement with Birmingham City Council to fund the deficits of the ICC, NIA and Hall 10. This funding is included within other income in the profit and loss account and at £19.8m has decreased by £0.9m from the previous year. This primarily reflects the improvement in venue occupancy attained by the ICC and NIA.

The profit for the year is £0.8m, an improvement of £1.1m compared to the previous year. The profit or loss in any financial year reflects the difference between the pension fund cost expensed in the year in accordance with International Accounting Standard 19, and the funding received under the terms of the Management Agreements which is calculated based upon the amount of contributions paid, as well as any profit or loss arising on the sale of elements of the business.

A charge to tax does not arise as the results for the year, after adjustments for items non-assessable or disallowed, is covered by accumulated trading losses and capital allowances.

Cash flow and net debt

Net debt at the year end was £199m, a reduction of £14.4m on the previous year following the part redemption of debenture stock. Group cash and cash equivalents increased by £3.2m over the previous year due to movements in working capital.

Adoption of International Financial Reporting Standards ('IFRS')

The company has adopted IFRS in these financial statements. A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is included in note 28.

Venue overview

NEC
The NEC comprises the NEC Arena, exhibition halls, conference facilities, associated property and car parks.

The NEC stages more than 150 exhibitions each year, ranging from world-famous public shows such as *Crufts Dog Show*, Clothes show Live and Gardeners' World Live to international trade exhibitions like IPEX and Spring Fair. Up to three million people visit the centre each year. With 21 halls totalling 200,000 square metres it is the biggest exhibition centre in Britain and the seventh largest in Europe.

The NEC Arena is renowned for its blockbusting concerts and sporting events. Located within the NEC complex, it has a 12,300-seat capacity and welcomes over 1 million visitors every year.

The principal business is the letting of venues to third party promoters and organisers to stage their events and exhibitions, of the back of which services are sold including the provision of car parking, catering, electrical mains, media services and box office ticketing.

ICC
Since opening in 1991, ICC has welcomed over 2.5 million visitors through its doors and held more than 6,000 events.

With 11 halls, 10 executive meeting rooms, Café Vite, flowers@theicc, The Club - with its private lounge and dedicated client associate service, and the new event management service Event Pilot, The ICC offers the UK's largest selection of conference and support facilities under one roof.

The venue has won a host of prestigious awards for a wide range of achievements.

NIA
The NIA is one of the most sought after, and busiest, large-scale indoor sporting and entertainment venues in Europe. Since opening in 1991, over four million visitors have enjoyed over 30 different sports and an extensive variety of entertainment and music.

*Strategic issues and risks*

The risks facing the group comprise of a number of common key themes:

- Venue competition – significant investment in new and existing facilities.
- Scale – as certain exhibitions decrease in size the number of alternative venues increases.
- Cost base – significant cost pressures being experienced particularly in respect of pension funds and utilities.
- Growth – the need to diversify to reduce to dependency on the core business offering.

Development review and the future

The group has made a number of significant achievements in the past 12 months:

- Venue Improvement Program (VIP) – managed the first phase of a £40m refurbishment and investment program across the NEC agency facilities, primarily designed to update the original complex, but including transport and visitor way-finding. Phase 1 costing £11.8m was been completed in the year.
- Venue management – the attainment of new third party venue management contracts. Most significantly the group has been provisionally selected to manage the new convention centre in Dublin.
- New exhibition launch and growth – with the aim of generating new content and demand for the venues, the group created an associate entity with Clarion Events Limited. Together we have created a new business, Clarion Events NEC Limited, which acquired the group's in-house organising business.
- Retail catering – a number of high street brands have been introduced at the NEC, increasing the range and flexibility of offering to the exhibition market. This has delivered in excess of £2m of third party investment.
- Systems – continued programme of systems investment and integration.

Going forward the key development initiatives for the coming year includes:

- VIP phase 2 - £17m of investment.
- Supply chain – diversification and development of business products and services to participate further in the value chain and to provide innovative offerings to organisers and exhibitors.
- Master Plan – continued development of the venues to maximise the real estate value and provide first class facilities that complement the existing facilities and service offering.
- Systems – investment programme in best of breed applications and business process integration.
- Customer service – creating the 'wow' factor and developing the visitor experience.

Key performance indicators

The principal KPIs used by management in operation of the venues are venue occupancy and yield. Occupancy measures the total space occupied as a percentage of the total saleable space and yield measures the sale value of each sqm of space is sold. The KPIs are used to:

- Manage the performance of sales teams
- Prioritise the deployment of resources and maintenance activity
- Evaluate business investment proposals.

Liquidity

Company policy is to ensure continuity of available funding by active management of working capital. Liquidity risk is ultimately mitigated by the solvency guarantees provided by Birmingham City Council.

**Dividends and Transfers to Reserves**

The Directors recommend that no dividend be declared in respect of the year ended 31 March 2006. The profit for the financial year of £819k (2005: Loss £305k) has been transferred to reserves.

**Directors**

The Directors of the company during the year, all of whom were non-Executive Directors, were:-

Mr G J Allen (Acting Chairman)
Mr R J Dickens (Former Chairman Deceased 29 January 2006)
Councillor Sir A Bore
Councillor M Whitby
Mr I Squires
Councillor K Hardeman
Councillor G E Richards
Councillor P Tilsley ( appointed 30 June 2006)
Councillor J E C Alden (resigned 1 June 2006)
Mr J Pratt (appointed 7 February 2006)
Mr A D Owen (retired 10 February 2006)

Subsequent to the end of the year the following company executives were appointed as executive directors:

| | | |
|---|---|---|
| Mr A Morris | NEC Group Chief Executive | (appointed 7 April 2006) |
| Mr J Hornby | NEC Group Chief Operating Officer | (appointed 7 April 2006) |
| Mrs D Smith | NEC Marketing/Public Affairs Director | (appointed 1 September 2006) |
| Mr P Thandi | NEC Commercial Director | (appointed 1 September 2006) |

**Directors' Interests in Shares of the Company**

No Director had any interest in shares of the company at either the beginning or end of the year ended 31 March 2006.

**Employees**

It is company policy to regularly consult with representatives of the employees in order to exchange relevant information concerning the operation of the company.

The company ensures that recruitment procedures and opportunities for promotion are fair and equitable, irrespective of race or religion, and that there is no bias in the way permanent or temporary staff are recruited.

Due to the particular nature of the company, it is not possible to introduce an employee share participation, or similar scheme.

**Employment of Disabled Persons**

The company recognises that disablement, both mental and physical, can present special problems for certain current employees and also persons wishing to find employment. The company makes every effort to ensure that disabled persons are given full opportunity to prove that they are capable of performing a required task. Where an employee becomes disabled the company will endeavour to allow the employee to continue in their present employment and not prejudice their career opportunities.

**Insurance of Directors**

The company maintains insurance for the Directors in respect of their duties as Directors of the company.

**Payment Policy**

The company complies with the CBI's Prompt Payers Code of Good Practice which states that responsible companies should:

- have a clear, consistent policy that they pay bills in accordance with the contract
- ensure that the finance and purchasing departments are both aware of this policy and adhere to it
- agree payment terms at the outset of a deal and stick to them
- not extend or alter payment terms without prior agreement
- provide suppliers with clear guidance on payment procedures
- ensure that there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices are contested.

The company had insignificant trade creditors at 31 March 2006 and therefore creditor days have not been calculated.

**Audit Information**

So far as the Directors are aware there is no relevant audit information of which the company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

**Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

C STRETTON
Company Secretary

The National Exhibition Centre Limited, Birmingham,B40 1NT 8th September 2006

## Corporate Governance

### The Code of Best Practice

The Code of Best Practice recommended by the Combined Code on Corporate Governance is not mandatory for the company, however, the Directors are mindful of its recommendations. Accordingly, within the spirit of the Code, the paragraphs below outline the steps taken by the company.

### The Working of the Board and its Committees.

### The Board

The Board comprises nine Non-Executive and two Executive Directors. The Board is responsible to shareholders for overseeing the operation of the Group by the Executive Management. It meets four times a year, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and reporting to shareholders. Executive Management of the company report to the Board and are invited to attend the meetings.

### Audit Committee

The Audit Committee is a Committee of the Board whose purpose is to assist the Board in the effective discharge of its responsibilities for financial reporting and corporate governance.

The terms of reference for the Committee have been reviewed and agreed with the Board and have been prepared to satisfy the relevant recommendations on Audit Committees contained in the Combined Code.

The members at 31 March 2006 were Councillor J C E Alden (Former Chairman – resigned 1 June 2006), Councillor Sir Albert Bore, Mr G J Allen and Mr J Pratt.

