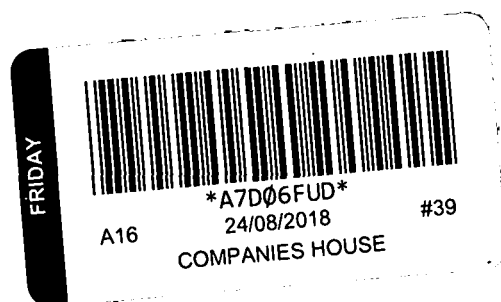


Registered number: 03301940

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



# **THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

## **COMPANY INFORMATION**

### **DIRECTORS**

M Easton  
C Heaphy

### **COMPANY SECRETARY**

J W Banner

### **REGISTERED NUMBER**

03301940

### **REGISTERED OFFICE**

Legal Services  
10 Woodcock Street  
Birmingham  
B7 4BL

### **INDEPENDENT AUDITOR**

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
The Colmore Building  
Colmore Circus  
Birmingham  
B4 6AT

# **THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

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# **THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018**

The Directors present their Strategic report on the company for the year ended 31 March 2018.

### **INTRODUCTION AND PRINCIPAL ACTIVITY**

The sole function of the Company is the servicing of the finance originally raised to fund the construction of halls 17 to 20 at the National Exhibition Centre Birmingham.

### **BUSINESS REVIEW**

During the year the Company operated in line with expectations and Birmingham City Council ("BCC") made an effective contribution to the Company of £295k which has been recognised as a capital contribution.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties continue to be focused on the financial risks of the Company.

The Company's financial instruments comprise borrowings, cash and various items such as debtors and creditors that arise directly from its activities.

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, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and those policies are summarised below.

#### **Interest rate risk**

The Company finances its operations through debenture stock at fixed rates of interest. All of the company's borrowings are in Sterling and therefore this eliminates any foreign currency risk.

#### **Liquidity risk**

Company policy is to ensure continuity of available funding by ensuring that the maturity profiles of its borrowings and investments are matched.

BCC meets the costs related to the 2027 Loan Stock and makes payments to the company to enable it to meet its liabilities as they fall due.

#### **Credit risk**

The company is dependent on receipts of funds from BCC to meet its liabilities as they fall due. The directors consider the credit risk to be low owing to the fact BCC is a local authority with a strong income and asset base

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**STRATEGIC REPORT (continued)**

**KEY PERFORMANCE INDICATORS**

The Directors consider the ongoing activities of the Company to be straightforward and there are no Key Performance Indicators for the company.

This report was approved by the board on 21<sup>st</sup> August 2018 and signed on its behalf.

**J W BANNER**  
Secretary

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke.

## **THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

The directors present their report and the financial statements for the year ended 31 March 2018.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £974,000 (2017 - loss £973,000).

The directors do not propose to pay a dividend (2017: £Nil).

#### **FUTURE DEVELOPMENTS**

The Directors do not anticipate any changes to the Company's current activities for the foreseeable future.

#### **POST BALANCE SHEET EVENTS**

There have been no significant events affecting the Company since the year end.

#### **FINANCIAL INSTRUMENTS**

Please refer to page 1 in the Strategic report for details of financial instruments and their associated risks.

#### **DIRECTORS**

The directors who served during the year and up to the date of approval of these financial statements were:

P Dransfield	(resigned 1 August 2017)
M Easton	(appointed 1 August 2017)
C Heaphy	(appointed 12 March 2018)
M O'Donnell	(resigned 12 March 2018)

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

Birmingham City Council maintains Directors and Officers insurance which both the Company and Directors have the benefit of.

#### **CORPORATE GOVERNANCE**

The company has a listed security in issue and is required to comply with the applicable sections DTR7.1 and DTR7.2 of the Financial Conduct Authority ("FCA") handbook.

##### **The Board**

The Board comprises two board members and is responsible for managing the affairs of the Company. It meets a minimum of once a year to discuss the requirements of the Company.

##### **Capital structures**

1,000 ordinary shares of £1 each have been issued which are fully paid. The shares carry the rights to appoint and remove the Directors. BCC holds all the ordinary shares.

##### **Financial Reporting**

The Board specifically monitors the statutory audit of the annual accounts, including the independence of the statutory auditor.

##### **Internal control and risk management**

Internal control and risk management is actively monitored by BCC for the Group as a whole. More information is contained with BCC's Annual Governance Statement included within its latest financial statements which can be obtained from its website.

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 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 judgments and accounting 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; 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.

#### DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### AUDITOR

A resolution to re-appoint Grant Thornton UK LLP as auditor to the company will be proposed at the annual general meeting.

This report was approved by the board on 21<sup>st</sup> August 2018 and signed on its behalf.

