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Registration Number 979395

# THE NATIONAL EXHIBITION CENTRE LIMITED

Annual Report and The Financial Statements

For the Year Ended 31 March 2013

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# THE NATIONAL EXHIBITION CENTRE LIMITED

For the Year Ended 31 March 2013

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# THE NATIONAL EXHIBITION CENTRE LIMITED

## Directors' Report For the Year Ended 31 March 2013

### Report and financial statements

The Directors present their annual report and the audited financial statements of the group and the company for the year ended 31 March 2013

### Business review

#### Business structure

The company manages four exciting venues in the West Midlands, namely The NEC (National Exhibition Centre) and the LG Arena, located nine miles south-east of Birmingham and The ICC (International Convention Centre) 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

In addition, the company operates a number of service businesses. It

- provides catering services under its trading brand Amadeus,
- operates a national ticketing agency - The Ticket Factory,
- through NEC Group International provides strategic and operational management consultancy services in the UK and internationally, in particular to The Convention Centre, Dublin,
- provides routing, marketing and other support services to owners and licencees of arena-based live events content through its trading division MemoryHaus, and
- operates Eight Feet Tall, a full-service marketing agency for the live events sector

These venues and service businesses together make up the statutory NEC Group together with subsidiary and associate undertakings (see note 24)

The company operates in two modes

- agency venue management services provided to Birmingham City Council and National Exhibition Centre (Developments) Plc, and
- principal operation and management of venues and services

Under a management agreement with Birmingham City Council, the company operates as principal the business of The NEC, The ICC, The NIA and the LG Arena. However, it continues to manage halls 17-20 at The NEC as agent for National Exhibition Centre (Developments) Plc. Birmingham City Council is principal in respect of land and building capital and infrastructure works and third-party tenancy agreements, which the company manages as Birmingham City Council's agent.

All of the service businesses are operated as principal.

Birmingham City Council owns 99.99% of the company's ordinary share capital and is recognised as its ultimate parent.

The NEC Group is organised and managed through business units. The business units are aggregated into reportable segments according to economic characteristics, services, business processes and customer relationships.

#### Funding structure and economic impact

Beyond a direct financial return, broader benefit to Birmingham City Council accrues from the economic impact that the group's activities have on the surrounding region. In a study undertaken in 2008 by KPMG, the economic impact of NEC Group venue activity was estimated to generate £2.05 billion in visitor and business expenditure each year, and to support directly and indirectly the equivalent of more than 29,000 full-time equivalent jobs.

Birmingham City Council provides financial support and guarantees that the group will be able to meet its debts as they fall due.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Directors' Report For the Year Ended 31 March 2013

### Group financial performance

The financial results of the group comprise

- Trading results of wholly owned venues and businesses - The NEC apart from halls 17-20, the LG Arena, The ICC and The NIA together with Amadeus, The Ticket Factory and other service businesses,
- Agency fees from the management agreement with National Exhibition Centre (Developments) Plc,
- Agency fees from management of venue tenants and capital works on behalf of Birmingham City Council, and
- Consolidated results of subsidiaries and joint ventures

The results of the group for the year are set out in the comprehensive income statement on page 11

Revenue from continuing operations at £136.0m increased by £25.4m compared to the previous year driven largely by £17.8m of one-off revenue from the contract to provide catering to the Olympic Park North as part of London 2012 and the exhibition cycle, with major non-annual exhibitions taking place in the year

The group receives revenue grant funding from Birmingham City Council which takes the form of support for non-commercial sporting events and financing of operating deficits under the provisions of the solvency agreement. Grant revenue funding in the year was £13.1m (2012: £11.6m) and is included in other income in the income statement

The profit for the year is £1.8m, a decrease of £0.7m compared to the previous year, largely due to changes in the amounts recognised in the income statement for defined benefit pension costs under IAS 19. The NEC Pension Fund deficit increased by £4.6m to £25.7m in the year (2012: £21.1m), primarily driven by lower bond yields

### Cash flow and financial liabilities

Group cash and cash equivalents decreased by £6.6m against the previous year end due to investing activities. Under an agreement dated 26 March 2013, the company repurchased £7.7m of the 10.625% unsecured Loan Stock 2016 from NEC Finance plc, which then used the funds to repurchase £7.7m of the 10.625% Debenture Stock 2016 from Birmingham City Council

### Venue overview

#### The NEC

The NEC is the UK's largest and one of Europe's busiest exhibition venues, occupying a 610 acre site in the Metropolitan Borough of Solihull, just nine miles from Birmingham City Centre. The NEC comprises exhibition halls, conference facilities, associated property and car parks

Offering unrivalled flexibility across 182,000 square metres of covered exhibition space through 20 interconnecting halls, The NEC welcomes around 2 million visitors a year to a diverse range of more than 125 trade and consumer exhibitions each year, ranging from world-famous public shows such as Crufts Dog Show, Clothes Show Live and BBC Gardeners' World to international trade exhibitions including Spring Fair

#### The LG Arena

The LG Arena, which sits within the NEC's 610 acre estate, is one of the leading entertainment venues in the world. Formerly The NEC Arena, the LG Arena completed a £29m refurbishment in October 2009, which delivered increased seating and improved bars, restaurants and hospitality

As one of the UK's largest entertainment venues, the LG Arena hosts world class music, sport and comedy events throughout the year. It has welcomed some of the biggest names in music including U2, Queen, Lady Gaga and Take That, in addition to hosting high profile events like BBC Sports Personality of the Year

#### The ICC

Located in the heart of the UK, the International Convention Centre Birmingham is one of Europe's premier conference and meetings venues, offering an extensive range of first-class facilities

From small meetings for just a few people to international conferences of several thousand delegates, The ICC boasts 10 meeting rooms and 10 conference halls, including its flagship Hall 1 auditorium

The venue hosts around 400 events and welcomes over 250,000 delegates every year. The ICC is very proud of its award-winning record, not to mention its people and green credentials, as it holds leading standards and accreditations for both quality (ISO 9001) and environmental (ISO 14001) management systems

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Directors' Report For the Year Ended 31 March 2013

### The NIA

The NIA, located in central Birmingham, is one of the busiest, large-scale indoor sporting and entertainment venues in Europe. The multi-purpose venue is extremely flexible and has a lateral moving rigging mother-grid which allows the capacity of the arena to move from over 14,000 down to c 4,500 for more intimate academy events.

Each year the venue hosts hundreds of events from sport, music, live theatre and comedy to family entertainment. The NIA is consistently in use for over 175 days a year. More than 30 different sports have taken place at the NIA in its 20 year history, and the venue has hosted more world championship sports events than any other arena in Europe. These events range from the World Trampolining and Tumbling Championships to the BMX World Championships. Additionally, with its premier indoor athletics track, the NIA has also hosted the AVIVA Grand Prix and World Indoor Athletics.

At the year-end a major re-development of the NIA was about to commence. This scheme will deliver much-improved public circulation, catering and hospitality areas as well as upgrading the venue infrastructure. The work will take place without closing the arena and the refurbished areas will be fully open by around the end of 2014, by which time the NIA will have been re-named under a major sponsorship deal with Barclaycard.

### Service business overview

#### Amadeus

Amadeus provides catering services across NEC Group venues and is also used by many third party clients at other locations. The catering offer delivered by Amadeus is very broad – from fast food to fine dining. Amadeus delivers through over 400 catering professionals, including 65 chefs.

Away from the NEC Group venues Amadeus delivers both to fixed sites and events such as The Olympics and Paralympics London 2012, the RHS Hampton Court Palace Flower Show and the Aberdeen Asset Management Scottish Open Golf Championship.