The Committee meets at least twice a year and its specific responsibilities include:

- To monitor the integrity of financial statements.
- To review the internal control and risk management systems (including whistle blowing arrangements).
- To monitor the effectiveness of the internal audit function.
- To make recommendations to the Board regarding the appointment of the external auditor and also to review the independence, objectivity and effectiveness of their processes. A policy has also been agreed on the engagement of the external auditor to provide non-audit services to ensure auditor objectivity and independence.

To assist in these responsibilities, the Committee receives reports from management, and the internal and external auditors, on the internal control and risk management systems operated by the company. The Committee is satisfied that effective processes are in place to identify, assess, manage and monitor the critical risks associated with the business objectives of the company.

### Remuneration Committee

The Remuneration Committee is appointed by the Board from among the Directors.

The members at 31 March 2006 were Councillor K Hardeman (Chairman), Councillor Sir Albert Bore, Mr G J Allen and Mr J Pratt.

The Committee meets at least twice in each financial year, with one meeting being specifically concerned with the annual review of the recommendations concerning executive remuneration.

The Committee's main function is to determine the group's overall policy on employment conditions and remuneration of all Directors of the Board and the relevant senior executives.

In discharging its responsibilities the Committee takes advice where appropriate from the Group Chairman and Chief Executive.

The Committee has authority to seek any information required and may also take such independent advice as it considers necessary.

## 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 group as at the end of the financial year and of the results for that period. In preparing these financial statements, the Directors confirm that they have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and of the group and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD

C STRETTON
Company Secretary

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE NATIONAL EXHIBITION CENTRE LIMITED

We have audited the group and parent company financial statements (the "financial statements") of National Exhibition Centre Limited for the year ended 31 March 2006 which comprise the group Income Statement, the group and Parent Company Balance Sheets, the group and Parent Company Cash Flow Statements, the group and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2006 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP.

*PricewaterhouseCoopers LLP*
*Chartered Accountants and Registered Auditors*
*Birmingham*
8 September *2006*

## Profit and loss accounts for the year end 31 March

| | Note | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 1 | **76,333** | 74,750 | **76,333** | 74,750 |
| Other income | 2 | **19,803** | 20,713 | **19,803** | 20,713 |
| Employee benefit costs | 20 | **(36,571)** | (36,591) | **(36,571)** | (36,591) |
| Inventories consumed | | **(3,895)** | (3,435) | **(3,895)** | (3,435) |
| Depreciation and amortisation | | **(24)** | - | **(24)** | - |
| Other expenses | | **(31,673)** | (30,282) | **(31,848)** | (30,282) |
| Total expenses | 4 | **(72,163)** | (70,308) | **(72,338)** | (70,308) |
| **Group operating profit** | | **23,973** | 25,155 | **23,798** | 25,155 |
| Interest payable and similar charges | 3 | **(25,245)** | (26,903) | **(25,245)** | (26,903) |
| Interest receivable | 3 | **528** | 1,477 | **528** | 1,477 |
| Share of losses from associates | | **(175)** | - | - | - |
| Loss before taxation | | **(919)** | (271) | **(919)** | (271) |
| Taxation | | - | - | - | - |
| Loss for the year from continuing operations | | **(919)** | (271) | **(919)** | (271) |
| **Discontinued operations** | | | | | |
| Profit/(loss) for the year from discontinued operations | 5 | **1,738** | (34) | **1,738** | (34) |
| **Profit/(loss) for the year** | | **819** | (305) | **819** | (305) |
| Profit/(loss) attributable to equity shareholders | | **819** | (305) | **819** | (305) |
| | | *819* | *(305)* | *819* | *(305)* |

## Statement of recognised income and expense for the year ended 31 March

| | Note | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|---|
| Profit/(loss) for the year | | **819** | (305) | **819** | (305) |
| Actuarial (loss)/gain recognised in the pension scheme | 21 | **(13,912)** | 3,182 | **(13,912)** | 3,182 |
| Net (losses)/gains not recognised in income statement | | **(13,912)** | 3,182 | **(13,912)** | 3,182 |
| **Total recognised (expense)/income for the year** | | **(13,093)** | 2,877 | **(13,093)** | 2,877 |

# Balance sheets at 31 March

| | Note | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 7 | **687** | - | **687** | - |
| Property, plant and equipment | 8 | **199,054** | 198,612 | **199,054** | 198,612 |
| Investment in subsidiaries | 9 | **-** | - | **25** | 25 |
| Investments accounted for using equity method | 9 | **-** | - | **-** | - |
| | | **199,741** | 198,612 | **199,766** | 198,637 |
| **Current assets** | | | | | |
| Inventories | 10 | **396** | 363 | **396** | 363 |
| Trade and other receivables | 11 | **7,035** | 7,965 | **7,035** | 7,965 |
| Financial assets | 12 | **-** | 15,431 | **-** | 15,431 |
| Cash and cash equivalents | 13 | **21,402** | 18,213 | **21,369** | 18,201 |
| | | **28,833** | 41,972 | **28,800** | 41,960 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | **(27,331)** | (24,515) | **(27,333)** | (24,538) |
| | | **(27,331)** | (24,515) | **(27,333)** | (24,538) |
| **Net current assets** | | **1,502** | 17,457 | **1,467** | 17,422 |
| **Non-current liabilities** | | | | | |
| Financial liabilities - borrowings | 15 | **(200,088)** | (215,014) | **(200,088)** | (215,014) |
| Retirement benefit liabilities | 21 | **(33,467)** | (20,274) | **(33,467)** | (20,274) |
| | | **(233,555)** | (235,288) | **(233,555)** | (235,288) |
| **Net liabilities** | | **(32,312)** | (19,219) | **(32,322)** | (19,229) |
| **Shareholders' equity** | | | | | |
| Ordinary shares | 17 | **10** | 10 | **10** | 10 |
| Other reserves | 19 | **(32,847)** | (18,935) | **(32,847)** | (18,935) |
| Retained earnings | 18 | **525** | (294) | **515** | (304) |
| Total shareholders' equity | 19 | **(32,312)** | (19,219) | **(32,322)** | (19,229) |

The financial statements on pages 8 to 32 were approved by the Board of Directors on 8 September 2006 and were signed on its behalf by:

Director

Director

The notes on pages 14 to 32 form part of these financial statements.

8th September 2006

## Cash flow statement for the year ended 31 March

| | Note | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Net loss | | (919) | (271) | (919) | (271) |
| Adjustments for: | | | | | |
| Depreciation | | 6 | - | 6 | - |
| Amortisation of intangibles | | 18 | - | 18 | - |
| Interest income | | (528) | (1,477) | (528) | (1,477) |
| Interest expense | | 25,245 | 26,903 | 25,245 | 26,903 |
| Changes in working capital: | | | | | |
| (Increase)/decrease in inventories | | (33) | 52 | (33) | 52 |
| (Increase)/decrease in trade and other receivables | | (788) | 1,057 | (788) | 1,057 |
| Decrease in prepayments and accrued income | | 691 | 5,582 | 691 | 5,582 |
| (Decrease)/increase in payables | | (1,731) | 1,974 | (1,731) | 1,974 |
| Increase/(decrease) accruals and other payables | | 5,932 | (6,064) | 5,911 | (6,049) |
| (Decrease)/increase in pensions payable | | (719) | 230 | (719) | 230 |
| Cash generated from continuing operations | | 27,174 | 27,986 | 27,153 | 28,001 |
| **Discontinued operations** | | | | | |
| Net profit/(loss) | | 38 | (34) | 38 | (34) |
| Decrease/(increase) in prepayments and accrued income | | 892 | (85) | 892 | (85) |
| Decrease in accruals and other payables | | (1,023) | (1,157) | (1,023) | (1,157) |
| Cash flow for discontinued operations | | (93) | (1,276) | (93) | (1,276) |
| **Cash flows from operating activities** | | 27,081 | 26,710 | 27,060 | 26,725 |
| Interest received | | 663 | 1,426 | 663 | 1,426 |
| Interest paid | | (25,245) | (26,903) | (25,245) | (26,903) |
| Net cash from operating activities | | 2,499 | 1,233 | 2,478 | 1,248 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of associates | | (634) | - | (634) | - |
| Disposal of business activities | | 1,700 | - | 1,700 | - |
| Purchase of plant and equipment | | (442) | - | (442) | - |
| Purchase of intangible assets | | (439) | - | (439) | - |
| Treasury investments | | 15,431 | (764) | 15,431 | (764) |
| Net cash used in investing activities | | 15,616 | (764) | 15,616 | (764) |
| **Cash flows from financing activities** | | | | | |
| Repayment of borrowings | | (14,926) | - | (14,926) | - |
| Net cash used in financing activities | | (14,926) | - | (14,926) | - |
| **Net increase in cash and cash equivalents** | | 3,189 | 469 | 3,168 | 484 |
| Cash and cash equivalents at 1 April | | 18,213 | 17,744 | 18,201 | 17,717 |
| **Cash and cash equivalents at 31 March** | 13 | 21,402 | 18,213 | 21,369 | 18,201 |

## Accounting policies

### Accounting policies for the year ended 31 March 2006

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the EU and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

**Going concern**

The going concern basis is applicable despite significant net liabilities because of solvency guarantees provided by Birmingham City Council under the terms of the Management Agreement.

