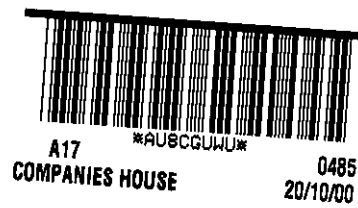


NEC FINANCE PLC
ANNUAL REPORT FOR THE YEAR
ENDED 31 MARCH 2000



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**Registered Office:
NEC Finance plc
Birmingham B40 1NT**

Tel. No. 0121 780 4141

REPORT OF THE DIRECTORS

1. Report And Financial Statements

The Directors present their report and the audited financial statements for the year ended 31 March 2000.

2. Principal Activities Of The Company

The Company is a wholly owned subsidiary of The National Exhibition Centre Limited, and was incorporated for the purpose of raising finance for the construction, by The National Exhibition Centre Limited, of additional exhibition space. The Company's principal activities remain that of raising finance and holding investments.

3. Capital And Finance

- 3.1 The Company has issued 50,000 Ordinary Shares of £1 each, all of which are in the beneficial ownership of The National Exhibition Centre Limited and are paid up as 50p per share.
- 3.2 The Company has issued and outstanding £100m 10.625% Debenture Stock 2016 and £115m 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 National Exhibition Centre Limited which are guaranteed by Birmingham City Council. £90m of the 13.625% Stock was issued at a premium price of £119.215 per £100 Debenture Stock.

4. Results

The results of the Company for the year are considered to be satisfactory. These are set out in the Profit and Loss Account on page 6.

5. Fixed Asset Investments

Fixed Asset Investments represent the Unsecured Loan Stock of The National Exhibition Centre Limited.

6. Dividends And Transfers To Reserves

The Directors recommend that as in previous years, no dividend be declared in respect of the financial year. The profit for the financial year of £944 (1999 £1,354) will be transferred to reserves.

7. Directors

The Directors of the Company at 31 March 2000, all of whom were Non-Executive Directors, were:-

R S Burman (Chairman)
Councillor A Bore
Sir Adrian Cadbury
Councillor T Khan

The only Director to hold any shares of the Company during or at the end of the year is Mr R S Burman, who holds one share. There have been no changes in Directors' interests since the end of the financial year.

7. **Directors continued**

None of the Directors had a material interest in any contracts of significance during or at the end of the year.

Biographical details of the above Non-Executive Directors are shown below:

Roger S Burman CBE BSc LLD DL

Roger Burman has been Chairman of The National Exhibition Centre Limited since 1989, having first joined the Board in 1984. He is a past President of the Birmingham Chamber of Commerce and Industry and of the British Chamber of Commerce.

He is Chairman and Managing Director of the Tipton-based electronics company, Teledictor Limited. He is also Pro-Chancellor of the University of Birmingham.

He has an interest in the jewellery industry through the Birmingham Assay Office and is a member of the British Hallmarking Council.

He has also been appointed High Sheriff of the West Midlands for 1999/2000.

Councillor Albert Bore PhD BSc

Councillor Dr Albert Bore is Leader of Birmingham City Council and is a lecturer at Aston University. He has been a member of Birmingham City Council, representing Ladywood Ward since 1980.

He is also a member of several local organisations and companies including West Midlands Development Agency Limited, Birmingham Economic Development Partnership Limited, Birmingham Technology Limited, The National Exhibition Centre Limited, Advantage West Midlands and Optima Community Association Limited.

For several years he has represented Birmingham City Council on Eurocities, a network of over 50 of the largest cities in the European Union, and is also a UK representative on the European Committee of Regions.

Sir (George) Adrian Hayhurst Cadbury MA DSc

Sir Adrian has been a member of The National Exhibition Centre Limited Board of Directors since 1989. He is Chancellor of Aston University and a past-President of the Birmingham Chamber of Commerce and Industry.

Councillor Tariq Khan BA (Hons)

Councillor Khan has worked in the pharmaceutical industry for six and a half years and is at present working for Warner Lambert as a senior medical representative.