#### The Ticket Factory

The Ticket Factory operates an independent, national ticketing agency for live events. It leverages considerable experience in data-analytics and insight marketing to help national and international promoters maximise attendance and sales. The business supports over 1,700 events a year selling in excess of 2.1 million tickets.

#### NEC Group International

NEC Group offers consultancy and management services to venue owners and developers around the world. The business continues to undertake a wide-range of assignments and is responsible for providing strategic management and operational services to The Convention Centre, Dublin.

### Strategic issues and risks

The key risks facing the group can be categorised into a number of common key themes:

- Competition – Competition levels are high for all venues and service businesses, particularly in the exhibition and conference markets,
- Growth – A number of sectors within the exhibition market are not growing at a rapid rate, with some in decline,
- New business models - As scope of the group's activity is extended away from the core venues, including internationally, different risks and in some cases a higher level of risk will need be managed,
- Economic climate - The uncertain outlook currently in relation to business and consumer spending poses a threat to most parts of the group, and
- Capital Investment – The capital costs of maintaining the venues is increasing as they age.

### Development review and the future

Key developments in the past year include:

- Resorts World Birmingham – work has started on the NEC site on a ground-breaking new business and leisure destination. Developed by Genting UK at a cost of over £130 million, the facility will include one of the eight Large Casinos to be licensed in the UK, along with an 180 room 4-star hotel, a cinema, outlet retail malls and a conference and banqueting facility. It is planned that this facility will be open in spring 2015.
- Olympic Park North – Amadeus delivered catering services at the Olympic Park North as part of London 2012. Although this contract was loss-making, Amadeus was successful in servicing the catering requirements of millions of visitors during the course of the Olympic and Paralympic Games.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Directors' Report For the Year Ended 31 March 2013

Key developments in the past year include (continued)

- Facilities management contracts — the two major outsourced facilities management contracts were let during the financial year OCS UK was awarded the "soft services" contract, comprising cleaning, security and traffic and car park management Norland Management Services was awarded the "hard services" contract, which involves the delivery of mechanical and electrical engineering services across the venues
- Service business development – During the year MemoryHaus was launched It was successful in securing its first major contract to provide routing, ticketing and marketing support services to the UK arena tour of Peter Pan, the Never Ending Story

Key development initiatives for the coming year include

- Resorts World Birmingham - the company will continue to work with Genting UK to deliver this scheme
- NIA refurbishment - the company, working with contractors BAM Construct UK and naming rights sponsors Barclaycard, will complete the first phases of the major refurbishment of the NIA
- Amadeus business development - Amadeus will be focused on further developing its third-party business for live events and in particular its fixed-site third-party business through securing new contracts
- NEC Group International - the company will continue to pursue further venue consultancy and management contracts

### Key performance indicators ("KPIs")

The principal KPIs used by management in the 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 value of each unit of space that is sold The KPIs are used to

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

The service businesses use KPIs relevant to the sectors in which they operate

### Interest rate risk

The company finances its operations through 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

### Foreign currency risk

The company is exposed through foreign currency denominated trading contracts to movements in the value of Sterling To mitigate the risk of adverse movements the company policy is to hedge an element of the exposure using forward exchange contracts to sell or buy foreign currency in exchange for Sterling at a fixed price on an agreed date

### 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 implemented policies that require appropriate credit checks on potential customers before contracting In addition, credit scores in relation to significant customers are monitored on a continuing basis Management do not regard the concentration or profile of credit risk as being inappropriate for the business

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Directors' Report For the Year Ended 31 March 2013

### Dividends and transfers to reserves

A dividend is not being proposed for the year ending 31 March 2013 (2012: £nil) and the profit for the financial year of £1.7m (2012: profit £2.4m) has been transferred to reserves.

### Directors

The Directors of the company during the year and up to the date of signing the financial statements were

#### Executive

Mr P Thandi (Chief Executive)  
Mr J Hornby  
Miss K James

#### Non-Executive

Mr M D Angle (Chairman)  
Councillor M Whitby (resigned 06 April 2013, reappointed 07 June 2013)  
Councillor P Tilsley (resigned 04 December 2012)  
Councillor Sir A Bore  
Councillor K Meeson  
Councillor I Ward (previously Alternate Non-Executive, re-designated as Non-Executive 07 September 2012)  
Councillor S Stacey (appointed 04 December 2012)  
Mr J Pratt  
Mr E Tracey  
Mr D Waller

#### Alternate Non-Executive

Councillor T Khan (resigned 03 May 2012)  
Councillor J Alden (resigned 11 July 2012)  
Councillor T Huxtable (previously Non-Executive, re-designated as Alternate 07 September 2012)  
Councillor J Cotton (appointed 01 November 2012)

Birmingham City Council appoints its Non-Executive Directors. It also nominates Alternate Non-Executive Directors who can attend board meetings and assume the responsibilities of their primary Non-Executive Directors. On 7 September 2012 Councillor I Ward replaced Councillor T Huxtable as a Non-Executive Director. On the same day Councillor T Huxtable became an Alternate Non-Executive Director.

### Employees

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

The company operates a People Forum to open up communication channels across the organisation. The forum comprises company and employee representatives, with the latter nominated and voted for by employees across all operational divisions.

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 for 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.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Directors' Report For the Year Ended 31 March 2013

### 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 indicates 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, and
- 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's trade creditors reflected normal commercial terms of business. At 31 March 2013 creditor days were 18 (2012: 16)

### Statement of disclosure of information to auditors

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

### Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the September Board meeting

BY ORDER OF THE BOARD

K Marriott  
Company Secretary  
The National Exhibition Centre Limited,  
Birmingham, B40 1NT  
06 September 2013



# THE NATIONAL EXHIBITION CENTRE LIMITED

## Corporate Governance Report For the Year Ended 31 March 2013

### The Code of Best Practice

The 2012 UK Corporate Governance Code ('the Code'), published by the Financial Reporting Council, is not mandatory for the company. However, the Board recognises its accountability to shareholders and is committed to maintaining high standards of corporate governance. It therefore reviews the Code with a view to adopting appropriate provisions to contribute to good governance.

### The Working of the Board and its Committees

#### The Board

The Board currently comprises up to nine Non-Executive and three Executive Directors. The Board is responsible to shareholders for overseeing the operation of the group by the executive management. It meets a minimum of four times a year, reviewing trading performance, setting and monitoring strategy and reporting to shareholders.

#### 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 Committee comprises Mr E Tracey (Chairman), Councillor S Stacey, Councillor I Ward and Mr D Waller.

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

- monitoring the integrity of financial statements,
- reviewing the internal control and risk management systems (including whistle blowing arrangements),
- reviewing the company's procedures for preventing and detecting fraud and investigating any instances of suspected fraud,
- monitoring the effectiveness of the internal audit function, and
- making 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.

A key factor in the integrity of the financial statements is ensuring suitable and compliant accounting policies are adopted and applied consistently. In this respect the Committee considered, with support from internal and external auditors, estimates and judgements made by management when accounting for non-standard transactions.

The most significant transactions considered by the Committee relate to pensions. Movements in the value of plan assets and changes in the economic assumptions, principally the discount rate, inflation and mortality forecasts were considered by the Committee along with their impact on the net pension deficit. The Company received professional advice and the Committee noted the proposed accounting treatment and judgements of management in respect of the key assumptions.

#### Remuneration Committee

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

The Committee comprises Mr J Pratt (Chairman), Councillor S Stacey, Councillor I Ward and Mr E Tracey.

The Committee meets at least twice in each financial year and its main function is to determine the remuneration of relevant senior executives.

In discharging its responsibilities the Committee seeks recommendations, where appropriate, from the Group Chairman and the Chief Executive.