**First time adoption of IFRS**

In accordance with IFRS 1, 'First time adoption of International Financial Reporting Standards' the directors have taken the exemption outlined below to enhance the understanding of the financial statements and to simply the future accounting treatment:

- IAS 19 'Employee benefits', the group has reviewed the accounting treatment for actuarial gains and losses in respect of its defined benefit pension schemes. As a result the directors have decided to fully recognise all cumulative actuarial gains and losses at the date of transition on the balance sheet.

**Basis of Consolidation**

The group financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2006.

Associates are consolidated using equity accounting and accounting policies that are consistent with the group. Where the reporting dates are different to that of the group, those accounts are used where it is impractical to prepare additional accounts as at the group reporting date.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Discontinued operations**

Business activities that the group has divested are shown as discontinued operations. This comprises Centre Exhibitions the group's in-house exhibition organiser that was sold to the associate joint venture Clarion Events NEC Limited.

The results are included in the consolidated profit and loss account up to the effective date of disposal.

**Segmental Reporting**

The NEC Group is managed on the basis of business units, which are aggregated into reportable segments according to economic characteristics, services, business processes and customer relationships.

Since the group's business operations are conducted almost exclusively in the UK, a segment report is only required by business segment.

**Revenue**

Tenancy and ancillary sales generated from conferences, events and exhibitions are recognised at the point revenue and the costs associated with the delivery of the services can be reliably measured. It is measured at the fair value of the consideration received or receivable.

Management fee income is recognised as the services are supplied. All other income is recognised at the point of sale.

Tenancy and ancillary services income invoiced in advance is treated as deferred income on the balance sheet.

**Inventories consumed**

Inventories consumed are valued at cost using the FIFO method, less provision for obsolete and surplus items and, where necessary, provision to reduce cost to estimated net realisable value. Provision is made for slow moving inventory not regularly used on a day to day basis.

**Intangible Assets**

Computer application and development costs of major business systems are capitalised where that expenditure is more than £20,000. In such cases, the costs are amortised over the useful economic lives of the systems concerned.

Ongoing support and maintenance costs, patch releases and annual upgrades are expensed in the year they are incurred.

**Investments**

Investments are stated at historical cost less provisions for diminutions in value assessed with reference to the underlying net assets of the subsidiaries.

**Property, plant and equipment**

The cost of property, plant and equipment comprises their purchase cost together with any incidental expenses of acquisition. Buildings include all relevant expenditure incurred including design and consultants' fees. Net interest costs incurred in raising finance for specific projects are capitalised where agreed as part of approved budgets.

As a matter of policy the group only capitalises expenditure on individual projects where that expenditure is more than £20,000 in total and it directly results in either:

- Generation of new economic benefit;
- Enhances the economic benefit generated from existing assets; or
- Substantially increases the economic life of existing assets.

General expenditure incurred to maintain the assets to the value of their residual value in accordance with the guarantees provided by Birmingham City Council are expensed in the year they are incurred.

**Depreciation and Amortisation**

Depreciation and amortisation has been calculated to write off the cost less estimated residual value of buildings, plant and equipment over their estimated useful lives as follows:

| | |
|---|---|
| Freehold Buildings | 17-55 years |
| Plant and equipment | 3 years |
| Fixtures and fittings | 10 years |
| Motor vehicles | 4 years |
| Major computer equipment | 5 years |

**Grants and Contributions**

In accordance with IAS 16 'Property, plant and equipment', the group has reviewed its accounting treatment of grants and contributions received towards financing the construction of the venues.

As a result the directors have decided to fully depreciate the land and building at the date of transition by the unamortised value of grants and contributions, in order reduce the underlying value of land and buildings to their residual values that equate to guarantees given by Birmingham City Council to finance the repayment of the group debenture stock.

**Financial Instruments**

*The company's financial instruments comprise* borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations.

It is company policy that no trading in financial instruments shall be undertaken.

The fair values of long-term borrowings equate to market values. The carrying amounts of short term assets and liabilities approximate to book value.

**Interest rate risk**

The company finances its operations through a mixture of loan stock and debenture stock. All of the company's borrowings are in Sterling and therefore this eliminates any foreign currency risk. The company borrows at a fixed rate of interest, in line with the company's policy.

### Liquidity risk

Company policy is to ensure continuity of available funding by active management of working capital. Liquidity risk is ultimately mitigated by the solvency guarantees provided by Birmingham City Council.

### Interest bearing assets

The company invests surplus operating cash in short term low risk interest bearing investments.

### Credit risk

The group has no significant concentrations of credit risk. The group has implemented policies that require appropriate credit checks on potential customers before sales commence.

### Objectives, policies and strategies

The board reviews and agrees strategies, objectives and polices for managing the group and its associated risks on a continuous basis. The principal management tool used to support this process is the annual corporate planning process.

### Operating Leases

Rentals payable under operating leases are charged to the Profit and Loss Account on the straight-line basis over the lease term.

### Employee Benefit Costs

The company operates two defined benefit schemes and costs are charged against the profit and loss account so as to spread the cost of pensions over employees' working lives. Actuarial valuations occur every three years, with the last being as at 6 April 2004.

In accordance with IFRS 1, 'first time adoption of International Financial Reporting Standards' and IAS 19 'Employee benefits', the directors have reviewed the group's accounting treatment for actuarial gains and losses in respect of its defined benefit pension schemes. As a result the directors have decided to fully recognise all cumulative actuarial gains and losses at the date of transition on the balance sheet.

### Power to amend financial statements

No one has the power to amend the financial statements after issue.

### Taxation

The charge to tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Cash and cash equivalents

Cash consists of cash at bank and in hand. Cash equivalents consist of highly liquid investments with maturities at the date of acquisition of three months or less.

### Significant judgements and key assumptions and estimates

The group has fully provided for the carrying value and share of accumulated trading losses in the associate joint venture Clarion Events NEC Limited. Management do not expect the repayment of loans advanced in the foreseeable future and have a constructive obligation in the continuing operation of the business.

Symphony Hall (Birmingham) Limited ('SHB') is excluded from the consolidation on the basis that National Exhibition Centre Limited ('NEC') does not have control of the entity which is vested in the Trustees of SHB.

# Notes to the financial statements

## 1 Segmental reporting

### Primary reporting format – business segments

| Year ended 31 March 2006 | Venue management £'000 | Venue operation £'000 | Exhibition organising £'000 | Catering services £'000 | Support Services £'000 | Grant Funding £'000 | Unallocated £'000 | Group £'000 |
|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | |
| **Revenue** | 29,932 | 33,134 | - | 12,102 | 1,165 | - | - | 76,333 |
| Segmental result | (1,826) | 2,010 | - | 2,224 | 943 | 19,803 | 819 | 23,973 |
| Interest payable and similar charges | - | (25,245) | - | - | - | - | - | (25,245) |
| Interest receivable | - | 528 | - | - | - | - | - | 528 |
| Share of post tax profits from associates | - | - | - | - | - | - | (175) | (175) |
| Profit/(loss) before tax | (1,826) | (22,707) | - | 2,224 | 943 | 19,803 | 644 | (919) |
| Taxation | - | - | - | - | - | - | - | - |
| Profit/(loss) for the year from continuing operations | (1,826) | (22,707) | - | 2,224 | 943 | 19,803 | 644 | (919) |
| **Discontinued operations** | | | | | | | | |
| **Revenue** | - | - | 11 | - | - | - | - | 11 |
| Segmental result | - | - | 38 | - | - | - | - | 38 |
| Profit on disposal of operation | - | - | 1,700 | - | - | - | - | 1,700 |
| Profit/(loss) for the year from discontinued operations | - | - | 1,738 | - | - | - | - | 1,738 |
| **Profit/(loss) for the year** | (1,826) | (22,707) | 1,738 | 2,224 | 943 | 19,803 | 644 | 819 |
| Profit/(loss)) attributable to equity shareholders | (1,826) | (22,707) | 1,738 | 2,224 | 943 | 19,803 | 644 | 819 |
| | (1,826) | (22,707) | 1,738 | 2,224 | 943 | 19,803 | 644 | 819 |
| Segmental assets | 1,350 | 199,157 | - | 616 | 452 | - | - | 201,575 |
| Unallocated assets | - | - | - | - | - | - | 26,999 | 26,999 |
| **Total assets** | 1,350 | 199,157 | - | 616 | 452 | - | 26,999 | 228,574 |
| Segmental liabilities | - | (206,474) | (127) | (742) | (3,753) | (456) | - | (211,552) |
| Unallocated liabilities | - | - | - | - | - | - | (49,334) | (49,334) |
| **Total liabilities** | - | (206,474) | (127) | (742) | (3,753) | (456) | (49,334) | (260,886) |
| **Other segment items** | | | | | | | | |
| Capital expenditure | - | 677 | - | - | 476 | - | - | 1,153 |
| Depreciation | - | - | - | - | 24 | - | - | 24 |