**J W BANNER**  
Secretary



## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### Independent auditor's report to the members of The National Exhibition Centre (Developments) PLC

#### Opinion

##### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of The National Exhibition Centre (Developments) PLC (the 'company') for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year 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.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Who we are reporting to**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



##### **Overview of our audit approach**

- Overall materiality: £819,000, which represents 1% of the company's total assets;
- No key audit matters were identified to be communicated in our report; and
- We performed full-scope audit procedures on the financial statements of the company.



## Independent auditor's report to the members of The National Exhibition Centre (Developments) PLC

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no matters to be key audit matters to be communicated in our report.

### Our application of materiality

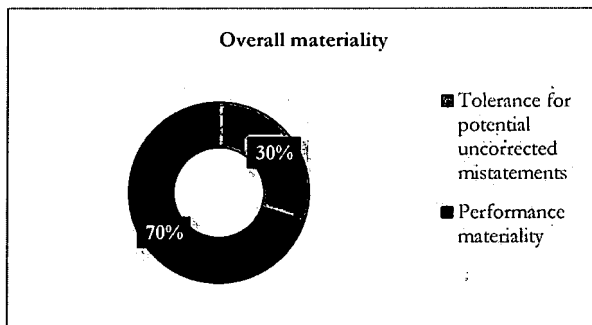
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £819,000, which is 1% of the company's total assets. This benchmark is considered the most appropriate because the company is non-trading, with its primary function being the servicing of its debt.

Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 to reflect the company's decreased total asset base in the current year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We also determine a lower level of specific materiality for directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £40,950. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- a full scope audit in relation to the company; and
- evaluation of the company's internal controls environment including its IT systems and controls.

There is no change in this scope from that of the prior year.

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### Independent auditor's report to the members of The National Exhibition Centre (Developments) PLC

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 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.

#### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

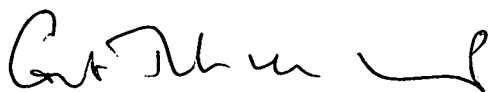
## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### **Independent auditor's report to the members of The National Exhibition Centre (Developments) PLC**

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**David White**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountant  
**Birmingham**

Date: 21/8/18

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

		<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Turnover		-	-
<b>Gross profit</b>		-	-
Administrative expenses		(54)	(53)
<b>Operating loss</b>		(54)	(53)
Interest receivable and similar income	7	4,601	4,601
Interest payable and expenses	8	(5,521)	(5,521)
<b>Loss before tax</b>		(974)	(973)
Tax on loss	9	-	-
<b>Loss for the year</b>		(974)	(973)
		<b>=====</b>	<b>=====</b>
<b>Total comprehensive income for the year</b>		(974)	(973)
		<b>=====</b>	<b>=====</b>

The result from the year is derived wholly from continuing operations.  
The notes on pages 13 to 21 form part of these financial statements.

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**  
**REGISTERED NUMBER: 03301940**

**BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	2018 £000	2017 £000
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	10	80,839	81,759
Debtors: amounts falling due within one year	10	969	979
Cash at bank and in hand	11	101	101
		<u>81,909</u>	<u>82,839</u>
Creditors: amounts falling due within one year	12	(289)	(300)
<b>Net current assets</b>		<u>81,620</u>	<u>82,539</u>
<b>Total assets less current liabilities</b>		<u>81,620</u>	<u>82,539</u>
Creditors: amounts falling due after more than one year	13	(73,228)	(73,468)
<b>Net assets</b>		<u><u>8,392</u></u>	<u><u>9,071</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Capital contribution	17	13,535	13,240
Profit and loss account	17	(5,144)	(4,170)
<b>Total equity</b>		<u><u>8,392</u></u>	<u><u>9,071</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

21st August 2018



**C Heaphy**  
Director

The notes on pages 13 to 21 form part of these financial statements.

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MARCH 2018**

	Share capital	Capital contribution	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2017	1	13,240	(4,170)	9,071
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(974)	(974)
<b>Total comprehensive income for the year</b>	-	-	(974)	(974)
<b>Contributions by and distributions to owners</b>				
Capital contributions	-	295	-	295
<b>Total transactions with owners</b>	-	295	-	295
<b>AT 31 March 2018</b>	<b>1</b>	<b>13,535</b>	<b>(5,144)</b>	<b>8,392</b>

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MARCH 2017**

	Share capital	Capital contribution	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2016	1	12,947	(3,197)	9,751
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(973)	(973)
<b>Total comprehensive income for the year</b>	-	-	(973)	(973)
<b>Contributions by and distributions to owners</b>				
Capital contributions	-	293	-	293
<b>Total transactions with owners</b>	-	293	-	293
<b>AT 31 March 2017</b>	<b>1</b>	<b>13,240</b>	<b>(4,170)</b>	<b>9,071</b>

The notes on pages 13 to 21 form part of these financial statements.