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

# **THE NATIONAL EXHIBITION CENTRE LIMITED**

## **Corporate Governance Report For the Year Ended 31 March 2013**

### **Nominations Committee**

A Nominations Committee was established in February 2011. The terms of the reference of that committee have been agreed by the company's Board. The key responsibilities of the committee is to make recommendations to the Board in relation to Director appointments.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Statement of Directors' responsibilities

The Directors are responsible for the preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



K Marriott  
Company Secretary  
The National Exhibition Centre Limited  
Birmingham  
B40 1NT  
06 September 2013

# THE NATIONAL EXHIBITION CENTRE LIMITED

## 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 The National Exhibition Centre Limited for the year ended 31 March 2013 which comprise the group and parent company income statement, the group and parent company statement of comprehensive income, the group and parent company statements of financial position, the group and parent company statements of changes in equity, the group and parent company cash flow statements, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

### Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's and parent company's profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.


### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Mark Smith (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

06 September 2013

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Consolidated and company income statements - by nature of expense for the year ended 31 March 2013

	Note	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Revenue		135,980	110,609	135,869	110,576
Other income	1	13,132	11,609	13,132	11,609
Dividend from group undertaking		-	-	64	42
Employee costs	19	(35,335)	(31,573)	(35,335)	(31,573)
Raw materials and consumables used		(16,282)	(7,338)	(16,282)	(7,338)
Depreciation and amortisation		(2,111)	(1,762)	(2,111)	(1,762)
Other expenses	3	(69,524)	(54,960)	(69,520)	(55,047)
Profit from operations		25,860	26,585	25,817	26,507
Finance costs	2	(24,270)	(24,260)	(24,270)	(24,260)
Finance income	2	188	203	148	183
Profit before income taxes from continuing operations		1,778	2,528	1,695	2,430
Taxation	4	(17)	(11)	-	-
Profit for the year		1,761	2,517	1,695	2,430

## Consolidated and company statements of comprehensive income for the year ended 31 March 2013

	Note	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Profit for the year		1,761	2,517	1,695	2,430
Other comprehensive income					
Actuarial loss recognised in the pension scheme	20	(6,332)	(10,148)	(6,332)	(10,148)
Total Comprehensive Income for the year		(4,571)	(7,631)	(4,637)	(7,718)
Attributable to Owners of the parent		(4,571)	(7,631)	(4,637)	(7,718)
Total comprehensive income for the year		(4,571)	(7,631)	(4,637)	(7,718)

The accounting policies and notes on pages 15 - 39 are an integral part of these consolidated financial statements

# THE NATIONAL EXHIBITION CENTRE LIMITED

Statements of financial position as at 31 March 2013

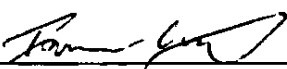
Company Registration Number 979395

		Group		Company	
		2013	2012	2013	2012
	Note	£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	5	3,112	3,618	3,112	3,618
Property, plant and equipment	6	196,276	195,370	196,276	195,370
Investments in subsidiaries	7	-	-	67	67
		199,388	198,988	199,455	199,055
<b>Current assets</b>					
Inventories	8	2,090	1,474	2,090	1,474
Trade and other receivables	9	21,314	20,645	23,338	22,100
Cash and cash equivalents	10	27,694	34,254	25,335	32,534
		51,098	56,373	50,763	56,108
<b>Current liabilities</b>					
Trade and other payables	11	(57,362)	(54,299)	(57,282)	(54,223)
Finance lease obligation	12	(29)	-	(29)	-
		(57,391)	(54,299)	(57,311)	(54,223)
<b>Net current (liabilities)/ assets</b>		<b>(6,293)</b>	<b>2,074</b>	<b>(6,648)</b>	<b>1,885</b>
<b>Non-current liabilities</b>					
Financial liabilities - borrowings	13	(192,402)	(200,088)	(192,402)	(200,088)
Finance lease obligation	12	(179)	-	(179)	-
Deferred consideration	11	(450)	(950)	(450)	(950)
Retirement benefit liabilities	20	(25,689)	(21,078)	(25,689)	(21,078)
		(218,720)	(222,116)	(218,720)	(222,116)
<b>NET LIABILITIES</b>		<b>(25,625)</b>	<b>(21,054)</b>	<b>(25,813)</b>	<b>(21,176)</b>

		Group		Company	
		2013	2012	2013	2012
	Note	£'000	£'000	£'000	£'000
<b>EQUITY</b>					
Share capital	16	10	10	10	10
Reserves		(25,635)	(21,064)	(25,823)	(21,188)
<b>TOTAL EQUITY</b>		<b>(25,625)</b>	<b>(21,054)</b>	<b>(25,813)</b>	<b>(21,176)</b>

The financial statements on pages 11 - 39 were approved by the Board of Directors on 06 September 2013 and signed on its behalf by

Approved on Behalf of the Board

  
6 SEPTEMBER 2013

Ian Ward

The accounting policies and notes on pages 15 - 39 are an integral part of these consolidated financial statements

# THE NATIONAL EXHIBITION CENTRE LIMITED

Consolidated and company statement of changes in equity for the year ended 31 March 2013

	Company			Total £'000
	Share capital £'000	Retained earnings £'000	Other reserves £'000	
Balance at 1 April 2011	10	15,124	(28,592)	(13,458)
Comprehensive Income				
Profit	-	2,430	-	2,430
Other comprehensive Income				
Actuarial loss recognised in the pension scheme	-	-	(10,148)	(10,148)
Balance at 31 March 2012	10	17,554	(38,740)	(21,176)
Comprehensive income				
Profit	-	1,695	-	1,695
Other comprehensive income				
Actuarial loss recognised in the pension scheme	-	-	(6,332)	(6,332)
Balance at 31 March 2013	10	19,249	(45,072)	(25,813)

	Group			Total £'000
	Share capital £'000	Retained earnings £'000	Other reserves £'000	
Balance at 1 April 2011	10	15,167	(28,600)	(13,423)
Comprehensive Income				
Profit	-	2,517	-	2,517
Other comprehensive Income				
Actuarial loss recognised in the pension scheme	-	-	(10,148)	(10,148)
Balance at 31 March 2012	10	17,684	(38,748)	(21,054)
Comprehensive income				
Profit	-	1,761	-	1,761
Other comprehensive income				
Actuarial loss recognised in the pension scheme	-	-	(6,332)	(6,332)
Balance at 31 March 2013	10	19,445	(45,080)	(25,625)

The accounting policies and notes on pages 15 - 39 are an integral part of these consolidated financial statements

