

NEC FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

Registered Office:
NEC
Birmingham B40 1NT

Tel. No. 0121 780 4141



NEC FINANCE PLC
For the year ended 31 March 2011

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NEC FINANCE PLC
For the year ended 31 March 2011

REPORT OF THE DIRECTORS

Annual report and financial statements

The Directors present their annual report and the audited financial statements of the company for the year ended 31 March 2011. The registered number is 2652843.

Business review

Business structure

The company is a wholly owned subsidiary of The National Exhibition Centre Limited ('NEC'). The purpose of the company was to raise finance to fund the construction by NEC of exhibition, conference, sporting and event facilities.

The finance raised has been invested in NEC through unsecured loan stock which is guaranteed by Birmingham City Council.

Company's financial performance

NEC reimburses the company's operating and management expenses, with the results reflecting investment activity. The results of the company for the year are considered to be satisfactory and are set out in the profit and loss account on page 6.

Development review and future

The principal activity of the company remains that of borrowing and holding investments.

Financial risk management

Liquidity

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

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.

Fixed asset investments

Fixed asset investments represent the unsecured loan stock of NEC.

Dividends and transfers to reserves

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

Directors

The Directors of the company who served during the year and up to the date of signing the financial statements, all of whom were Non-Executive Directors, were

Mr M D Angle (Chairman)
Councillor Sir A Bore
Councillor P Tilsley MBE

NEC FINANCE PLC
For the year ended 31 March 2011

REPORT OF THE DIRECTORS - (continued)

Directors - (continued)

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

Mr Martin D Angle

Martin is a Chartered Accountant, a member of the Securities Institute and a Fellow of the Royal Society of Arts. Martin has held senior executive roles in investment banking, industry and private equity. Martin was Operational Managing Director of Terra Firma Capital Partners.

His other key appointments are

- Chairman of NEC Limited
- Director of NEC (Developments) Plc
- Director of Pennon Group PLC
- Director of Savills PLC
- Director of JSC Severstal
- Director of Shuaa Capital Psc
- Sits on the Advisory Board of Warwick Business School

Councillor Sir Albert Bore PhD BSc

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

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 to 2004. From 1991 to 2004 his European interest was also taken up as a member of the Executive of Eurocities asbl, 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
- Chairman of the University Hospital Birmingham NHS Foundation Trust
- Director of Performances Birmingham Limited
- Member of Marketing Birmingham

Councillor Paul Tilsley MBE

A Liberal Democrat Councillor on Birmingham City Council since 1968, Paul was Lord Mayor from 1993 to 1994.

His other key appointments are

- Leader of the Liberal Democrat Group in Birmingham since 2005
- Director of NEC Limited
- Director of South Birmingham Primary Care Trust
- Director of Birmingham International Airport
- Adviser on management, employment and training matters in the voluntary sector
- Chief Executive of West Midlands European Network (WMEN)

NEC FINANCE PLC
For the year ended 31 March 2011

REPORT OF THE DIRECTORS - (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively, 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 1-2, confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company, and
- the Directors' report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

Statement of disclosure of information to auditors

In accordance with Section 418 Companies Act 2006, the Directors' Report shall include a statement, in the case of each director in office at the date the Directors' Report is approved, that

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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.

NEC FINANCE PLC
For the year ended 31 March 2011

REPORT OF THE DIRECTORS (continued)

Going concern


After making appropriate enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and have therefore prepared the financial statements on a going concern basis

Employees

There are no employees of NEC Finance plc (2010 nil)

Independent 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
K Marriott
Company Secretary
NEC Finance plc
Birmingham B40 1NT
19 September 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEC FINANCE PLC

We have audited the financial statements of NEC Finance plc for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 Directors' report 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 company's affairs as at 31 March 2011 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

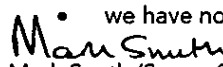
Opinion on other matters prescribed by the Companies Act 2006

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements to be audited 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

20 SEPTEMBER 2011

NEC FINANCE PLC**PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2011**

	Note	2011 £000	2010 £000
Administrative expenses		(12)	(12)
Other operating income		12	12
Operating Profit		-	-
Interest receivable and similar income	3	24,260	24,260
Interest payable and similar charges	4	(24,260)	(24,260)
Profit on Ordinary Activities Before and After Taxation	2	-	-
Profit for the Financial Year		-	-

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£000
At 1 April 2010	13
Profit for the financial year	-
At 31 March 2011	13

The results for the company are all in respect of continuing operations

The company has no recognised gains and losses other than the profit for the financial year above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit for the financial year on ordinary activities before taxation and the profit stated above and their historical cost equivalents

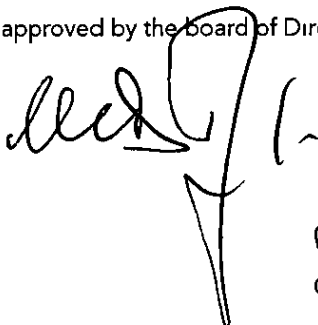
NEC FINANCE PLC

BALANCE SHEET
as at 31 March 2011

	Note	2011 £000	2010 £000
Fixed Assets			
Investments	6	200,074	200,074
Current Assets			
Debtors	7	13	12
Cash at bank and in hand		33	34
		46	46
Creditors - amounts falling due within one year	8	(8)	(8)
Net Current Assets		38	38
Total Assets less Current Liabilities		200,112	200,112
Creditors - amounts falling due after more than one year	9	(200,074)	(200,074)
Total Net Assets		38	38
Capital and Reserves			
Called up share capital	11	25	25
Profit and loss account		13	13
Total Shareholders' Funds	12	38	38