| Year ended 31 March 2005 | Venue management £'000 | Venue operation £'000 | Exhibition organising £'000 | Catering services £'000 | Support Services £'000 | Grant Funding £'000 | Unallocated £'000 | Group £'000 |
|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | | |
| **Revenue** | 31,229 | 32,013 | - | 10,522 | 986 | - | - | 74,750 |
| Segmental result | (55) | 2,301 | - | 2,138 | 363 | 20,713 | (305) | 25,155 |
| Interest payable and similar charges | - | (26,903) | - | - | - | - | - | (26,903) |
| Interest receivable | - | 606 | - | - | - | - | 871 | 1,477 |
| Share of post tax profits from associates | - | - | - | - | - | - | - | - |
| Profit/(loss) before tax | (55) | (23,996) | - | 2,138 | 363 | 20,713 | 566 | (271) |
| Taxation | | - | | | | | | - |
| Profit/(loss) for the year from continuing operations | (55) | (23,996) | - | 2,138 | 363 | 20,713 | 566 | (271) |
| **Discontinued operations** | | | | | | | | |
| **Revenue** | - | - | 5,565 | - | - | - | - | 5,565 |
| Segmental result | - | - | (34) | - | - | - | - | (34) |
| Profit/(loss) for the year from discontinued operations | - | - | (34) | - | - | - | - | (34) |
| **Profit/(loss) for the year** | (55) | (23,996) | (34) | 2,138 | 363 | 20,713 | 566 | (305) |
| Profit/(loss)) attributable to equity shareholders | (55) | (23,996) | (34) | 2,138 | 363 | 20,713 | 566 | (305) |
| | (55) | (23,996) | (34) | 2,138 | 363 | 20,713 | 566 | (305) |
| Segmental assets | - | 198,792 | 857 | 238 | 33 | - | - | 199,920 |
| Unallocated assets | - | - | - | - | - | - | 40,664 | 40,664 |
| **Total assets** | - | 198,792 | 857 | 238 | 33 | - | 40,664 | 240,584 |
| Segmental liabilities | (743) | (220,409) | (2,263) | (593) | (3,177) | (709) | - | (227,894) |
| Unallocated liabilities | - | - | - | - | - | - | (31,909) | (31,909) |
| **Total liabilities** | (743) | (220,409) | (2,263) | (593) | (3,177) | (709) | (31,909) | (259,803) |

Grant funding represents revenue grants received from Birmingham City Council under the terms of the Management Agreement, which is provided to support the operation of principal activity.

Because the group operates centralised accounting services and manages its treasury function on a group basis, segmental analysis of certain elements of working capital cannot be separately identified by business segment. This includes trade receivables and payables, cash in hand and at bank and pension fund deficits.

The group's operations were performed within the UK and comprised principally of the provision of services.

## 2 Other income

Other income comprises revenue grant funding received from Birmingham City Council under the terms of the Management Agreement.

## 3 Finance costs – net

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Interest payable on loans | **(24,695)** | (26,294) | **(24,695)** | (26,294) |
| Interest payable on finance leases | **(4)** | (4) | **(4)** | (4) |
| Interest payable on Hall 10 development | **(546)** | (605) | **(546)** | (605) |
| Interest and similar charges payable | **(25,245)** | (26,903) | **(25,245)** | (26,903) |
| Investment interest income | **-** | 871 | **-** | 871 |
| *Interest receivable on Hall 10 development* | **528** | 606 | **528** | 606 |
| Total interest receivable | **528** | 1,477 | **528** | 1,477 |
| Finance costs - net | **(24,717)** | (25,426) | **(24,717)** | (25,426) |

## 4 Profit before taxation

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 |
| *The following items have been included in arriving at operating profit* | | | | |
| Employee benefit costs | **(36,571)** | (36,591) | **(36,571)** | (36,591) |
| Inventories consumed - cost of inventories recognised as an expense | **(3,895)** | (3,435) | **(3,895)** | (3,435) |
| Depreciation of plant, fittings and equipment | **(6)** | - | **(6)** | - |
| Amortisation of intangibles | **(18)** | - | **(18)** | - |
| Operating lease rentals payable: | | | | |
| - Plant and equipment | **(471)** | (470) | **(471)** | (470) |
| - Land | **(1,510)** | (1,712) | **(1,510)** | (1,712) |
| Repairs and maintenance expenditure on property, plant and equipment | **(2,770)** | (2,632) | **(2,770)** | (2,632) |
| Trade receivables impairment | **102** | (22) | **102** | (22) |

### Services provided by the group's auditor and network firms

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Audit services | | | | |
| - statutory audit | **70** | 72 | **66** | 69 |
| - audit - related reporting | **25** | 11 | **25** | 11 |
| Tax services | | | | |
| - Advisory services | **-** | 9 | **-** | 9 |
| | 95 | 92 | 91 | 89 |

Included in the group audit fees and expenses paid to the group's auditor, £62,700 (2005: £59,700) was paid in respect of the parent company.

In addition to the above services, the group's auditor acted as auditor to the group's employee pension schemes. The appointment of auditors and the fees in respect of those audits are agreed by the Trustee's who act independently of the management of the group. The aggregate fees paid to the group's auditor for audit services to the pension schemes during the year were £15,000 (2005: £11,500).

## 5 Discontinued operations

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| *Post tax results from discontinued operations* | 38 | (34) |
| *Gain on disposal of business operation* | 1,700 | - |
| Total | 1,738 | (34) |

On 3 May 2005 the company acquired a 33.33% holding in Clarion Events NEC Limited ('CENL'). On the same day 'CENL' acquired Centre Exhibitions, the group's in house organising division that owned and operated specialist enthusiast exhibitions. It was sold for £1.7m in cash and the consideration was received in full during the year.

Under the terms of the disposal, cash of £131,000 was transferred to Clarion, representing the excess of deferred income over deferred costs.

Cash flows from discontinued operations

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Group | | |
| Net cash flows from operating activities | (93) | (1,276) |

Discontinued operations contributed £11,000 (2005: £5,565,000) to revenue, £38,000 to pre tax profit (2005: Loss £34,000). The discontinued operations all resided within the exhibition organising segment.

## 6 Taxation

A charge to tax does not arise as the results for the year after adjustments for items non-assessable or disallowed is covered by accumulated trading losses and capital allowances.

## 7 Intangibles

**Group & Company**

| **Acquired intangible assets** | **Computer software £'000** | **Franchise contracts £'000** | **Total £'000** |
|---|---|---|---|
| Cost | | | |
| At 1 April 2005 | - | 1,642 | 1,642 |
| Acquisitions | 357 | - | 357 |
| In the course of development | 348 | - | 348 |
| Disposals | | | - |
| **At 31 March 2006** | 705 | 1,642 | 2,347 |
| Aggregate amortisation and impairment | | | |
| At 1 April 2005 | - | (1,642) | (1,642) |
| Amortisation in the period | (18) | - | (18) |
| Impairment losses | | | - |
| **At 31 March 2006** | (18) | (1,642) | (1,660) |
| **Net book amount at 31 March 2006** | 687 | - | 687 |
| Net book amount at 31 March 2005 | - | - | - |

The following useful lives have been determined for the intangible assets acquired during the year:

Computer software 5 years

The computer software capitalised relates to a recently implemented box office ticketing system and a staff scheduling system at the final stage of development for implementation in 2006.

Intangible assets brought forward comprised franchise contracts that were fully amortised, therefore comparative figures have not been provided.