He first came onto the Council in May 1994 and has been on a number of Committees which include Housing, Environmental Services, Social Services and is, at present, on Leisure and Equalities.

He is also a member of the Board of Directors for The National Exhibition Centre Limited and Chairman of the Remuneration and Audit Committees.

8. Directors' Responsibilities For The Financial Statements

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 as at the end of the financial year and of the profit or loss for that period. In preparing these financial statements, the Directors confirm that they have:

selected suitable accounting policies and then applied them consistently;

made judgments 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 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 to prevent and detect fraud and other irregularities.

9. Corporate Governance

The Company is exempt from compliance with the Combined Code under the provisions of The Stock Exchange Listing Rules as the Company has only specialist debentures listed.

10. Year 2000 Compliance

The Company is reliant upon the computer systems of its ultimate parent company, The National Exhibition Centre Limited ("NEC")

In recognition of the serious implications of the millennium date change, the NEC established a Project Team in March 1997, covering all group companies except HRB. The Project Team included representatives from across the Group using an external consultant to act as Project Manager.

As a result of the work performed by the Project Team, which included testing the business' critical systems and assessing and consolidating contingency plans, we can report that no significant disruption relating to this issue occurred in any of the Group's systems.

The Project Team scaled down its activities but continued to monitor the effects of relevant critical dates including the leap year, in conjunction with the ongoing maintenance of the business' systems.

The costs of implementing the action plans were expensed as incurred and were subsumed into the recurring activities of the departments involved.

11. Employees

There are no employees of NEC Finance plc.

12. Taxation Status

The company was not a close Company within the meaning of the Income and Corporation Taxes Act 1988 during the year, and this position has not changed since the end of the financial year.

13. 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's payment terms are the last working day of the month following the month in which the invoice is raised, for the following:

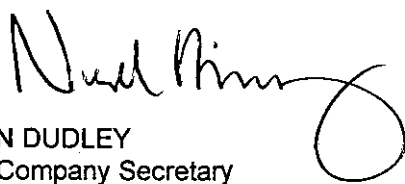
Legal and professional fees
Audit fee

The Company had insignificant trade creditors at 31 March 2000 and therefore creditor days have not been calculated.

14. Auditors

A resolution to reappoint PricewaterhouseCoopers as the Company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


N DUDLEY
Company Secretary

NEC Finance plc
Birmingham B40 1NT

 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF NEC FINANCE plc

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

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

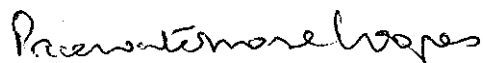
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2000, and of the profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham



2000

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2000

	Notes	2000 £000	1999 £000
Administrative Expenses		(16)	(16)
Other Operating Income	2	16	16
Investment Income	3	26,295	26,295
Interest Payable and similar Charges	4	(26,293)	(26,293)
Results From Ordinary Activities Before Taxation	5	2	2
Taxation	8	(1)	(1)
Profit for the Financial Period Transferred to Reserves		1	1

MOVEMENT ON PROFIT AND LOSS ACCOUNT

	2000 £000
At 31 March 1999	6
Retained Profit for the year	1
At 31 March 2000	7

The results for the Company are all in respect of continuing operations.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 8 to 11 form part of these financial statements.

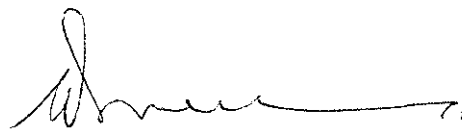
BALANCE SHEET

at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed Assets			
Investments	7	215,000	215,000
Current Assets			
Debtors	9	5	10
Investments	10	30	29
Cash at bank and in hand	11	4	1
		39	40
Creditors - amounts falling due within one year			
Creditors	12	(7)	(9)
Net Current Assets		32	31
Total Assets less Current Liabilities		215,032	215,031
Creditors - amounts falling after more than one year			
Borrowings	13	(215,000)	(215,000)
Total Net Assets		32	31
Capital and Reserves			
Called up Share Capital	14	25	25
Profit and Loss Account		7	6
Equity Shareholders' Funds	15	32	31

The financial statements on pages 6 to 11 were approved by the board of Directors on 6th October 2000 and were signed on its behalf by:

Director



Director



The notes on pages 8 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention.