The financial statements on pages 6 to 12 were approved by the board of Directors on 9 September 2011 and were signed on its behalf by

Director



MARTIN ANGLE
9 SEPTEMBER 2011

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 2006 and applicable Accounting Standards in the United Kingdom

Basis of accounting

The financial statements are prepared under the historical cost convention and on a going concern basis

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 Number 1 (Revised 1996 "Cash flow statement") 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 Number 8

Fixed Asset investments

The carrying value of investments is reviewed annually by taking account of the continuing strength of the Birmingham City Council guarantee referred to in note 6 and are carried at cost less provision for impairment. No provision for impairment has been provided at the year end

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 those policies 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 the maturity profiles of its borrowings and investments are matched

Power to amend financial statements

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

NEC FINANCE PLC
For the year ended 31 March 2011

NOTES TO THE FINANCIAL STATEMENTS – (continued)

1 Principal accounting policies – (continued)

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.

2 Profit on ordinary activities before and after taxation

	2011	2010
	£000	£000
Profit on ordinary activities before and after taxation for the financial year is after charging Auditors' remuneration	5	5

3 Interest receivable and similar income

	2011	2010
	£000	£000
Income from loans to parent company	24,260	24,260
	24,260	24,260

4 Interest payable and similar charges

	2011	2010
	£000	£000
Interest on loans repayable in more than five years	24,260	24,260

5 Directors' and employees' emoluments

No emoluments were paid to any Directors of the company (2010: £nil) for services to this company. Only the Chairman is remunerated from other group companies. There are no employees of the company (2010: nil).

6. Fixed asset investments

	£000
Cost at 1 April 2010 and 31 March 2011	200,074

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

- £100m 10 625% Unsecured Loan Stock 2016 (2010: £100m 10 625% Unsecured Loan Stock 2016)
- £100.074m 13 625% Unsecured Loan Stock 2016 (2010: £100.074m 13 625% Unsecured Loan Stock 2016)

Birmingham City Council has guaranteed the payment of the full amount of the principal and interest accruing on the loan stocks as they fall due (see note 9).

NEC FINANCE PLC
For the year ended 31 March 2011

NOTES TO THE FINANCIAL STATEMENTS – (continued)

7. Debtors

	2011	2010
	£000	£000
Amounts falling due within one year		
Operating reimbursements owed by parent company	13	12

8 Creditors – amounts falling due within one year

	2011	2010
	£000	£000
Accruals and deferred income	8	8

9 Creditors – amounts falling due after more than one year

	2011	2010
	£000	£000
10 625% Debenture Stock 2016	100,000	100,000
13 625% Debenture Stock 2016	100,074	100,074
	200,074	200,074

The company has issued and has outstanding £100m 10 625% Debenture Stock 2016 (2010 £100m) and £100 074m 13 625% Debenture Stock 2016 (2010 £100 074m). 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.

NEC FINANCE PLC
For the year ended 31 March 2011

NOTES TO THE FINANCIAL STATEMENTS – (continued)

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 2011 was

	Fixed Interest £000	Floating Interest £000	Total £000
Borrowings (Sterling)			
2011	200,074	-	200,074
2010	200,074	-	200,074

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate	Weighted average period to which rate relates	
	%	Years	Years
Borrowings (Sterling)			
2011	12 13	5	-
2010	12 13	6	-

Fair values of financial assets and liabilities

As the NEC Loan Stock is held by Birmingham City Council which owns 99.99% of The National Exhibition Centre Limited, coupled with the relatively short term to the maturity of the debt, fair value has been calculated at book cost

	2011		2010	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	33	33	34	34
Long term investments	200,074	200,074	200,074	200,074
Long term borrowings	(200,074)	(200,074)	(200,074)	(200,074)
	33	33	34	34

Maturity profile of financial liabilities

	2011	2010
	£000	£000
In more than five years	200,074	200,074
	200,074	200,074

11. Called up share capital

	2011	2010
	£000	£000
50,000 Ordinary Shares of £1 each authorised and allotted, 50p paid up	25	25

NEC FINANCE PLC
For the year ended 31 March 2011

NOTES TO THE FINANCIAL STATEMENTS – (continued)

12. Reconciliation of movements in shareholders' funds

	2011	2010
	£000	£000
Opening shareholders' funds	38	38
Profit for the financial year	-	-
Closing shareholders' funds	38	38

13. Ultimate parent

The Directors regard Birmingham City Council, a local authority in England and Wales, as the ultimate parent of the company. The National Exhibition Centre Limited is the immediate parent undertaking and has consolidated these financial statements as at 31 March 2011. The consolidated financial statements of the National Exhibition Centre Limited are available from the Company Secretary, National Exhibition Centre, Birmingham B40 1NT.