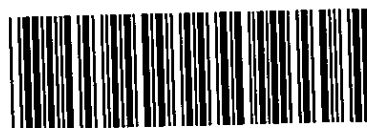


**NEC FINANCE PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

**Registered Office:**  
**NEC**  
**Birmingham B40 1NT**  
  
**Tel. No. 0121 780 4141**

WEDNESDAY



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**NEC FINANCE PLC**  
**For the year ended 31 March 2012**

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

**Tel. No. 0121 780 4141**

## **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 2012. 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**

At the forthcoming Annual General Meeting a final dividend in respect of the year ending 31 March 2012 amounting to £11,931 (2011: £Nil) will be proposed for approval by the members. The financial statements for the year do not reflect this proposed dividend.

### **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 Albert Bore  
Councillor P Tilsley MBE

**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.

His current appointments are

- Chairman of NEC Limited
- Non-executive Director of Pennon Group PLC
- Senior Independent Director of Savills PLC
- Director of OAO Severstal
- Director of Shuaa Capital Psc
- Trustee of the FIA Foundation where he is Vice Chairman and Treasurer

**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 and again from May 2012. 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 Birmingham Science Park Aston
- Director of NEC Limited
- Chairman of the University Hospital Birmingham NHS Foundation Trust
- Director of Performances Birmingham Limited
- Director of Marketing Birmingham
- Director of Birmingham Airport Holdings Limited

**Councillor Paul Tilsley MBE**

A Liberal Democrat Councillor on Birmingham City Council since 1968, Paul was Lord Mayor from 1993 to 1994. Between 2005 and May 2012 Paul was Leader of the Liberal Democrat Group in Birmingham and Deputy Leader of the Council with key responsibilities for sustainability and improvements.

His other key appointments are

- Director of NEC Limited
- Director of Birmingham Airport Holdings Limited
- Non-Executive Director of the Birmingham Community Healthcare Trust

**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 2012**

**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 (2011 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  
07 September 2012

## 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 2012 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 2012 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*

Mark Smith (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
7 September 2012

**NEC FINANCE PLC****PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2012**

	Note	2012 £000	2011 £000
Administrative expenses		(19)	(12)
Other operating income		19	12
<b>Operating Profit</b>		-	-
Interest receivable and similar income	3	24,260	24,260
Interest payable and similar charges	4	(24,260)	(24,260)
<b>Profit on Ordinary Activities Before and After Taxation</b>	2	-	-
<b>Profit for the Financial Year</b>		-	-

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	£000
At 1 April 2011	13
Profit for the financial year	-
<b>At 31 March 2012</b>	<b>13</b>

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

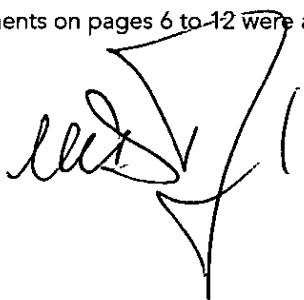


**NEC FINANCE PLC**

**BALANCE SHEET**  
as at 31 March 2012

	Note	2012 £000	2011 £000
<b>Fixed Assets</b>			
Investments	6	200,074	200,074
<b>Current Assets</b>			
Debtors	7	19	13
Cash at bank and in hand		23	33
		42	46
<b>Creditors - amounts falling due within one year</b>	8	(4)	(8)
<b>Net Current Assets</b>		38	38
<b>Total Assets less Current Liabilities</b>		200,112	200,112
<b>Creditors - amounts falling due after more than one year</b>	9	(200,074)	(200,074)
<b>Total Net Assets</b>		38	38
<b>Capital and Reserves</b>			
Called up share capital	11	25	25
Profit and loss account		13	13
<b>Total Shareholders' Funds</b>	12	38	38

The financial statements on pages 6 to 12 were approved by the board of Directors on 7 September 2012 and were signed on its behalf by



Martin D Angle – Director  
7 September 2012

**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

**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**

	2012	2011
	£000	£000
Profit on ordinary activities before and after taxation for the financial year is after charging		
Auditors' remuneration	4	5

**3 Interest receivable and similar income**

	2012	2011
	£000	£000
Income from loans to parent company	24,260	24,260
	24,260	24,260

**4 Interest payable and similar charges**

	2012	2011
	£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 (2011: £nil) for services to this company. Only the Chairman is remunerated from other group companies. There are no employees of the company (2011: nil).

**6 Fixed asset investments**

	£000
Cost at 1 April 2011 and 31 March 2012	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).

**NOTES TO THE FINANCIAL STATEMENTS – (continued)**

**7 Debtors**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year		
Operating reimbursements owed by parent company	<b>19</b>	<b>13</b>

**8 Creditors – amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Accruals and deferred income	<b>4</b>	<b>8</b>

**9 Creditors – amounts falling due after more than one year**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
10 625% Debenture Stock 2016	<b>100,000</b>	<b>100,000</b>
13 625% Debenture Stock 2016	<b>100,074</b>	<b>100,074</b>
	<b>200,074</b>	<b>200,074</b>

The company has issued and has outstanding £100m 10 625% Debenture Stock 2016 (2011 £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

**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 2012 was

	Fixed Interest £000	Floating Interest £000	Total £000
Borrowings (Sterling)			
2012	200,074	-	200,074
2011	200,074	-	200,074

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid Years
	Weighted average interest rate %	Weighted average period to which rate relates Years	
Borrowings (Sterling)			
2012	12 13	4	-
2011	12 13	5	-

**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

	2012		2011	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	23	23	33	33
Long term investments	200,074	200,074	200,074	200,074
Long term borrowings	(200,074)	(200,074)	(200,074)	(200,074)
	23	23	33	33

**Maturity profile of financial liabilities**

	2012 £000	2011 £000
Between 2 and 5 years	200,074	-
Over 5 years	-	200,074
	200,074	200,074

**11. Called up share capital**

	2012 £000	2011 £000
50,000 Ordinary Shares of £1 each authorised and allotted, 50p paid up	25	25

**NOTES TO THE FINANCIAL STATEMENTS – (continued)**

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

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	<b>38</b>	<b>38</b>
Profit for the financial year	<b>-</b>	<b>-</b>
<b>Closing shareholders' funds</b>	<b>38</b>	<b>38</b>

**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 2012. The consolidated financial statements of the National Exhibition Centre Limited are available from Legal Services, National Exhibition Centre, Birmingham B40 1NT.