Cash Flows

The Company is a wholly owned subsidiary of The National Exhibition Centre Limited, and the cash flows of the Company are included in the consolidated group cash flow statement of The National Exhibition Centre Limited. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

Related Party Transactions

The Company is a wholly owned subsidiary of The National Exhibition Centre Limited. The Company is therefore exempt from disclosing transactions and balances with group entities that have been eliminated on consolidation under the terms of Financial Reporting Standard No 8.

2. Other Operating Income

	2000 £000	1999 £000
Other Income	16	16
	<u>16</u>	<u>16</u>

3. Investment Income

	2000 £000	1999 £000
Income from loans to Parent Company	26,293	26,293
Other Interest receivable	2	2
	<u>26,295</u>	<u>26,295</u>

4. Interest payable and similar Charges

	2000 £000	1999 £000
Interest on loans repayable in more than 5 years	26,293	26,293
	<u>26,293</u>	<u>26,293</u>

5. **Profit on ordinary activities before taxation**

	2000	1999
	£000	£000
After charging:		
Auditors remuneration - Audit fees	4	4
	<u>4</u>	<u>4</u>

6. **Directors' And Employees' Emoluments**

No emoluments were paid to any Directors of the Company. Other than the Directors there are no employees of the Company.

7. **Fixed Assets**

	£000
Cost at 1 April 1999 and at 31 March 2000	<u>215,000</u>

The investments represent the Unsecured Loan Stock of The National Exhibition Centre Limited :
as follows:-

£100m 10.625% Unsecured Loan Stock 2016

£115m 13.625% Unsecured Loan Stock 2016

Birmingham City Council has guaranteed the payment of the full amount of the principal of, and interest accruing on, the Loan Stocks as they fall due (see Note 12).

	2000	1999
	£000	£000
United Kingdom corporation tax at 30% (31%)	<u>1</u>	<u>1</u>

9. **Debtors**

	2000	1999
	£000	£000
Amounts falling due within one year:		
Trading Reimbursements owed by Parent Company	4	7
Interest receivable	1	-
Prepayments and accrued income	-	3
	<u>5</u>	<u>10</u>

10. **Investments**

	2000 £000	1999 £000
Short Term Cash Deposits	30	29
	<u>30</u>	<u>29</u>

11. **Cash at Bank and in hand**

	2000 £000	1999 £000
Bank	4	1
	<u>4</u>	<u>1</u>

12. **Creditors - amounts falling due within one year**

	2000 £000	1999 £000
Trade creditors	-	3
Current Corporation tax	1	1
Accruals and deferred income	6	5
	<u>7</u>	<u>9</u>

	2000 £000	1999 £000
10.625% Debenture Stock 2016	100,000	100,000
13.625% Debenture Stock 2016	115,000	115,000
	<u>215,000</u>	<u>215,000</u>

The Company has issued and outstanding £100m 10.625% Debenture Stock 2016 and £115m 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 National Exhibition Centre Limited which are guaranteed by Birmingham City Council. £90m of the 13.625% Debenture Stock was issued at a premium price of £119.275 per £100 Debenture Stock.

14. **Called Up Share Capital**

	2000	1999
	£000	£000
50,000 Ordinary Shares of £1 each authorised and allotted, 50p paid up	25	25
	<u>25</u>	<u>25</u>

15. **Reconciliation of movements in shareholders' funds**

	2000	1999
	£000	£000
Opening shareholders' funds	31	30
Profit for the financial period	1	1
Closing shareholders' funds	<u>32</u>	<u>31</u>

16. **Ultimate Parent Company**

The Directors regard The National Exhibition Centre Limited, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the Company, The National Exhibition Centre Limited has a 100% interest in the equity capital of NEC Finance plc at 31 March 2000. Copies of the parent's consolidated financial statement may be obtained from The Secretary, The National Exhibition Centre Limited, Birmingham B40 1NT.