## 8 Property, plant and equipment

**Group & Company**

| | Land & buildings £'000 | Fit-out, plant and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2005 | 276,924 | 11,405 | ***288,329*** |
| Additions | - | 448 | **448** |
| Disposals | | | **-** |
| **At 31 March 2006** | 276,924 | 11,853 | **288,777** |
| **Accumulated depreciation** | | | |
| At 1 April 2005 | (78,312) | (11,405) | **(89,717)** |
| Charge for the year | - | (6) | **(6)** |
| Disposals | | | **-** |
| **At 31 March 2006** | (78,312) | (11,411) | **(89,723)** |
| ***Net book amount at 31 March 2006*** | ***198,612*** | **442** | ***199,054*** |
| Net book amount at 31 March 2005 | 198,612 | - | 198,612 |

In accordance with IFRS1, 'first time adoption of International Financial Reporting Standards', IAS 16 'Property, plant and equipment' and IAS 20 'Accounting for government grants and disclosure of government assistance', the group has reviewed its accounting treatment of grants and contributions received towards financing the construction of the venues.

As a result, the directors have decided to fully depreciate the land and building at the date of transition by the unamortised value of grants and contributions, in order to reduce the underlying value land and buildings to their residual values that equate to guarantees given by Birmingham City Council to finance the repayment of group debenture stock.

**Group & Company**

| | Land & buildings £'000 | Fit-out, plant and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 April 2004 | 276,924 | 11,405 | **288,329** |
| Additions | - | - | **-** |
| Disposals | - | - | **-** |
| **At 31 March 2005** | 276,924 | 11,405 | **288,329** |
| **Accumulated depreciation** | | | |
| At 1 April 2004 | (78,312) | (11,405) | **(89,717)** |
| Charge for the year | - | - | **-** |
| Disposals | - | - | **-** |
| **At 31 March 2005** | (78,312) | (11,405) | **(89,717)** |
| **Net book amount at 31 March 2006** | **198,612** | - | **198,612** |
| Net book amount at 31 March 2005 | 198,612 | - | 198,612 |

The value of grants netted of against property, plant and equipment is £87.745m (2005: £87.745m).

## 9 Investments

| Fixed asset investments | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| **Shares in group undertakings** | | | | |
| Cost at 1 April | - | - | 25 | 25 |
| At 31 March | - | - | 25 | 25 |
| **Net book amount at 31 March 2006** | - | - | 25 | 25 |
| Net book amount at 31 March 2005 | - | - | 25 | 25 |
| **Interests in associates** | | | | |
| Additions: | | | | |
| - Shares | 17 | - | 17 | - |
| - Long term loans | 617 | - | 617 | - |
| - Share of losses retained | (175) | - | - | - |
| - Impairment provision | (459) | - | (634) | - |
| At 31 March 2006 | - | - | - | - |

| Group's interests in associates | 2006 £'000 |
|---|---|
| Current assets | 464 |
| Long-term assets | 552 |
| Current liabilities | (519) |
| Long-term liabilities | (655) |
| Share capital | (17) |
| | (175) |
| Income | 944 |
| Expenses | (1,119) |
| | (175) |
| Tax | |
| Share of post tax results from associates | (175) |

The associates have no significant contingent liabilities to which the group is exposed. The interest in associates relates to 'CENL' that was incorporated in the current financial year, therefore comparative figures are not applicable.

Investments in group undertakings are stated at cost. A list of principal subsidiary undertakings and associates is given in note 26.

The cost of investment in associates includes long-terms loans provided in proportion to the group's investment and under the terms of a shareholders' agreement. The repayment of these loans is not expected in the foreseeable future, so the group has fully provided for their non-repayment in accordance with the group's policy.

The group has fully recognised its share of trading losses in the associate and made an accrual to fully provide for them, as the group has a constructive obligation to continue to fund this investment as required, because of interrelated relationships between customers and suppliers of the associate and remainder of the group.

## 10 Inventories consumed

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| Materials and consumables | 108 | 69 | 108 | 69 |
| Catering provisions and raw materials | 275 | 266 | 275 | 266 |
| Other | 13 | 28 | 13 | 28 |
| | 396 | 363 | 396 | 363 |

The group consumed £3.9m (2005:£3.4m) of inventories during this period.

Inventories are carried at cost. Provisions of £10,030 (2005: £7,285) have been provided to write-down the carrying value of slow moving inventory.

## 11 Trade and other receivables

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade debtors | **3,992** | 4,017 | **3,992** | 4,017 |
| Less: Provisions for impairment of receivables | **(102)** | (284) | **(102)** | (284) |
| Trade debtors - net | **3,890** | 3,733 | **3,890** | 3,733 |
| Amounts owed by group undertakings | **262** | 437 | **262** | 437 |
| Amounts owed by related parties | **49** | 10 | **49** | 10 |
| Amounts owed by Birmingham City Council | **2,146** | 1,385 | **2,146** | 1,385 |
| Interest receivable | **43** | 178 | **43** | 178 |
| Other debtors | **65** | 59 | **65** | 59 |
| Prepayments and accrued income | **580** | 2,163 | **580** | 2,163 |
| | **7,035** | 7,965 | **7,035** | 7,965 |

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

## 12 Financial assets

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| Government bonds | - | 15,431 | - | 15,431 |
| | - | 15,431 | - | 15,431 |

Financial assets held in 2005 were invested in medium and long dated fixed and indexed linked gilts. They were divested during the year to repay a part of the debenture loan stock (Note 15).

## 13 Cash and cash equivalents

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash at bank and in hand | **507** | 870 | **474** | 858 |
| Short term bank deposits | **20,895** | 17,343 | **20,895** | 17,343 |
| | **21,402** | 18,213 | **21,369** | 18,201 |

The effective interest rate on short-term deposits was 4.5% (2005: 4.75%) and at the balance sheet date these had an average maturity of 46 days.

## 14 Trade and other payables

| | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|
| Trade payables | **879** | 2,610 | **879** | 2,610 |
| Amounts owed to group undertakings | **31** | 377 | **41** | 409 |
| Amounts owed by related parties | **7** | - | **7** | - |
| Amounts owed to Birmingham City Council | **7,037** | 2,184 | **7,037** | 2,184 |
| Other tax and social security payable | **988** | 850 | **988** | 850 |
| Other creditors | **330** | 225 | **330** | 225 |
| Accruals | **11,748** | 12,174 | **11,740** | 12,165 |
| Deferred income | **6,311** | 6,095 | **6,311** | 6,095 |
| | **27,331** | 24,515 | **27,333** | 24,538 |

## 15 Financial liabilities - borrowings

| Non-current | Note | Group 2006 £'000 | Group 2005 £'000 | Company 2006 £'000 | Company 2005 £'000 |
|---|---|---|---|---|---|
| **Debenture loans:** | | | | | |
| 10.625% Debenture Stock 2016 | (b) | **100,000** | 100,000 | - | - |
| 13.625% Debenture Stock 2016 | (b) | **100,074** | 115,000 | - | - |
| | | **200,074** | 215,000 | - | - |
| Other unsecured loans: | | | | | |
| - 10.625% Debenture Stock 2016 | (a) | - | - | **100,000** | 100,000 |
| - 13.625% Debenture Stock 2016 | (a) | - | - | **100,074** | 115,000 |
| - Birmingham City Council Loan | (c) | **14** | 14 | **14** | 14 |
| | | **200,088** | 215,014 | **200,088** | 215,014 |

a) The £100.0m 10.625% unsecured loan stock 2016 and £25.0m 13.625% unsecured loan stock 2016 are constituted by a trust deed dated 20 March 1986 and a deed supplemental thereto dated 23 March 1990. Birmingham City Council has guaranteed to the trustees payment of the full amount on the principal of, and interest accruing on, the loan stocks as they fall due.

By a further deed dated 5 November 1991 supplemental to such trust deeds, the company has constituted an additional £90.0m 13.625% unsecured loan stock 2016 forming a single series with the existing £25.0m 13.625% unsecured loan stock 2016. The additional £90.0m 13.625% unsecured loan stock was issued at a premium price of £119,215 per £100 loan stock on 12 November 1991 principally in order to finance the "Hall 10 development".

b) NEC Finance plc has issued and outstanding £100.0m 10.625% debenture stock 2016 and £100.1m 13.625% debenture stock 2016 (the debenture stock). The debenture stock was created by resolutions of the board of directors and is constituted and secured by a Trust deed. The debenture stock is listed on the London Stock Exchange and is secured by unsecured loan stocks of the company which are guaranteed by Birmingham City Council. £90.0m of the 13.625% debenture stock was issued at a premium price of £119.215 per £100.0m debenture stock.

Under an agreement dated 17 June 2005 Birmingham City Council acquired and became the beneficial holders of the debenture stock in return for the issue of City loan notes. On the same day the company repaid £14.9m of the13.625% debenture stock 2016.

c) The company received a subordinated loan of £13,551 from the Birmingham City Council, in order to finance the purchase of NEC Finance plc's share capital. The loan is repayable on 30 September 2016 but may be repaid earlier on seven days notice.

