

NEC FINANCE PLC

ANNUAL REPORT FOR THE YEAR

ENDED 31 MARCH 2005

REGISTERED NUMBER: 2652843



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Registered Office:
NEC
Birmingham B40 1NT

Tel. No. 0121 780 4141

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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 2005.

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 holding investments.

3. 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 5.

4. Fixed Asset Investments

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

5. Dividends And Transfers To Reserves

The Directors recommend that as in previous years, no dividend be declared in respect of the financial year.

6. Directors

The Directors of the Company at 31 March 2005, all of whom were Non-Executive Directors, were:-

Roger Dickens (Chairman – Appointed 14 January 2005)
Roger Burman (Chairman – Resigned 14 January 2005)
Councillor Sir A Bore
Councillor John Aiden
Mr G Allen
Councillor Ian Ward (Resigned 5 November 2004)

The only Director to hold any shares of the Company during or at the end of the year is Mr R S Burman, the former Chairman, who holds one share. This is in the process of being transferred to Mr R Dickens.

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 J Dickens

Roger was awarded the CBE in 1997. He is a Deputy Lieutenant and High Sheriff for 2005/06 in the county of the West Midlands.

His other key appointments are:

- Chairman of West Bromwich Building Society
- Chairman of NEC Limited
- Chairman of assa Training and Learning Limited
- Director of Headlam Group plc
- Senior Independent Director of Carillion plc
- Former Founder Chairman of Birmingham Forward and Chairman of West Midland Group of Chambers of Commerce and President of Birmingham Chamber of Commerce and Industry.

6. **Directors continued**

Councillor Sir Albert Bore PhD BSc

Elected as a member of Birmingham City Council in 1980, Sir Albert has taken a major role in the regeneration of the city. Sir Albert was Leader of Birmingham City Council from 1999 to 2004.

Since 1994 he has been one of the members nominated by the UK Government to the European Union's Committee of the Regions, and was President from 2002-2004. From 1991 to 2004 his European interest was also taken up as a member of the Executive of Eurocities a.s.b.l., a company incorporated in Belgium to promote the interests of major European cities.

His other key appointments are:

- Director of Aston Science Park
- Director of NEC Limited
- Member of Marketing Birmingham.

Councillor J E C Alden

John was elected as a member of Birmingham City Council in 1983. Following the local elections in June 2004 John became Cabinet Member for Leisure, Sport and Culture.

His other key appointments are:

- Director of Millennium Point Trust
- Director of NEC Limited
- Member of the West Midlands Local Government Association
- Trustee of the Harborne Parish Lands Charity.

John is an associate member of the Chartered Institute of Taxation and is a sole practitioner of Alden & Co.

Mr Gary J Allen CBE, DL

His other key appointments are:

- Chairman of IMI plc until the 31st December 2004
- Director of NEC Limited
- Senior Independent Director of The London Stock Exchange plc
- Director of N V Bekaert SA (Belgium)
- Director of Temple Bar Investment Trust plc.

7. **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 judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.

8. **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.

9. **Employees**

There are no employees of NEC Finance plc (2004:Nil).

10. **Payment Policy**

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

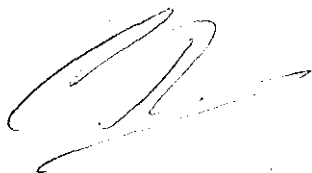
- have a clear, consistent policy that they pay bills in accordance with the contract
- ensure that the finance and purchasing departments are both aware of this policy and adhere to it
- agree payment terms at the outset of a deal and stick to them
- not extend or alter payment terms without prior agreement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

The Company had insignificant trade creditors at 31 March 2005 and therefore creditor days have not been calculated.

11. **Auditors**

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

BY ORDER OF THE BOARD



C STRETTON
Company Secretary

NEC Finance plc
Birmingham B40 1NT

2 September 2005

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF NEC FINANCE plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. 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.

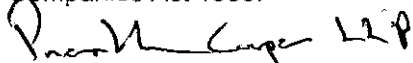
Basis of audit opinion

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 2005, and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

2 September 2005

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Administrative Expenses		(16)	(15)
Other Operating Income		16	15
Operating Profit		-	-
Investment Income	3	26,293	26,293
Interest Payable and similar Charges	4	(26,293)	(26,293)
Profit On Ordinary Activities Before and after Taxation and Profit for the Financial Year	2	-	-

MOVEMENT ON RESERVES

	2005 £000
At 31 March 2004	9
Retained Profit for the year	-
At 31 March 2005	9

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 7 to 11 form part of these financial statements.