# THE NATIONAL EXHIBITION CENTRE LIMITED

Consolidated and company cash flow statements for the year ended 31 March 2013

	Note	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>					
Profit before tax		1,778	2,528	1,695	2,430
Interest expense	2	24,270	24,260	24,270	24,260
Interest income	2	(188)	(203)	(148)	(183)
Dividend income		-	-	(64)	(42)
Impairment of subsidiary undertakings		-	4	-	79
Impairment of tangible assets		49	-	49	-
Depreciation	6	1,247	1,199	1,247	1,199
Amortisation	5	864	563	864	563
Loss on Disposal		15	-	15	-
Exchange (loss)		-	(7)	-	-
<b>Cash generated from operations</b>		<b>28,035</b>	<b>28,344</b>	<b>27,928</b>	<b>28,306</b>
Increase in inventories	8	(616)	(50)	(616)	(50)
Increase in trade and other receivables	9	(1,916)	(2,106)	(2,490)	(1,895)
Decrease/(increase) in prepayments	9	1,261	(1,953)	1,261	(1,953)
Decrease in trade and other payables	11	(825)	(3,889)	(838)	(3,885)
Increase in accruals	11	4,418	5,971	4,429	5,912
Difference between cash cost of pension and charged		(1,721)	(2,629)	(1,721)	(2,629)
Proceeds from interest received classified as operating		175	206	148	186
Payments of interest classified as operating	2	(24,270)	(24,260)	(24,270)	(24,260)
Payments of income taxes		(15)	(7)	-	-
<b>Net cash flows generated from/(used in) operating activities</b>		<b>4,528</b>	<b>(373)</b>	<b>3,831</b>	<b>(268)</b>
<b>Cash flows from Investing activities</b>					
Payments to acquire subsidiaries		(500)	(500)	(500)	(500)
Proceeds from dividends		-	-	56	38
Purchase of intangible assets		(528)	(1,267)	(528)	(1,267)
Purchase of plant and equipment		(2,361)	(692)	(2,361)	(692)
Proceeds from disposal of property, plant and equipment		18	-	18	-
Redemption of Debenture Stock 2016/ Loan Stock		(7,686)	-	(7,686)	-
<b>Net cash flows used in investing activities</b>		<b>(11,057)</b>	<b>(2,459)</b>	<b>(11,001)</b>	<b>(2,421)</b>
Repayment of finance lease liabilities		(29)	-	(29)	-
<b>Net cash flows (used in) financing activities</b>		<b>(29)</b>	<b>-</b>	<b>(29)</b>	<b>-</b>
<b>Net cash decreases in cash and cash equivalents</b>		<b>(6,560)</b>	<b>(2,832)</b>	<b>(7,199)</b>	<b>(2,689)</b>
Cash and cash equivalents at beginning of year		34,254	37,086	32,534	35,223
<b>Cash and cash equivalents at end of year</b>	10	<b>27,694</b>	<b>34,254</b>	<b>25,335</b>	<b>32,534</b>

The accounting policies and notes on pages 15 - 39 are an integral part of these consolidated financial statements



# THE NATIONAL EXHIBITION CENTRE LIMITED

## Accounting Policies for the year ended 31 March 2013

### Accounting Policies

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 (IFRS) and IFRIC interpretation as adopted by the EU and with those parts of the Companies Act 2006 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 IFRS 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.

### First time adoption of IFRS

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 reviewed its accounting treatment of grants and contributions received towards financing the construction of the venues. As a result, the Directors decided to fully depreciate the land and building at the date of transition (31 March 2004) and match this with the release of 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.

### Going concern

The going concern basis is applicable despite net liabilities because of solvency guarantees provided by Birmingham City Council.

### Basis of consolidation

The group financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2013.

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.

### 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.

IFRS 8 'Operating Segments' has been assessed as not mandatory to the financial statements of the company or group, as the company does not have any quoted or traded listed debt in its own name. As a result detailed segmental analysis is not presented in these accounts.

### 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.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Accounting Policies for the year ended 31 March 2013

### Accounting Policies continued

#### Revenue continued

Contracts over 12 months recognise income in line with the costs expensed. Contracts are reviewed annually for impairment and losses and if any are identified they are recognised in the profit and loss account.

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 at the balance sheet date.

#### Other Income

Other income relates to revenue grant funding and subvention of non commercial sporting events contracted to promote the City of Birmingham, received from Birmingham City Council. It is measured at fair value of consideration received or receivable.

Subvention income is recognised in accordance with the revenue policy. Revenue grant funding is recognised to fund the company's operating deficit and is calculated using pension contributions paid before adjustment to a cost basis under IAS19.

#### Inventories

Catering inventories are valued at average cost and non-catering inventories 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.

Commercial contract acquisition costs are capitalised and amortised over the term of the contract in proportion to the goods or services sold. Commercial contracts are tested annually for impairment.

#### Investments

Investments are stated at historical cost less provisions for the impairment in the value, assessed with reference to the underlying net assets and the constructive obligations given by the company to associates and 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 assets or material pools of comparable assets where expenditure is greater than £20,000 in total and it directly results in

- Generation of new economic benefit and/or

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Accounting Policies for the year ended 31 March 2013

### Accounting Policies continued

#### Property, plant and equipment continued

- Enhancement of economic benefit generated from existing assets, and/or
- Sustained increases in economic life of existing assets

General expenditure incurred to maintain assets to the value of their residual value in accordance with the guarantees provided by Birmingham City Council is expensed in the year in which it is 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

Land and buildings - Enhancements	up to 10 years
Licences and franchises	term of contract
Fixtures and fittings	up to 10 years
Computer equipment	up to 5 years
Plant and equipment	up to 5 years

#### Grants and contributions

In accordance with IAS 16 'Property, plant and equipment', the group reviewed its accounting treatments of grants and contributions received towards financing the construction of the venues. As a result the Directors decided to fully depreciate the land and building at the date of transition (31 March 2004) by the unamortised value of grants and contributions, in order to 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 receivables and trade payables 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 long-term borrowings relate to NEC Loan Stock that is held by Birmingham City Council, which owns 99.99% of the company. Given that the Stock is not actively traded, coupled with the relatively short-term to maturity of the debt, fair value has been calculated at book value

#### Objectives, policies and strategies

The board reviews and agrees strategies, objectives and policies for managing the group and its associated risks on a continuous basis

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Accounting Policies for the year ended 31 March 2013

### Accounting Policies continued

#### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

#### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain plant and equipment. Where the group has substantially all the risks and rewards of ownership, they are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and the finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

#### Employee benefit costs

The company funds two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010. Costs are charged against the profit and loss account so as to spread the costs of pensions over the employees' working lives. Actuarial valuations occur every three years, with the 5 April 2013 valuation in progress at the year end.

In accordance with IFRS 1, 'first time adoption of International Financial Reporting Standards' and IAS 19 'Employee benefits', the Directors reviewed the group's accounting treatment for actuarial gains and losses in respect of its defined benefit pension schemes. As a result the Directors decided to fully recognise all cumulative actuarial gains and losses at the date of transition (31 March 2004) on the balance sheet.

In addition, during the year under review the company provided two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute and a group personal pension plan where the company contributes to an agreed maximum. The employee benefit expense is recognised as it falls due.

#### 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.

#### Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Accounting Policies for the year ended 31 March 2013

### Accounting Policies continued

#### Deferred taxation continued

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and law enacted or substantively enacted at 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

#### Foreign currency and hedging activities

The group uses foreign currency forward contracts to mitigate the adverse currency exchange risk on material receivables denominated in foreign currency. These contracts are treated as a trading instrument with fair value movements on the derivative being recognised immediately through the income statement. At 31 March 2013 the Company had entered into forward contracts totaling €2,152,000, all of which mature within 24 months (2012 €1,733,000)

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 1. Other income

Other income comprises revenue grant funding received from Birmingham City Council under the terms of the management agreement and subvention of non-commercial sporting events contracted to promote the City of Birmingham

### 2. Finance costs - net

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Interest payable on loans	(24,260)	(24,260)	(24,260)	(24,260)
Interest payable on finance leases	(10)	-	(10)	-
<b>Interest and similar charges payable</b>	<b>(24,270)</b>	<b>(24,260)</b>	<b>(24,270)</b>	<b>(24,260)</b>
Bank interest receivable	188	203	148	183
<b>Total interest receivable</b>	<b>188</b>	<b>203</b>	<b>148</b>	<b>183</b>
<b>Net financing cost</b>	<b>(24,082)</b>	<b>(24,057)</b>	<b>(24,122)</b>	<b>(24,077)</b>

### 3. Other expenses

	Group		Company	
	2013	2012	2013	2012
	£000's	£000's	£000's	£000's
The following has been included in arriving at profit before taxation				
Impairment adjustments	(49)	(4)	(49)	(79)
Loss on disposal of assets	(15)	-	(15)	-
Operating lease rentals payable - plant and equipment	(327)	(214)	(327)	(214)
Operating lease rental payable - land	(198)	(198)	(198)	(198)
Repairs and maintenance expenditure on property, plant and equipment	(5,996)	(6,184)	(5,996)	(6,184)

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

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Statutory audit	97	86	92	81
Other services	3	18	3	18
<b>Total</b>	<b>100</b>	<b>104</b>	<b>95</b>	<b>99</b>

Included in the group audit fees and expenses paid the group's auditors, £91,834 (2012 £80,930) was paid in respect of the parent company Other services relate to general business advice

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 4. Taxation

A charge to tax does not arise in respect of the company as the results for the year after adjustments for items non-assessable or disallowed is covered by accumulated trading losses and capital allowances. The accounts include tax charges of the group's subsidiaries which are independent and form no part of the company.