The effective interest rates at the balance sheet dates were as follows:

| | 2006 % | 2005 % |
|---|---|---|
| Debenture stock | **12** | 12 |

The carrying amounts of the group's borrowings are all denominated in Sterling.

## *16 Financial instruments*

### Fair values of non-derivative financial assets and financial liabilities

The fair values of long-term borrowings equate to market values. The carrying amounts of short term assets and liabilities approximate to book value.

| Non-current - Group | 2006 Book Value £'000 | 2006 Fair Value £'000 | 2005 Book Value £'000 | 2005 Fair Value £'000 |
|---|---|---|---|---|
| Long-term borrowings | **(200,088)** | **(321,660)** | (215,014) | (348,661) |
| | **(200,088)** | **(321,660)** | (215,014) | (348,661) |
| Fair value of other financial assets and financial liabilities | | | | |
| Primary financial instruments held or issued to finance the group's operations: | | | | |
| Trade and other payables | **(27,331)** | **(27,331)** | (24,515) | (24,515) |
| Trade and other receivables | **7,035** | **7,035** | 7,965 | 7,965 |
| Short-term deposits | **20,895** | **20,895** | 17,343 | 17,343 |
| Cash at bank and in hand | **507** | **507** | 870 | 870 |
| Government bonds | **-** | **-** | 15,431 | 15,431 |

| *Non-current - Company* | 2006 Book Value £'000 | 2006 Fair Value £'000 | 2005 Book Value £'000 | 2005 Fair Value £'000 |
|---|---|---|---|---|
| Long-term borrowings | **(200,088)** | **(321,660)** | (215,014) | (348,661) |
| | **(200,088)** | **(321,660)** | (215,014) | (348,661) |
| Fair value of other financial assets and financial liabilities | | | | |
| Primary financial instruments held or issued to finance the group's operations: | | | | |
| *Trade and other payables* | **(27,333)** | **(27,333)** | (24,538) | (24,538) |
| Trade and other receivables | **7,035** | **7,035** | 7,965 | 7,965 |
| Short-term deposits | **20,895** | **20,895** | 17,343 | 17,343 |
| Cash at bank and in hand | **474** | **474** | 858 | 858 |
| Government bonds | **-** | **-** | 15,431 | 15,431 |

### Maturity of financial liabilities

The maturity profile of the carrying amount of the group's non-current liabilities, at 31 March 2006 and 2005 was more than five years.

### Borrowing facilities

The company had no obligations under finance leases during the year (2005: Nil)

The company had no undrawn committed borrowing facilities at the end of the year (2005: Nil)

## 17 Called up share capital

| Authorised, issued and fully paid | 2006 £'000 | Group 2005 £'000 |
|---|---|---|
| 10,000 'A' shares of £1 each | **10** | 10 |

The share capital comprises ordinary share which carry equal rights in respect of voting and sharing in the financial results and residual value upon winding up of the company.

The company is limited by shares and is domiciled and incorporated in the United Kingdom.

## 18 Retained earnings

| | Group £'000 | Company £'000 |
|---|---|---|
| At 1 April 2005 | (294) | (294) |
| Profit for the year | 819 | 819 |
| **At 31 March 2006** | **525** | **525** |

| | Group £'000 | Company £'000 |
|---|---|---|
| At 1 April 2004 | 11 | 11 |
| Loss for the year | (305) | (305) |
| At 31 March 2005 | (294) | (294) |

## 19 Statement of changes in shareholders' equity

| Group | Share capital £'000 | Retained earnings £'000 | Other reserves £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2004 | 10 | 11 | (22,117) | (22,096) |
| Net loss | - | (305) | - | (305) |
| Actuarial gain recognised in the pension scheme | - | - | 3,182 | 3,182 |
| At 31 March 2005 | 10 | (294) | (18,935) | (19,219) |
| Net profit | - | 819 | - | 819 |
| Actuarial loss recognised in the pension scheme | - | - | (13,912) | (13,912) |
| **At 31 March 2006** | **10** | **525** | **(32,847)** | **(32,312)** |

| Company | Share capital £'000 | Retained earnings £'000 | Other reserves £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2004 | 10 | 1 | (22,117) | (22,106) |
| Net loss | - | (305) | - | (305) |
| Actuarial gain recognised in the pension scheme | - | - | 3,182 | 3,182 |
| At 31 March 2005 | 10 | (304) | (18,935) | (19,229) |
| Net profit | - | 819 | - | 819 |
| Actuarial loss recognised in the pension scheme | - | - | (13,912) | (13,912) |
| **At 31 March 2006** | **10** | **515** | **(32,847)** | **(32,322)** |

## 20 Employment and directors

| Staff costs for the group during the year | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Wages and salaries | 32,263 | 30,569 |
| Social security costs | 2,306 | 2,412 |
| Other pension costs (see below) | 1,919 | 2,905 |
| Termination benefits | - | 654 |
| Other benefits | 83 | 51 |
| | 36,571 | 36,591 |

| Reconciliation of other pension costs | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Other pension costs | 1,919 | 2,905 |
| Past service recognised in termination benefits | - | 258 |
| Effect of activity recharging across financial years | (41) | 268 |
| Less discontinued operations - centre | - | (98) |
| **Pension cost included in note 21** | 1,878 | 3,333 |

| *Average number of people employed at 31 March (excluding casual employees)* | 2006 No. | 2005 No. |
|---|---|---|
| Venue management | 459 | 468 |
| Venue operation | 149 | 152 |
| Exhibition organising | 10 | 11 |
| Catering services | 243 | 180 |
| Support services | 65 | 81 |
| | 926 | 892 |

In respect of discontinued operations ( see note 5) staff costs during the year amounted to £Nil (2005: £747,000) and average number of people was Nil ( 2005 :23)

| Key management compensation | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Salaries and short-term employee benefits | 1,457 | 1,224 |
| Post-employment benefits | 141 | 210 |
| Termination benefits | - | 654 |
| | 1,598 | 2,088 |

The key management figures given above include directors.

| Directors | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Aggregate emoluments | 55 | 113 |

The Directors to whom fees are paid are not entitled to any defined pension benefits.

The four Birmingham City Councillors who were Directors during the year did not receive any remuneration (2005: £NIL).

## 21 Pension commitments

The group operates two defined benefit schemes in the UK covering many of its employees. These are funded schemes of the defined benefit type (based on final salary) with assets held in separate trustee administered funds.

The most recent actuarial valuation of the NEC Limited Pension Fund was performed by Mercer Human Resource Consulting as at 5 April 2004 and was updated to 31 March 2006. The principal assumptions made by the actuary were:

| **Principal assumptions** | **2006 %** | 2005 % |
|---|---|---|
| Rate of increase in pensionable salaries | **3.50%** | 3.25% |
| Rate of increase in pensions in payment (accrued prior 6 April 2005) | **3.00%** | 2.75% |
| Rate of increase in pensions in payment (accrued post 6 April 2005) | **2.50%** | - |
| Discount rate | **4.95%** | 5.40% |
| Inflation assumption | **3.00%** | 2.75% |
| Returns on equities | **6.25%** | 6.75% |
| Return on bonds & cash | **4.95%** | 5.40% |
| Return on property | **6.25%** | 6.75% |

The expected return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation.

**Weighted average life expectancy for mortality tables used to determine benefit obligations at:**

| | | 31/3/06 | | 31/3/05 |
|---|---|---|---|---|
| | **Male** | Female | Male | Female |
| *Male member age 65 (current life expectancy)* | 21.3 | 24.2 | 17.8 | 20.7 |
| Male member age 45 (life expectancy at age 65) | 23.1 | 25.9 | 19.4 | 22.4 |

### The amounts recognised in the balance sheet are determined as follows:

| | **2006 £'000** | 2005 £'000 |
|---|---|---|
| Present value of funded obligations | **(116,888)** | (86,231) |
| Fair value of plan assets | **83,421** | 65,957 |
| **Net liability recognised in the balance sheet** | **(33,467)** | (20,274) |

### The major categories of plan assets as a percentage of total plan assets are as follows:

| | **2006 %** | 2005 % |
|---|---|---|
| Equities | **64.00%** | 61.00% |
| Bonds | **21.00%** | 32.00% |
| Real estate | **12.00%** | 4.00% |
| Other | **3.00%** | 3.00% |

### The amounts recognised in the income statement are as follows:

| | **2006 £'000** | 2005 £'000 |
|---|---|---|
| Current service cost | **1,414** | 2,243 |
| Interest cost | **4,656** | 4,542 |
| Expected return on plan assets | **(4,192)** | (3,710) |
| Net actuarial losses (gains) recognised in the year | **-** | - |
| Past service cost | **-** | 258 |
| **Total included in employee benefit costs (note 20)** | **1,878** | 3,333 |

