

Registered Number: 2652843

NEC FINANCE plc

ANNUAL REPORT FOR THE YEAR

ENDED 31 MARCH 1997



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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 1997.

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, 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 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 no dividend be declared in respect of the year ended 31 March 1997. The profit for the financial year of £772.82 will be transferred to reserves.

7. Directors

The Directors of the Company at 31 March 1997, all of whom were non-Executive Directors, were:-

Mr R S Burman (Chairman)
Councillor A Bore
Sir Adrian Cadbury
Councillor A Coulson

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 subsisting 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 Chambers of Commerce.

He is Chairman and Managing Director of the Tipton-based electronics company Teledictor Limited. He is a member of the British Overseas Trade Board, Pro-Chancellor of the University of Birmingham, and a member of the Board of the Black Country Development Corporation.

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

Councillor Albert Bore PhD BSc

Councillor Dr Albert Bore is Chairman of the Birmingham City Council's European and International Policy (Sub-Committee) 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 Birmingham Credit Union Development Agency Limited, Birmingham Media Development Agency Limited, West Midlands Development Agency Limited, Birmingham Development Partnership Limited, Birmingham Technology Limited, Summerfield Foundation Limited, The National Exhibition Centre 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 Andrew Coulson PhD MA

Councillor Andrew Coulson, a Lecturer in Local Government Finance at the University of Birmingham, is Chair of the Arts, Culture and Economy Sub-committee of Birmingham City Council.

He is also a member of the Birmingham City Council's Policy and Resource Committee, Education Committee and Environmental Services Committee

He has represented Selly Oak Ward since 1990 and taken a special interest in the relationships between students and permanent residents in Bournbrook, Selly Oak and in finding the best future for the Bristol Road and the shops that depend on it.

He is a director of the City of Birmingham Symphony Orchestra, Symphony Hall (Birmingham) Limited, Symphony Hall (Enterprises) Limited and Hyatt Regency Birmingham Limited.

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. Employees

There are no employees of NEC Finance plc.

10. 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.

11. 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:

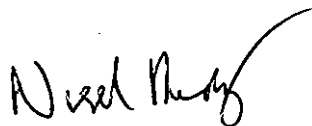
Legal and professional fees

Audit fee

12. Auditors


A resolution to reappoint Coopers & Lybrand 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



1997

REPORT OF THE AUDITORS TO THE MEMBERS OF NEC FINANCE plc

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

Respective Responsibilities Of Directors And Auditors

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis Of 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 judgments 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 1997 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham

4 July 1997

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	Notes	1997 £000	1996 £000
Administrative expenses		(16)	(18)
Other operating income	2	16	18
Investment income	3	29,295	26,302
Interest payable and similar charges	4	(29,293)	(26,301)
Results From Ordinary Activities Before Taxation	5	2	1
Taxation	7	(1)	-
Profit For The Financial Period Transferred To Reserves		1	1

MOVEMENT ON PROFIT AND LOSS ACCOUNT

	1997 £000
At 31 March 1996	3
Retained profit for the year	1
At 31 March 1997	4

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.

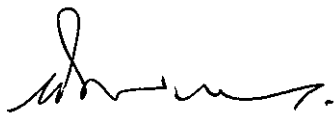
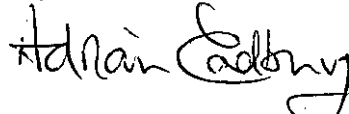
The notes on pages 8 to 11 form part of these financial statements.

BALANCE SHEET
at 31 March 1997

	Notes	1997 £000	1996 £000
Fixed Assets			
Investments	8	215,000	215,000
Current Assets			
Debtors	9	13,159	13,155
Investments	10	25	25
Cash at bank and in hand	11	4	6
		13,188	13,186
Creditors - Amounts Falling Due Within One Year			
Creditors	12	(13,159)	(13,158)
Net Current Assets		29	28
Total Assets Less Current Liabilities		215,029	215,028
Creditors - Amounts Falling Due After More Than One Year			
Borrowings	13	(215,000)	(215,000)
Total Net Assets		29	28
Capital And Reserves			
Called up share capital	14	25	25
Profit and loss account		4	3
Equity Shareholders' Funds		29	28

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

4th July 1997

 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 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 Finance Reporting Standard No 8.

2. Other Operating Income

	1997 £000	1996 £000
Other income	16	18
	<u>16</u>	<u>18</u>

3. Investment Income

	1997 £000	1996 £000
Income from loans to parent company	26,294	26,294
Other interest receivable	1	8
	<u>26,295</u>	<u>26,302</u>

4. Interest Payable And Similar Charges

	1997 £000	1996 £000
Interest on loans repayable in more than 5 years	26,293	26,294
Other interest payable	-	7
	<u>26,293</u>	<u>26,301</u>

5 **Profit On Ordinary Activities Before Taxation**

	1997 £000	1996 £000
After charging:		
Auditors remuneration - audit fees	4	4
- non-audit fees	-	1
	<u>4</u>	<u>5</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 **Taxation On Profit On Ordinary Activities**

	1997 £000	1996 £000
United Kingdom corporation tax at 33%	1	NIL
	<u>1</u>	<u>NIL</u>

8 **Fixed Assets**

	1997 £000
Cost at 1 April 1996	215,000
Additions	-
Disposals	-
	<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)

9 **Debtors**

	1997 £000	1996 £000
Amounts falling due within one year:		
Trading reimbursements owed by parent company	11	7
Investment income owed by parent company	13,147	13,147
Prepayments and accrued income	1	1
	<u>13,159</u>	<u>13,155</u>

10: **Investments**

	1997 £000	1996 £000
Trade investments		
Short term deposits	25	25
	<u>25</u>	<u>25</u>

11. **Cash At Bank And In Hand**

	1997 £000	1996 £000
Bank	4	6
	<u>4</u>	<u>6</u>

12. **Creditors - Amounts Falling Due Within One Year**

	1997 £000	1996 £000
Trade creditors	4	-
Current corporation tax	1	-
Accruals and deferred income	7	11
Interest payable	13,147	13,147
	<u>13,159</u>	<u>13,158</u>

13. **Borrowings - Amounts Falling Due After More Than One Year**

	1997 £000	1996 £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**

	1997	1996
	£000	£000
50,000 Ordinary shares of £1 each authorised and allotted, 50p paid	25	25
	<u>25</u>	<u>25</u>

15. **Reconciliation Of Movements In Shareholders' Funds**

	1997	1996
	£000	£000
Opening shareholders' funds	28	27
Profit for the financial period	1	1
Closing Shareholders' Funds	<u>29</u>	<u>28</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 1997. Copies of the parent's consolidated financial statement may be obtained from The Secretary, The National Exhibition Centre Limited, Birmingham B40 INT.