### 5. Intangible assets

	Licenses and franchises £'000	Company Computer software £'000	Total £'000
<b>Cost</b>			
At 1 April 2012	2,600	3,347	5,947
Additions	-	358	358
<b>Balance at 31 March 2013</b>	<b>2,600</b>	<b>3,705</b>	<b>6,305</b>
<b>Accumulated amortisation</b>			
At 1 April 2012	(568)	(1,761)	(2,329)
Amortisation	(380)	(484)	(864)
<b>Balance at 31 March 2013</b>	<b>(948)</b>	<b>(2,245)</b>	<b>(3,193)</b>
<b>At 1 April 2012</b>	<b>2,032</b>	<b>1,586</b>	<b>3,618</b>
<b>At 31 March 2013</b>	<b>1,652</b>	<b>1,460</b>	<b>3,112</b>

	Licenses and franchises £'000	Company Computer software £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	2,600	2,192	4,792
Additions	-	1,155	1,155
<b>Balance at 31 March 2012</b>	<b>2,600</b>	<b>3,347</b>	<b>5,947</b>
<b>Accumulated amortisation</b>			
At 1 April 2011	(278)	(1,449)	(1,727)
Transfers to Tangibles	-	(39)	(39)
Amortisation	(290)	(273)	(563)
<b>Balance at 31 March 2012</b>	<b>(568)</b>	<b>(1,761)</b>	<b>(2,329)</b>
<b>At 1 April 2011</b>	<b>2,322</b>	<b>743</b>	<b>3,065</b>
<b>At 31 March 2012</b>	<b>2,032</b>	<b>1,586</b>	<b>3,618</b>

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 5. Intangible assets continued

	Licenses and franchises £'000	Group Computer software £'000	Total £'000
<b>Cost</b>			
At 1 April 2012	2,600	3,347	5,947
Additions	-	358	358
<b>Balance at 31 March 2013</b>	<b>2,600</b>	<b>3,705</b>	<b>6,305</b>
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Amortisation	(380)	(484)	(864)
<b>Balance at 31 March 2013</b>	<b>(948)</b>	<b>(2,245)</b>	<b>(3,193)</b>
<b>Carrying amount</b>			
At 1 April 2012	2,032	1,586	3,618
At 31 March 2013	1,652	1,460	3,112

	Licenses and franchises £'000	Group Computer software £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	2,600	2,192	4,792
Additions	-	1,155	1,155
<b>Balance at 31 March 2012</b>	<b>2,600</b>	<b>3,347</b>	<b>5,947</b>
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At 1 April 2011	(278)	(1,449)	(1,727)
Transfers to Tangibles	-	(39)	(39)
Amortisation	(290)	(273)	(563)
<b>Balance at 31 March 2012</b>	<b>(568)</b>	<b>(1,761)</b>	<b>(2,329)</b>
<b>Carrying amount</b>			
At 1 April 2011	2,322	743	3,065
At 31 March 2012	2,032	1,586	3,618

Licenses and franchises include the contract with a major UK promoter of concerts and events and provides a guaranteed volume of ticket manifest. The cost is being amortised over the term of the contract in proportion to the volume of tickets sold. The contract term is five years, with provision to extend to enable the company to achieve a minimum level of ticket sales.



# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 6. Property, plant and equipment

	Company			
	Land and buildings £'000	Fit-out, plant and equipment £'000	Computer hardware £'000	Total £'000
<b>Cost</b>				
At 1 April 2012	270,943	13,317	5,594	289,854
Additions	-	900	1,335	2,235
Disposals	-	-	(188)	(188)
<b>Balance at 31 March 2013</b>	<b>270,943</b>	<b>14,217</b>	<b>6,741</b>	<b>291,901</b>
<b>Accumulated depreciation and impairment losses</b>				
At 1 April 2012	(78,469)	(12,326)	(3,689)	(94,484)
Disposals	-	-	155	155
Charge for the year	(34)	(339)	(874)	(1,247)
Impairment	-	-	(49)	(49)
<b>Balance at 31 March 2013</b>	<b>(78,503)</b>	<b>(12,665)</b>	<b>(4,467)</b>	<b>(95,625)</b>
<b>At 1 April 2012</b>	<b>192,474</b>	<b>991</b>	<b>1,905</b>	<b>195,370</b>
<b>At 31 March 2013</b>	<b>192,440</b>	<b>1,552</b>	<b>2,284</b>	<b>196,276</b>

Fit-out, plant and equipment additions includes £236,400 of assets financed under finance leases (see note 12)

EPOS tills with a net book value of £32,586 were sold during the year for proceeds of £17,500, resulting in a loss on disposal of £15,086 which is recognised in the income statement

As part of the ongoing capital refresh of the EPOS till estate, a further tranche of tills will be disposed of in year commencing 1 April 2013. An impairment review has been carried out and has assessed that the net book value of £64,618 at 31 March 2013 is higher than the forecasted net realisable value of £15,000. Consequently an impairment of £49,618 has been recognised in the income statement.

The value of grants netted off against property, plant and equipment is £87,745m (2012: £87,745m)

	Company			
	Land and buildings £'000	Fit-out, plant and equipment £'000	Computer hardware £'000	Total £'000
<b>Cost</b>				
At 1 April 2011	270,943	13,271	4,732	288,946
Additions	-	46	862	908
<b>Balance at 31 March 2012</b>	<b>270,943</b>	<b>13,317</b>	<b>5,594</b>	<b>289,854</b>
<b>Accumulated depreciation and impairment losses</b>				
At 1 April 2011	(78,435)	(12,062)	(2,827)	(93,324)
Transfers from Intangibles	-	-	39	39
Charge for the year	(34)	(264)	(901)	(1,199)
<b>Balance at 31 March 2012</b>	<b>(78,469)</b>	<b>(12,326)</b>	<b>(3,689)</b>	<b>(94,484)</b>
<b>At 1 April 2011</b>	<b>192,508</b>	<b>1,209</b>	<b>1,905</b>	<b>195,622</b>
<b>At 31 March 2012</b>	<b>192,474</b>	<b>991</b>	<b>1,905</b>	<b>195,370</b>

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 6. Property, plant and equipment continued

	Land and buildings £'000	Fit-out, plant and equipment £'000	Computer hardware £'000	Total £'000
<b>Cost</b>				
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<b>Balance at 31 March 2013</b>	<b>270,943</b>	<b>14,217</b>	<b>6,741</b>	<b>291,901</b>
<b>Accumulated depreciation and impairment losses</b>				
At 1 April 2012	(78,489)	(12,326)	(3,689)	(94,484)
Disposals	-	-	155	155
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<b>Balance at 31 March 2011</b>	<b>(78,469)</b>	<b>(12,326)</b>	<b>(3,689)</b>	<b>(94,484)</b>
<b>At 1 April 2011</b>	<b>192,508</b>	<b>1,209</b>	<b>1,905</b>	<b>195,622</b>
<b>At 31 March 2012</b>	<b>192,474</b>	<b>991</b>	<b>1,905</b>	<b>195,370</b>