**Changes in the present value of the defined benefit obligation are as follows:**

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| *Present value of obligation at 1 April* | **86,231** | 81,480 |
| Current service cost | **1,414** | 2,243 |
| Interest cost | **4,656** | 4,542 |
| *Member contributions* | **1,149** | 1,200 |
| Past service costs | **-** | 258 |
| Actuarial losses/(gains) | **25,114** | (2,207) |
| *Benefits paid* | **(1,676)** | (1,285) |
| **Present value of obligation at 31 March** | **116,888** | 86,231 |

**Changes in the fair value of plan assets are as follows:**

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| *Fair value of plan assets at 1 April* | **65,957** | 58,254 |
| Expected return on scheme assets | **4,192** | 3,710 |
| Actuarial gains | **11,202** | 975 |
| *Employer contribution* | **2,597** | 3,103 |
| Member contributions | **1,149** | 1,200 |
| Benefits paid | **(1,676)** | (1,285) |
| **Fair value of plan assets at 31 March** | **83,421** | 65,957 |

**Analysis of the movement in the balance sheet liability:**

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| 1 April | **(20,274)** | (23,226) |
| *Total expense as above* | **(1,878)** | (3,333) |
| Employer contribution | **2,597** | 3,103 |
| Net actuarial (losses) from participants gains recognised in the year | **(13,912)** | 3,182 |
| **31 March** | **(33,467)** | (20,274) |

**Cumulative actuarial gains and losses recognised in equity**

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| 1 April | **3,182** | - |
| Net actuarial (losses)/gains recognised in the year | **(13,912)** | 3,182 |
| **31 March** | **(10,730)** | 3,182 |

The actual return on plan assets was £15,394k (2005: £4,685k)

**History of experience gains and losses**

| | 2006 | 2005 |
|---|---|---|
| *Experience adjustments on plan assets* | **11,202** | 975 |
| Expressed as a percentage of scheme assets | **13.00%** | 1.00% |
| Experience gains and losses arising in the scheme liabilities (£'000) | **-** | 1,963 |
| *Expressed as a percentage of scheme liabilities* | **0.00%** | 2.00% |
| Present value of scheme liabilities (£'000) | **116,888** | 86,231 |
| Fair value of scheme assets (£'000) | **83,421** | 65,957 |
| *Deficit (£'000)* | **(33,467)** | (20,274) |

The contribution expected to be paid during the financial year ended 31 March 2007 amounts to £5.3m.

## 22 Operating lease commitments – minimum lease payments

| Group and Company | 2006 Land £'000 | 2006 Vehicles, plant & equipment £'000 | 2005 Land £'000 | 2005 Vehicles, plant & equipment £'000 |
|---|---|---|---|---|
| **Commitments under operating leases:** | | | | |
| Within one year | - | 293 | - | 452 |
| Later than one year and not more than five years | - | 129 | - | 357 |
| After more than five years | 12,826 | - | 13,992 | - |
| | 12,826 | 422 | 13,992 | 809 |

The group leases the land on which the Hall 10 development was built from Birmingham City Council, and plant, equipment and vehicles.

All leases are cancellable and have various terms covering renewal rights and early termination.

## 23 Ultimate parent

The company does not regard any particular shareholder as being an ultimate parent. The control and direction of the company can only be exercised by a majority decision of the Board of Directors.

## 24 Related party transactions

The group defines related parties as subsidiaries and associates where control or significant influence is exercised, and entities controlled by common majority ownership. During the year the group has undertaken transactions with the following related parties:

**Birmingham City Council and Birmingham Chamber of Commerce**

Both parties jointly own the company. The exact nature of the relationships is more fully explained in the business review in the directors report.

The principal transaction is receipt of grant funding under terms of Management Agreement with Birmingham City Council ( see note 2)

**Clarion Events NEC Limited**

The company owns 33.33% of the ordinary share capital in Clarion Events NEC Limited and supplies office accommodation, administration and exhibition services.

**NEC (Developments) Plc**

The under a management agreement dated 14 May 1997 the company manages exhibition halls 17 to 20 at the NEC. NEC (Developments) Plc is jointly owned by Birmingham Chamber of Commerce and Industry, Birmingham City Council and EMAP Business communications.

The company also manages the NEC complex in an agency capacity for Birmingham City Council, who together with Birmingham Chamber of Commerce and Industry own 100% of the company's share capital.

**Symphony Hall (Birmingham) Limited**

The company is the sole member of Symphony Hall, a registered charity. The company leases the auditorium situated within the International Convention Centre in Birmingham to Symphony Hall, and provides facilities, administration and event support services.

Transactions with related parties are at individually agreed rates.

During the year the group and Company undertook the following transactions with related parties:

| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|---|
| | Sale of goods and services | | Purchase of goods and services | |
| **Associates** | | | | |
| Clarion Events NEC Limited | 353 | - | - | - |
| | 353 | - | - | - |
| **Other** | | | | |
| Symphony Hall Birmingham Limited | 1,280 | 1,667 | - | - |
| National Exhibition Centre Developments Plc | 920 | 1,022 | 7,728 | 7,870 |
| National Exhibition Centre Finance Plc | - | - | 26 | 16 |
| | 2,553 | 2,689 | 7,754 | 7,886 |

Year end balances arising from sales and purchase of services:

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Clarion Events NEC Limited | 49 | - |
| National Exhibition Centre Developments Plc | (7) | 10 |
| National Exhibition Centre Finance Plc | (10) | (32) |

## 25 Post balance sheet events

On 15 June 2006 the Company established National Exhibition Centre ( Ireland) Limited, a wholly owned subsidiary resident in the Republic of Ireland.

## 26 Principal subsidiaries and associates

### Subsidiary undertakings

#### NEC Finance Plc

The investment represents 50,000 £1 Ordinary Shares, being 50p paid and being the whole of the issued share capital of the Company's subsidiary, NEC Finance plc. NEC Finance plc is a company incorporated in England.

Its main activity was to raise capital through the issue of listed debenture stock to finance:

- the construction of 'ICC' and 'NIA'; and
- the expansion of the National Exhibition Centre through the construction of exhibitions halls 9 to 12.

#### NEC Pension Trustee Company Limited

NEC Pension Trustee Company Limited is a wholly owned subsidiary of the company, limited by guarantee.

The company's main activity is to act as a Trustee to the National Exhibition Centre Limited Executive Pension Fund.

#### Symphony Hall (Birmingham) Limited ('SHB')

The company is the sole member of SHB, a company limited by guarantee. SHB is a company incorporated in England and registered as a charity, whose key objective is to educate the public by encouraging appreciation of the arts.

SHB is excluded from the consolidation on the basis that National Exhibition Centre Limited (NEC) does not have control of the entity which is vested in the Trustees.

At 31 March 2006, SHB had net assets of £Nil (2005: £Nil). The result for the year was £Nil (2005:£Nil).

SHB is party to the same solvency agreement with Birmingham City Council, which is funded by the NEC. In addition, NEC provides certain other services to SHB including catering, facilities management and management and administrative support.

### Joint ventures and associates

### Clarion Events NEC Limited

The company owns 33.33% of the ordinary share capital in Clarion Events NEC Limited, which is an entity incorporated in England. The company was formed with Clarion Events Limited which owns the balance, to manage and operate the group's existing portfolio of enthusiast exhibitions and to develop and launch new exhibitions, primarily at the National Exhibition Centre.

It has a statutory accounting reference date of 31 December, and the results have been consolidated up to this date.

## 27 Capital and financial commitments

The company had no contractual commitments at the end of the year (2005: Nil).