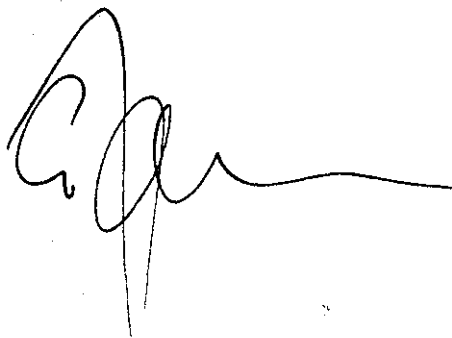
BALANCE SHEET

at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed Assets			
Investments	6	215,000	215,000
Current Assets			
Debtors	7	31	16
Cash at bank and in hand		11	26
		42	42
Creditors - amounts falling due within one year			
Creditors	8	(8)	(8)
Net Current Assets		34	34
Total Assets less Current Liabilities		215,034	215,034
Creditors - amounts falling after more than one year			
Borrowings	9	(215,000)	(215,000)
Total Net Assets		34	34
Capital and Reserves			
Called up Share Capital	11	25	25
Profit and Loss Account		9	9
Equity Shareholders' Funds	12	34	34

The financial statements on pages 5 to 11 were approved by the board of Directors on 2 September 2005 and were signed on its behalf by:

Director



The notes on pages 7 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

Cash Flows

The Company is a wholly owned subsidiary of The National Exhibition Centre Limited, whose financial statements are publicly available, 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.

Investments

Investments are carried at cost less provision for impairment.

Financial Instruments

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

It is the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The policies have remained unchanged since 1 April 2001.

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's policy is to match its fixed asset investments with its borrowings at fixed rates of interest.

Liquidity risk

Company policy is to ensure continuity of available funding by ensuring that a significant proportion of such funding matures in more than 5 years.

2. Profit on ordinary activities before and after taxation and Profit for the Financial Year

	2005 £000	2004 £000
Profit on ordinary activities before and after taxation and profit for the financial year is after charging:		
Auditors remuneration - Audit fees	5	4

3. **Investment Income**

	2005	2004
	£000	£000
Income from loans to Parent Company	26,293	26,293

4. **Interest payable and similar Charges**

	2005	2004
	£000	£000
Interest on loans repayable in more than 5 years	26,293	26,293

5. **Directors' And Employees' Emoluments**

No emoluments were paid to any Directors of the Company. There are no employees of the Company (2004:Nil).

6. **Fixed Asset Investments**

	£000
Cost at 1 April 2004 and at 31 March 2005	215,000

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 9).

7. **Debtors**

	2005	2004
	£000	£000
Amounts falling due within one year:		
Trading Reimbursements owed by Parent Company	31	16

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

	2005	2004
	£000	£000
Accruals and deferred income	8	8

9. Creditors - amounts falling due after more than one year

	2005 £000	2004 £000
10.625% Debenture Stock 2016	100,000	100,000
13.625% Debenture Stock 2016	115,000	115,000
	215,000	215,000

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.

10. Financial Instruments

Interest rate risk profile of financial assets and liabilities

Financial assets

The interest rate profile of the Company's financial assets at 31 March 2005 was:

	Fixed Interest £000	No Interest £000	Total £000
Borrowings (Sterling)			
2005	215,000	-	215,000
2004	215,000	-	215,000

	Fixed rate financial assets		Financial assets on which no interest is paid
	Weighted average interest rate %	Weighted average period to which rate relates Years	
Borrowings (Sterling)			
2005	12.23	11	-
2004	12.23	12	-

10. Financial Instruments – Continued

Fair values of financial assets and liabilities

Market Values have been used to determine fair values

	2005		2004	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	11	11	26	26
Long term investments	215,000	348,647	215,000	339,413
Long term borrowings	(215,000)	(348,647)	(215,000)	(339,413)
	11	11	26	26

Maturity profile of financial liabilities

	2005 £000	2004 £000
In more than 5 years	215,000	215,000
	215,000	215,000

11. Called Up Share Capital

	2005 £000	2004 £000
50,000 Ordinary Shares of £1 each authorised and allotted, 50p paid up	25	25

12. Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Opening shareholders' funds	34	34
Result for the financial year	-	-
Closing shareholders' funds	34	34

13. 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 2005. Copies of the parent's consolidated financial statement may be obtained from The Secretary, The National Exhibition Centre Limited, Birmingham B40 1NT.

14. **Post Balance Sheet Events**

Subsequent to the end of the year Birmingham City Council acquired the ultimate stockholding of £215m 2016 debenture stock, in respect of which it had guaranteed its repayment. On 17th June 2005, the National Exhibition Centre Limited repaid £14.9m of 13.625% unsecured loan stock 2016.

On the same day the Company redeemed £14.9m in respect of 13.625% secured loan stock 2016 from Birmingham City Council.