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 7. Investments

#### Fixed asset investments

	Company	
	2013 £'000	2012 £'000
Shares in group undertakings		
Net book value at 1 April	67	70
Impairment of initial investments	-	(3)
<b>Net book amount at 31 March</b>	<b>67</b>	<b>67</b>

Investments in group undertakings are stated at fair value and comprise 100% shareholdings in NEC Finance plc and National Exhibition Centre (Ireland) Limited

#### Interests in associates

##### Interests in associates - company

	Company	
	Shares at cost £'000	Total £'000
At 1 April 2011	76	76
Impairment of investment	(76)	(76)
At 31 March 2012	-	-
At 31 March 2013	-	-

##### Interests in associates - group

	Group	
	Shares at cost £'000	Total £'000
At 1 April 2011	1	1
Impairment of investment	(1)	(1)
At 31 March 2012	-	-
At 31 March 2013	-	-

The underlying net interests in associates at the year end, net of provisions, relate to a 50% joint venture Global Spectrum - NEC D O O and 35% stake holding in MPM Catering Limited. Global Spectrum - NEC D O O did not trade during the year.

As in the previous year, the company undertook a detailed review of the investment in MPM Catering Limited and has continued to provide for its full impairment given its uncertainty of recoverability due to current trading circumstances of MPM. The company also reviewed the investment in Global Spectrum - NEC D O O and decided to maintain the impairment of the full investment of £1,102.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### Group's Interests in associates

	2013 £'000	2012 £'000
Fixed assets	230	320
Current assets	65	46
Current liabilities	(144)	(133)
Long-term liabilities	(498)	(487)
Share capital	(27)	(27)
	(374)	(281)
Income	1,029	1,256
Expenses	(1,102)	(1,291)
Interest	(22)	(19)
Share of post tax results from associates	(95)	(54)

The table above summarises key financial information on the associates. The company has no financial obligation in respect of its investment in associates and as previously disclosed has fully provided for the impairment in its associate investment.

### 8. Inventories

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Materials and consumables	776	759	776	759
Catering provisions and raw materials	1,307	708	1,307	708
Other	7	7	7	7
Total	2,090	1,474	2,090	1,474

Provisions of £59,102 (2012: £11,465) have been provided to write-down the carrying value of slow moving inventory.

### 9. Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables	14,212	11,878	14,020	11,472
Less provision for impairment of receivables	(170)	(385)	(170)	(385)
Trade receivables - Net	14,042	11,493	13,850	11,087
Amounts owed by group undertakings	-	-	2,229	1,861
Amounts owed by related parties	957	959	957	959
Amounts owed by Birmingham City Council	2,882	3,517	2,882	3,517
Interest receivable	19	6	6	6
Other debtors	46	41	46	41
Prepayments and accrued income	3,368	4,629	3,368	4,629
Total	21,314	20,645	23,338	22,100

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 9. Trade and other receivables continued

The fair values of trade and other receivables approximate to book value and are all denominated in Sterling

Trade receivables are reviewed individually for impairment irrespective of their ageing profile. As of 31 March 2013, trade receivables relating to a number of independent customers for whom there is no recent history of default were impaired. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables. Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being substantial and largely unrelated.

The ageing profile of these trade receivables is as follows

	2013 £'000	2012 £'000
3 to 6 months	90	148
Over 6 months	80	237
<b>Total</b>	<b>170</b>	<b>385</b>

Movements on the group provision for impairment of trade receivables are as follows

	2013 £'000	2012 £'000
At 1 April	385	394
Receivables written off during the year as uncollectable	(176)	(30)
Unused amounts reversed	(57)	(134)
Provision for receivables	18	155
<b>At 31 March</b>	<b>170</b>	<b>385</b>

Amounts charged to the provision for impairment of receivables are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

### 10. Cash and cash equivalents

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash at bank and in hand	2,393	1,698	2,335	1,634
Short-term deposits	25,301	32,556	23,000	30,900
<b>Total cash and cash equivalents</b>	<b>27,694</b>	<b>34,254</b>	<b>25,335</b>	<b>32,534</b>

The effective interest rate on short-term deposits was 0.43% (2012: 0.56%) and at the balance sheet date these had an average maturity of 14 days (2012: 17 days).

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 11. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade payables	1,559	1,762	1,559	1,762
Amounts owed to group undertakings	-	-	12	19
Amounts owed to Birmingham City Council	1,418	2,963	1,418	2,963
VAT payable	610	250	528	174
Amounts owed to related parties	4,099	4,132	4,099	4,132
Other tax and social security payable	1,356	758	1,351	755
Other creditors	214	163	214	163
Accruals	29,550	26,528	29,545	26,512
Deferred income	18,556	17,743	18,556	17,743
<b>Total</b>	<b>57,362</b>	<b>54,299</b>	<b>57,282</b>	<b>54,223</b>

As at 31 March 2013 there was deferred consideration of £950,000 (2012 £1,450,000) in respect of franchising and licensing (see note 5) £500,000 (2012 £500,000) is included in accruals and £450,000 (2012 £950,000) is included in deferred consideration included under Non-current liabilities in the Statement of Financial Position (see page 10)

### 12. Financial leases

#### Finance lease liabilities

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Less than one year	38	-	38	-
Between one and five years	196	-	196	-
<b>Total</b>	<b>234</b>	<b>-</b>	<b>234</b>	<b>-</b>
Future finance changes in finance leases	(26)	-	(26)	-
<b>Present value of finance lease liabilities</b>	<b>208</b>	<b>-</b>	<b>208</b>	<b>-</b>

The present value of finance lease liabilities is as follows

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Less than one year	29	-	29	-
Between one and five years	179	-	179	-
<b>Total</b>	<b>208</b>	<b>-</b>	<b>208</b>	<b>-</b>

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 13. Financial liabilities - borrowings

#### Non-current

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<b>Debenture loans</b>				
10 625% Debenture Stock 2016 (b) (d)	92,314	100,000	-	-
13 625% Debenture Stock 2016 (a)	100,074	100,074	-	-
	192,388	200,074	-	-
<b>Other unsecured loans</b>				
- 10 625% Loan Stock 2016 (a) (d)	-	-	92,314	100,000
- 13 625% Loan Stock 2016 (a)	-	-	100,074	100,074
- Birmingham City Council Loan (c)	14	14	14	14
	192,402	200,088	192,402	200,088

- a) The company has outstanding £92.3m 10 625% unsecured Loan Stock 2016 and £100.1m 13 625% unsecured Loan Stock 2016 that are held by NEC Finance plc. 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.
- b) NEC Finance has issued and has outstanding £92.3m 10 625% Debenture Stock 2016 and £100.1m 13 625% Debenture Stock 2016.
- c) The company received a subordinated loan of £13,551 from 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.
- d) Under an agreement dated 26 March 2013, the company repurchased £7.7m of the 10 625% unsecured Loan Stock 2016 from NEC Finance plc, who then used the funds to repurchase £7.7m of the 10 625% Debenture Stock 2016 from Birmingham City Council.