## 28 Reconciliation of net assets and profit under UK GAAP to IFRS

The National Exhibition Centre reported under UK GAAP in its previously published financial statements for the year ended 31 March 2005. The analysis below shows a reconciliation of net assets and result for the year as reported under UK GAAP as 31 March 2005 to the revised net assets and result for the year under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this company, being 1 April 2004.

| **Reconciliation of profit** | **Note** | *Group Year* ended 31/3/05 £'000 | *Company Year* ended 31/3/05 £'000 |
|---|---|---|---|
| **Profit before interest reported under UK GAAP** | | 25,460 | 25,460 |
| Pensions | (b) | (305) | (305) |
| **Profit before interest reported under IFRS** | | **25,155** | **25,155** |
| **Profit reported for the year under UK GAAP** | | | |
| Pensions | | (305) | (305) |
| **Loss after tax reported under IFRS** | | **(305)** | **(305)** |

The only effect on the cash flow is the re-classification of cash and cash equivalents, therefore separated cash flow statements on transition to IFRS have not been provided.

| Group<br>Reconciliation of equity at 1 April 2004 (Date of transition to IFRS)<br>Group | Note | Previous GAAP £'000 | Effect of transition to IFRS - Note (a) £'000 | Effect of transition to IFRS - Note (b) £'000 | Effect of transition to IFRS - Note (c) £'000 | IFRS £'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible assets | | - | - | - | - | - |
| Property, plant and equipment | | 253,308 | (54,696) | - | - | 198,612 |
| | | 253,308 | (54,696) | - | - | 198,612 |
| **Current assets** | | | | | | |
| Inventories | | 415 | - | - | - | 415 |
| Trade and other receivables | | 14,839 | - | (371) | - | 14,468 |
| Financial assets | | 33,654 | - | - | (18,987) | 14,667 |
| Cash and cash equivalents | | 328 | - | - | 18,987 | 19,315 |
| | | 49,236 | - | (371) | - | 48,865 |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Financial liabilities | | (1,571) | - | - | - | (1,571) |
| Trade and other payables | | (35,799) | 4,557 | 1,480 | - | (29,762) |
| | | (37,370) | 4,557 | 1,480 | - | (31,333) |
| **Net current assets** | | 11,866 | 4,557 | 1,109 | - | 17,532 |
| **Non-current liabilities** | | | | | | |
| Financial liabilities | | (215,014) | - | - | - | (215,014) |
| Other non-current liabilities | | (50,139) | 50,139 | - | - | - |
| Retirement benefit liabilities | | - | - | (23,226) | - | (23,226) |
| | | (265,153) | 50,139 | (23,226) | - | (238,240) |
| **Net assets/(liabilities)** | | 21 | - | (22,117) | - | (22,096) |
| **Shareholders' equity** | | | | | | |
| Ordinary shares | | 10 | - | - | - | 10 |
| Other reserves | | - | - | (22,117) | - | (22,117) |
| Retained earnings | | 11 | - | - | - | 11 |
| Total shareholders' equity | | 21 | - | (22,117) | - | (22,096) |
| **Total equity** | | 21 | - | (22,117) | - | (22,096) |

| *Group*<br>Reconciliation of equity at 31 March 2005<br>Group | Previous GAAP £'000 | Effect of transition to IFRS - Note (a) £'000 | Effect of transition to IFRS - Note (b) £'000 | Effect of transition to IFRS - Note (c) £'000 | IFRS £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | - | - | - | - | - |
| Property, plant and equipment | 248,751 | (50,139) | - | - | 198,612 |
| | 248,751 | (50,139) | - | - | 198,612 |
| **Current assets** | | | | | |
| Inventories | 363 | - | - | - | 363 |
| Trade and other receivables | 8,342 | - | (377) | - | 7,965 |
| Financial assets | 32,774 | - | - | (17,343) | 15,431 |
| Cash and cash equivalents | 870 | - | - | 17,343 | 18,213 |
| | 42,349 | - | (377) | - | 41,972 |
| **Liabilities** | | | | | |
| ***Current liabilities*** | | | | | |
| Trade and other payables | (30,483) | 4,557 | 1,411 | - | (24,515) |
| | (30,483) | 4,557 | 1,411 | - | (24,515) |
| **Net current assets** | 11,866 | 4,557 | 1,034 | - | 17,457 |
| **Non-current liabilities** | | | | | |
| Financial liabilities | (215,014) | - | - | - | (215,014) |
| Retirement benefit liabilities | - | - | (20,274) | - | (20,274) |
| | (260,596) | 45,582 | (20,274) | - | (235,288) |
| **Net assets/(liabilities)** | 21 | - | (19,240) | - | (19,219) |
| **Shareholders' equity** | | | | | |
| Ordinary shares | 10 | - | - | - | 10 |
| Other reserves | - | - | (18,935) | - | (18,935) |
| Retained earnings | 11 | - | (305) | - | (294) |
| Total shareholders' equity | 21 | - | (19,240) | - | (19,219) |
| **Total equity** | 21 | - | (19,240) | - | (19,219) |

| Company<br>Reconciliation of equity at 1 April 2004 (Date of transition to IFRS)<br>Company | Note | Previous GAAP<br>£'000 | Effect of transition to IFRS - Note (a)<br>£'000 | Effect of transition to IFRS - Note (b)<br>£'000 | Effect of transition to IFRS - Note (c)<br>£'000 | IFRS<br>£'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Intangible assets | | - | - | - | - | - |
| Property, plant and equipment | | 253,308 | (54,696) | - | - | 198,612 |
| Investment in subsidiaries | | 25 | - | - | - | 25 |
| | | 253,333 | (54,696) | - | - | 198,637 |
| **Current assets** | | | | | | |
| Inventories | | 415 | - | - | - | 415 |
| Trade and other receivables | | 14,839 | - | (371) | - | 14,468 |
| Financial assets | | 33,654 | - | - | (18,987) | 14,667 |
| Cash and cash equivalents | | 301 | - | - | 18,987 | 19,288 |
| | | 49,209 | - | (371) | - | 48,838 |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Financial liabilities | | (1,571) | - | - | - | (1,571) |
| Trade and other payables | | (35,807) | 4,557 | 1,480 | - | (29,770) |
| | | (37,378) | 4,557 | 1,480 | - | (31,341) |
| **Net current assets** | | 11,831 | 4,557 | 1,109 | - | 17,497 |
| **Non-current liabilities** | | | | | | |
| Financial liabilities | | (215,014) | - | - | - | (215,014) |
| Other non-current liabilities | | (50,139) | 50,139 | - | - | - |
| Retirement benefit liabilities | | - | - | (23,226) | - | (23,226) |
| | | (265,153) | 50,139 | (23,226) | - | (238,240) |
| **Net assets/(liabilities)** | | 11 | - | (22,117) | - | (22,106) |
| **Shareholders' equity** | | | | | | |
| Ordinary shares | | 10 | - | - | - | 10 |
| Other reserves | | - | - | (22,117) | - | (22,117) |
| Retained earnings | | 1 | - | - | - | 1 |
| Total shareholders' equity | | 11 | - | (22,117) | - | (22,106) |
| **Total equity** | | 11 | - | (22,117) | - | (22,106) |

| Company<br>Reconciliation of equity at 31 March 2005<br>Company | Previous GAAP<br>£'000 | Effect of transition to IFRS - Note (a)<br>£'000 | Effect of transition to IFRS - Note (b)<br>£'000 | Effect of transition to IFRS - Note (c)<br>£'000 | IFRS<br>£'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | - | - | - | - | - |
| Property, plant and equipment | 248,751 | (50,139) | - | - | 198,612 |
| Investment in subsidiaries | 25 | - | - | - | 25 |
| | 248,776 | (50,139) | - | - | 198,637 |
| **Current assets** | | | | | |
| Inventories | 363 | - | - | - | 363 |
| Trade and other receivables | 8,342 | - | (377) | - | 7,965 |
| Financial assets | 32,774 | - | - | (17,338) | 15,436 |
| Cash and cash equivalents | 858 | - | - | 17,338 | 18,196 |
| | 42,337 | - | (377) | - | 41,960 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | (30,506) | 4,557 | 1,411 | - | (24,538) |
| | (30,506) | 4,557 | 1,411 | - | (24,538) |
| **Net current assets** | 11,831 | 4,557 | 1,034 | - | 17,422 |
| **Non-current liabilities** | | | | | |
| Financial liabilities | (215,014) | - | - | - | (215,014) |
| Other non-current liabilities | (45,582) | 45,582 | - | - | - |
| Retirement benefit liabilities | - | - | (20,274) | - | (20,274) |
| | (260,596) | 45,582 | (20,274) | - | (235,288) |
| **Net assets/(liabilities)** | 11 | - | (19,240) | - | (19,229) |
| **Shareholders' equity** | | | | | |
| Ordinary shares | 10 | - | - | - | 10 |
| Other reserves | - | - | (18,935) | - | (18,935) |
| Retained earnings | 1 | - | (305) | - | (304) |
| Total shareholders' equity | 11 | - | (19,240) | - | (19,229) |
| **Total equity** | 11 | - | (19,240) | - | (19,229) |

(a) As disclosed in note 8 the value of property has been fully depreciated by the value of grants and contributions deferred under UK GAAP, to reduce them to their underlying residual values that equate to guarantees provided by Birmingham City Council.

(b) Accounting for pensions in accordance with IAS 19 is different from SSAP24. The main differences being the recognition of the pension surplus or deficit on the balance sheet.

Under IFRS1, 'First time adoption of International Financial Reporting Standards', liabilities may be spread over future service lives of employees using the corridor approach. The Directors have decided to recognise the pension deficit immediately in full.

(c) Reclassification of cash and cash equivalents.