

**Registered Number: 2652843**

**NEC FINANCE PLC**  
**ANNUAL REPORT FOR THE YEAR**  
**ENDED 31 MARCH 1998**



## **CONTENTS**

	<u>Pages</u>
Report of the Directors	1
Report of the Auditors	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8

**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 1998.

### 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 1998. The profit for the financial year of £1,057.38 (1997 £772.82) will be transferred to reserves.

### 7. Directors

The Directors of the Company at 31 March 1998, all of whom were Non-Executive Directors, were:-

R S Burman (Chairman)  
Councillor A Bore  
Sir Adrian Cadbury  
Councillor C Rice

On 4 July 1997 Councillor C Rice replaced Councillor A Coulson as a Director of the Company.

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 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 Carl Rice MA Hons**

Councillor Rice's career has been in the advice and research areas. He was formerly Director of the West Midlands Low Pay Unit for 11 years and is now Director of Walsall Citizens Advice Bureau, one of the largest purpose built advice centres in the UK dealing with over 37,000 clients each year.

He is also the Chairman of the NEC/ICC Committee, a member of the Board of the NEC and Hyatt Regency Birmingham, and a member of the Leisure Services and Urban Renewal Committees.

### **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 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, and 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.

## **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.

### **Year 2000 Compliance**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the Company's business depends not only on the Company's own computer systems, but also to some degree on those of the suppliers and customers. This could expose the Company to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The Company is well advanced in the phase of assessing the risks to the business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on the Company's activities and develop prioritised action plans to deal with the key risks.

## **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.

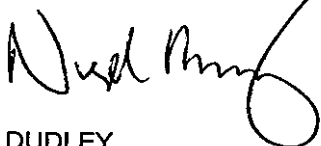
The Company's payment terms are the last working day of the month following the month in which the invoice is raised, for the following:

- Legal and professional fees
- Audit fee

## 12. **Auditors**

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, to fill a temporary vacancy. A resolution to appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



N DUDLEY  
Company Secretary

NEC Finance plc  
Birmingham B40 1NT

*End of date* 1998

## **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 1998 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Birmingham

  
1998

## PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1998

	Notes	1998 £000	1997 £000
Administrative Expenses		(22)	(16)
Other Operating Income	2	22	16
Investment Income	3	26,295	26,295
Interest Payable and similar Charges	4	(26,293)	(26,293)
<b>Results From Ordinary Activities Before Taxation</b>	5	<b>2</b>	<b>2</b>
Taxation	8	(1)	(1)
<b>Profit for the Financial Period</b>			
<b>Transferred to Reserves</b>		<b>1</b>	<b>1</b>

## MOVEMENT ON PROFIT AND LOSS ACCOUNT

	1998 £000
At 31 March 1997	4
Retained Profit for the year	1
<b>At 31 March 1998</b>	<b>5</b>

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.

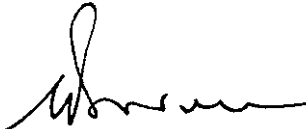



**BALANCE SHEET**

at 31 March 1998

	Notes	1998 £000	1997 £000
<b>Fixed Assets</b>			
Investments	7	215,000	215,000
<b>Current Assets</b>			
Debtors	9	15	13,159
Investments	10	29	25
Cash at bank and in hand	11	2	4
		46	13,188
<b>Creditors - amounts falling due within one year</b>			
Creditors	12	(16)	(13,159)
<b>Net Current Assets</b>		30	29
<b>Total Assets less Current Liabilities</b>		215,030	215,029
<b>Creditors - amounts falling after more than one year</b>			
Borrowings	13	(215,000)	(215,000)
<b>Total Net Assets</b>		30	29
<b>Capital and Reserves</b>			
Called up Share Capital	14	25	25
Profit and Loss Account		5	4
<b>Equity Shareholders' Funds</b>		30	29

The financial statements on pages 6 to 11 were approved by the board of Directors on 2nd October 1998 and were signed on its behalf by:

 Director  
 Adrian Cadbury 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

	1998	1997
	£000	£000
Other Income	22	16
	<u>22</u>	<u>16</u>

### 3. Investment Income

	1998	1997
	£000	£000
Income from loans to Parent Company	26,293	26,294
Other Interest receivable	2	1
	<u>26,295</u>	<u>26,295</u>

### 4. Interest payable and similar Charges

	1998	1997
	£000	£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**

	1998 £000	1997 £000
After charging:		
Auditors remuneration - Audit fees	4	4
- Non-audit fees	-	-
	<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**

	1998 £000
Cost at 1 April 1997 and at 31 March 1998	<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)

8. **Taxation**

	1998 £000	1997 £000
United Kingdom corporation tax at 31% (33%)	<u>1</u>	<u>1</u>

9. **Debtors**

	1998 £000	1997 £000
Amounts falling due within one year:		
Trading Reimbursements owed by Parent Company	14	11
Investment Income owed by Parent Company	-	13,147
Prepayments and accrued income	1	1
	<u>15</u>	<u>13,159</u>

10. **Investments**

	1998 £000	1997 £000
Trade Investments		
Short Term Deposits	29	25
	<u>29</u>	<u>25</u>

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

	1998 £000	1997 £000
Bank	2	4
	<u>2</u>	<u>4</u>

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

	1998 £000	1997 £000
Trade creditors	4	4
Current Corporation tax	-	1
Accruals and deferred income	12	7
Interest Payable	-	13,147
	<u>16</u>	<u>13,159</u>

13. **Borrowings - amounts falling after more than one year**

	1998 £000	1997 £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**

	1998	1997
	£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**

	1998	1997
	£000	£000
Opening shareholders' funds	29	28
Profit for the financial period	1	1
<b>Closing shareholders' funds</b>	<u>30</u>	<u>29</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 1998. Copies of the parent's consolidated financial statement may be obtained from The Secretary, The National Exhibition Centre Limited, Birmingham B40 1NT.