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

	2013	2012
	%	%
Debenture stock	12.18	12.13

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

### 14. Financial instruments

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

The NEC Loan Stock is held by Birmingham City Council which owns 99% of the authorised and fully paid share capital of the company. Given the stock is not actively traded, coupled with the relatively short term maturity of the debt the fair value has been calculated at book value consistent with prior year.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 14. Financial instruments continued

The carrying amounts of short term assets and liabilities approximate to book value

#### Group

	2013 Book Value £'000	2013 Fair Value £'000	2012 Book value £'000	2012 Fair Value £'000
Financial liabilities - borrowings	(192,402)	(192,402)	(200,088)	(200,088)
Primary financial instruments held or issued to finance the group's operations				
Trade and other payables	(58,020)	(58,020)	(55,249)	(55,249)
Trade and other receivables	21,314	21,314	20,645	20,645
Short-term deposits	25,301	25,301	32,556	32,556
Cash at bank and in hand	2,393	2,393	1,698	1,698

#### Company

	2013 Book Value £'000	2013 Fair Value £'000	2012 Book Value £'000	2012 Fair Value £'000
Financial liabilities - borrowings	(192,402)	(192,402)	(200,088)	(200,088)
Primary financial instruments held or issued to finance the group's operations				
Trade and other payables	(57,940)	(57,940)	(55,173)	(55,173)
Trade and other receivables	(23,338)	(23,338)	22,100	22,100
Short-term deposits	(23,000)	(23,000)	30,900	30,900
Cash at bank and in hand	(2,335)	(2,335)	1,634	1,634

#### Maturity of financial liabilities

The maturity profile of the carrying amount of the group's non-current liabilities at 31 March 2013 is within 5 years and as at 31 March 2012 was within five years

#### Borrowing facilities

The company entered into a 5 year finance lease on 1 May 2012 and had £0.2m of obligations in relation to that lease at the end of the year (see note 12) (2012: £nil)

The company had no undrawn committed borrowing facilities at the end of the year (2012: £nil)

### 15. Deferred tax

A deferred tax asset amounting to £5.9m (2012: £5.1m) of deductible temporary differences relating to the final salary pension fund has not been recognised as it is not considered probable that it will be recovered in the foreseeable future under the existing structure of the company



# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 16. Called up share capital

#### Authorised and fully paid

	2013 £	2012 £
10,000 'A' shares of £ 1 each held by Birmingham City Council	10,000	10,000
1 'B' Share of £ 1 held by Birmingham Chamber of Commerce and Industry	1	1

The 'A' ordinary share capital carries equal rights in respect of voting and sharing in the financial results and residual value upon winding up of the company. The 'B' ordinary share capital carries rights to voting but not to sharing in the financial results.

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

### 17. Retained earnings

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
At 1 April	17,684	15,167	17,554	15,124
Profit for the year	1,761	2,517	1,695	2,430
At 31 March	19,445	17,684	19,249	17,554

### 18. Other reserves

	Group Loss recognised in pension scheme £'000	Company Loss recognised in pension scheme £'000
At 1 April 2011	(28,600)	(28,592)
Actuarial loss recognised in the pension scheme	(10,148)	(10,148)
At 31 March 2012	(38,748)	(38,740)
Actuarial loss recognised in the pension scheme	(6,332)	(6,332)
At 31 March 2013	(45,080)	(45,072)

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 19. Employment and Directors

#### Staff costs for the group during the year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Wages and salaries	30,300	27,704	30,300	27,704
Social security costs	2,646	2,497	2,646	2,497
Other pension cost (see below)	1,729	926	1,729	926
Termination benefits	463	270	463	270
Other benefits	197	176	197	176
<b>Total</b>	<b>35,335</b>	<b>31,573</b>	<b>35,335</b>	<b>31,573</b>

#### Reconciliation of other pension costs

	2013 £000's	2012 £000's
Defined benefit plans (see note 20)	211	(650)
Contributory group personal pension plan	1,578	1,634
Participating employer contributions of non-group companies	(60)	(58)
<b>Total</b>	<b>1,729</b>	<b>926</b>

#### Average number of people employed during the financial year (excluding casual and zero hour contracts)

	2013 Number	2012 Number
Venue Operations	279	327
Catering Services	231	247
Support Services	175	153
<b>Total</b>	<b>685</b>	<b>727</b>

#### Key management compensation

	2013 £'000	2012 £'000
Salaries and short-term employee benefits	2,058	1,911
Post-employment benefits	120	93
Termination benefits	-	73
<b>Total</b>	<b>2,178</b>	<b>2,077</b>

The key management figures given above include Executive Directors

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### Directors' aggregate emoluments

	2013 £'000	2012 £'000
<b>Executive Directors</b>		
Aggregate emoluments	1,115	1,087
Company contributions to money purchase pension schemes	56	47
<b>Non-Executive Directors</b>		
Aggregate emoluments	158	157
<b>Total</b>	<b>1,327</b>	<b>1,291</b>

The company's Executive Board comprise key management above

There are 3 Directors who are accruing benefits under the defined contribution scheme

There are 2 Directors who have accrued passed service benefits under defined benefit schemes which ceased to provide future service accrual from 30 June 2010

The Non-Executive Directors to whom fees are paid are not entitled to any pension benefits

The Birmingham City Councillors who were Directors during the year did not receive any remuneration (2012 £nil)

### Highest paid Director

	2013 £'000	2012 £'000
Aggregate emoluments and benefits under the long term incentive schemes	556	515
<b>Defined benefit scheme</b>		
Accrued pension at end of year	35	34

## 20. Retirement benefit obligations

The company funds two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010. In addition during the year under review, the company provided two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute and a group personal pension plan where the company contributes to an agreed maximum. The employee benefit expense is recognised as it falls due.

The 2010 valuation revealed a shortfall in scheme assets of £16.9m. The company and Trustees have agreed a recovery plan which subject to actuarial assumptions being met, will eliminate the shortfall in 10 years. The 2013 triennial valuation for the NEC Limited Pension Fund was in progress at the year end.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 20. Retirement benefit obligations continued

The principal assumptions made by the Actuary for the NEC Limited Pension Fund were

#### Principal assumptions

	2013 %	2012 %
Rate of increase in pensions in payment (accrued prior 6 April 2005)	3.15 %	3.20 %
Rate of increase in pensions in payment (accrued post 6 April 2005)	2.10 %	2.20 %
Discount rate	4.40 %	4.95 %
Inflation assumption - RPI	3.30 %	3.20 %
Inflation assumption - CPI	2.45 %	2.35 %
Returns on equities, GTAA and hedge funds	4.40 %	6.90 %
Return on bonds & cash	4.40 %	3.90 %
Return on gilts	4.40 %	3.40 %
Return on real estate	4.40 %	4.40 %

The projected pension cost for 2013/14 allows for the changes that would apply under IAS19R. These changes are particularly significant for the expected return on assets assumption, where the return on assets is now calculated based on the discount rate rather than being based on the expected return on the underlying asset allocation.

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 in respect of the NEC Limited Pension Fund

	Male		Female	
	2013	2012	2013	2012
Member age 65 (current life expectancy)	22.0	22.3	24.4	24.7
Member age 45 (life expectancy at age 65)	23.8	24.0	26.4	26.7

The amounts recognised in the balance sheet are determined as follows

#### Pensions and other post-retirement obligations

	2013 £'000	2012 £'000
Present value of funded obligations	(149,464)	(133,302)
Fair value of plan assets	123,775	112,224
<b>Total</b>	<b>(25,689)</b>	<b>(21,078)</b>

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

#### Fund assets

	2013 %	2012 %
Equities, GTAA and hedge funds	56	57
Bonds	27	25
Real estate	12	13
Other	5	5

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### Fund assets continued

The amounts recognised in the income statement are as follows

	2013 £'000	2012 £'000
Interest cost	6,511	6,653
Expected return on plan assets	(6,300)	(7,303)
<b>Total included in employee benefit costs ( note 19)</b>	<b>211</b>	<b>(650)</b>

The amended version of IAS 19 on employee benefits, issued in June 2011 and effective for periods beginning after the 1 January 2013, requires net interest to be calculated on the net defined benefit asset/(liability) using the same discount rate used to measure the defined benefit obligation. Where the expected return on assets exceed the discount rate, the adoption of the amended standard will result in a reduction in reported net income and an increase in other comprehensive income (OCI). The impact on the company's financial statement for the period of initial application of the amended standard will depend upon reported pension assets and liabilities and the relationship between the expected return on assets and the discount rate at the date of adoption. If the amended standard had been adopted for the year ended 31 March 2013, net income would have been reduced by estimated £0.7m and OCI increased by £0.7m.

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

	2013 £'000	2012 £'000
Present value of obligation at 1 April	133,302	122,743
Interest cost	6,511	6,653
Actuarial losses	13,160	7,482
Benefits paid	(3,499)	(3,576)
<b>Present value of obligation at 31 March</b>	<b>149,464</b>	<b>133,302</b>

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

	2013 £'000	2012 £'000
Fair value of plan assets at 1 April	112,224	109,184
Expected return on scheme assets	6,300	7,303
Actuarial gains/(losses)	6,818	(2,666)
Employer contributions	1,932	1,979
Benefits paid	(3,499)	(3,576)
<b>Fair value of plan assets at 31 March</b>	<b>123,775</b>	<b>112,224</b>

Amounts recognised in the statement of financial position

	2013 £'000	2012 £'000
Present value of wholly or partly funded obligations	149,135	133,032
Deficit (surplus) for funded plans	25,359	20,808
Present value of wholly unfunded obligations	330	270
<b>Net Liability</b>	<b>25,689</b>	<b>21,078</b>

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### Analysis of the movement in the balance sheet liability

	2013 £'000	2012 £'000
1 April	(21,078)	(13,559)
Total (cost)/income as above	(211)	650
Employer contribution	1,932	1,979
Net actuarial losses recognised in the year	(6,332)	(10,148)
31 March	(25,689)	(21,078)

### Cumulative actuarial gains and losses recognised in equity

	2013 £'000	2012 £'000
1 April	(16,630)	(6,482)
Net actuarial losses recognised in the year	(6,332)	(10,148)
31 March	(22,962)	(16,630)

The actual profit on plan assets was £13.1m (2012 £4.6m)

### History of experience gains and losses

	2013	2012	2011	2010	2009
Present value of scheme liabilities (£'000)	149,464	133,302	122,743	140,200	98,283
Fair value of scheme assets (£'000)	123,775	112,224	109,184	100,803	74,411
Deficit (£'000)	(25,689)	(21,078)	(13,559)	(39,397)	(23,872)
Experience adjustments on scheme assets (£'000)	6,818	(2,666)	1,920	18,274	(27,518)
Expressed as a percentage of scheme assets (%)	6	(2)	-	19	(37)
Experience adjustments on scheme liabilities (£'000)	-	-	3,526	-	-
Expressed as a percentage of scheme liabilities (%)	-	-	3	-	-

The projected pension cost for the financial year ending 31 March 2014 is £1.1m

Expected contributions to defined benefit schemes for the year ending 31 March 2014 as proposed in the 2011 valuation are £2.0m

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 21. Operating lease commitments - minimum lease payments

#### Group and Company

	2013 Vehicles, plant and equipment £'000	2012 Vehicles, plant and equipment £'000
<b>Total commitments under operating leases expiring:</b>		
Within one year	391	237
Later than one year and not more than five years	811	428
After more than five years	1	1
<b>Total</b>	<b>1,203</b>	<b>666</b>

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

### 22. Ultimate parent

The Directors regard Birmingham City Council, a local authority in England and Wales, as the ultimate parent of the company. Copies of the accounts are available from [www.birmingham.gov.uk](http://www.birmingham.gov.uk)

### 23. Related party transactions

The group defines related parties as subsidiaries and associates (see note 24) where control or significant influence is exercised and entities are controlled by common majority ownership. During the year the group has undertaken transactions with the following other related parties:

#### Birmingham City Council

The National Exhibition Centre Limited ('NEC') undertakes a number of different transactions with its parent Birmingham City Council ('BCC') which broadly fall into three categories:

- a variable fee paid by NEC for the right to operate the venues business as principal,
- commercial trading transactions undertaken at arm's length basis including management fees on agency transactions, and
- transactions undertaken by NEC as agent on behalf of BCC for the management of capital works and collection of tenants' income

The first two categories of transaction are categorised as trading with the remainder being as agent

#### National Exhibition Centre (Developments) Plc

Under a management agreement dated 14 May 1997 the company manages exhibition halls 17 to 20 at the NEC. The National Exhibition Centre (Developments) Plc is wholly owned by Birmingham City Council.

# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 23. Related party transactions continued

Transactions with related parties are at individually agreed rates

During the year the group and company undertook the following transactions with related parties

	Sale of goods and services		Purchase of goods and services	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<b>Associates</b>				
MPM Catering Limited	627	1,272	31	22
<b>Subsidiaries</b>				
NEC Finance plc	-	-	-	19
National Exhibition Centre (Ireland) Limited	950	951	-	-
<b>Other</b>				
National Exhibition Centre (Developments) Plc	1,288	1,212	6,820	6,743
Birmingham City Council - trading	1,986	676	4,318	3,952
Birmingham City Council - as agent (a)	17,947	16,205	3,363	3,245
<b>Total</b>	<b>22,797</b>	<b>20,316</b>	<b>14,632</b>	<b>13,981</b>

(a) The sale of goods and services of £17.9m (2012: £16.2m) includes £13.1m (2012: £11.6m) revenue grant funding provided by Birmingham City Council to fund the company's operating deficit

Year end balances receivable/(payable) arising from sales and purchase of services

	2013	2012
	£'000	£'000
NEC Finance plc	(12)	(19)
National Exhibition Centre (Ireland) Limited	2,229	1,861
National Exhibition Centre (Developments) plc - receivable	779	807
National Exhibition Centre (Developments) plc - payable	(4,099)	(4,132)
MPM Catering Limited - receivable	178	152
MPM Catering Limited - payable	-	(8)
Birmingham City Council - trading - receivable	186	252
Birmingham City Council - as agent - receivable	2,696	3,265
Birmingham City Council - trading - payable	-	(2)
Birmingham City Council - as agent - payable	(1,418)	(2,961)



# THE NATIONAL EXHIBITION CENTRE LIMITED

## Notes to the Financial Statements for the year ended 31 March 2013

### 24. Principal subsidiaries and associates

#### Subsidiary undertakings

##### NEC Finance plc

NEC Finance plc is a wholly owned subsidiary of the company. NEC Finance plc is a company incorporated in England and was formed to raise capital through the issue of listed debenture stock to finance

- the construction of The ICC and The 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

##### National Exhibition Centre (Ireland) Limited

NEC (Ireland) Limited is a wholly owned subsidiary of the company, incorporated in Ireland. The company was formed to provide strategic and operational management consulting services to The Convention Centre, Dublin

#### Joint ventures and associates

##### Global Spectrum-NEC D.O.O.

The company owns 50% of the share capital in Global Spectrum-NEC D O O formed with Global Spectrum which is registered in the US

##### MPM Catering Limited

The company owns 35% of the share capital in MPM Catering Limited, which provides mobile catering facilities

### 25. Capital and financial commitments

The company had £0.1m (2012 £Nil) worth of capital expenditure contracted for at the end of year but had not yet been incurred

In June 2013 the company contracted with BAM Construct UK Ltd for the provision of construction and related services relating to the refurbishment of the NIA. The contract is for £21.7m over a 20 month contract term expected to complete in December 2015, with the expenditure for the year ending the 31 March 2014 forecasted at £14.1m