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	<b>2018 £000</b>	<b>2017 £000</b>
<b>Cash flows from operating activities</b>		
Loss for the financial year	<b>(974)</b>	<b>(973)</b>
<b>Adjustments for:</b>		
Interest payable	<b>5,521</b>	5,521
Interest receivable	<b>(4,601)</b>	(4,601)
Increase/(decrease) in creditors	<b>(11)</b>	20
<b>Net cash used in operating activities</b>	<b>(65)</b>	<b>(33)</b>
<b>Cash flows from financing activities</b>		
Interest paid	<b>(5,521)</b>	(5,521)
Amounts received under loan guarantee	<b>5,521</b>	5,521
Capital contributions received	<b>65</b>	33
<b>Net cash generated by financing activities</b>	<b>65</b>	<b>33</b>
<b>Net movement in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of year	<b>101</b>	101
<b>Cash and cash equivalents at the end of year</b>	<b>101</b>	<b>101</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>101</b>	101

The notes on pages 13 to 21 form part of these financial statements.

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 1. GENERAL INFORMATION

The National Exhibition Centre (Developments) Plc (the "Company") services the debt raised to enable the construction of Halls 17 to 20 of the National Exhibition Centre, Birmingham.

The Company is a public company limited by shares, incorporated in England and Wales, with loan stock that is traded on the London Stock Exchange. The address of its registered office is 10 Woodcock Street, Birmingham, B7 4BL.

### 2. ACCOUNTING POLICIES

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in GBP and rounded to the nearest £'000.

The Company has no source of income other than Birmingham City Council ("BCC"). BCC has given a guarantee to the company in relation to the 2027 Loan Stock and has agreed to make payments to the company to enable it to meet all of its other liabilities as they fall due for at least twelve months following the date of approval of these financial statements. The going concern basis is therefore adopted in preparing the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Cash and cash equivalents

Cash is represented by cash held with Birmingham City Council repayable on demand without penalty on notice of not more than 24 hours.

#### 2.3 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like accounts receivable and payable and loans from related parties.

As permitted by FRS 102, the company has applied the recognition and measurement principles of IAS 39 to all of its financial instruments.

The company has financial assets in the loans and receivables category which subsequent to initial measurement at fair value, net of transaction costs, are measured at amortised cost using the effective interest rate method less any impairment.

The company's financial assets are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**2. ACCOUNTING POLICIES (continued)**

The company's financial liabilities are not classified as fair value through profit or loss and are therefore measured initially at fair value, net of transaction costs, and subsequently at amortised cost using the effective interest rate method.

The zero coupon unsecured loan notes are shown at cost, but the difference is not material.

Short term creditors are measured at the transaction price.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.4 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.5 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.6 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**2.7 Taxation**

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax is recognised in respect of all timing differences at the reporting date, except that deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Directors have made the following judgments and estimates in preparing the financial statements:

#### **Judgments**

The potential deferred tax asset referred to in note 9 has not been recognised on the basis of uncertainty in relation to its future recovery.

#### **Estimates**

An active market quote did not exist for the guarantee given by Birmingham City Council over the Company's 2027 Loan Stock at 1 May 2015. Management therefore developed an estimate of its fair value at initial recognition based on the trading price of the company's listed loan stock given the cash flows are identical.

### 4. OPERATING SEGMENTS

There is not considered to be more than one reportable segment.

### 5. AUDITOR'S REMUNERATION

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts including VAT	<u>42</u>	<u>42</u>

### 6. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2017 - £NIL).

The Directors are considered to be the key management personnel of the company.

### 7. INTEREST RECEIVABLE

	2018 £000	2017 £000
Amortisation of loan guarantee receivable	<u>4,601</u>	<u>4,601</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000	2017 £000
Interest payable on 7.5625% Guaranteed Unsecured Loan Stock 2027	<u>5,521</u>	<u>5,521</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**9. TAXATION**

The corporation and deferred tax charges are £nil (2017: £nil).

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	<b>2018 £000</b>	2017 £000
Loss on ordinary activities before tax	<b>(974)</b>	(973)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	<b>(185)</b>	(195)
<b>Effects of:</b>		
Unrelieved tax losses carried forward	<b>185</b>	195
<b>Total tax charge for the year</b>	<b>-</b>	-

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The March 2016 Budget Statement announced changes to the UK Corporation tax regime which will reduce the main rate of corporation tax to 17% from 1 April 2020 which has been substantively enacted at the year end date.

**DEFERRED TAX ASSET**

Deferred tax in relation to corporation tax losses of £7,003,000 (2017: £5,946,000) have not been recognised on the basis of their future recoverability. At the balance sheet date the total unrecognised deferred tax amounts to £1,190,000 (2017: £1,011,000).

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**10. DEBTORS**

	<b>2018 £000</b>	2017 £000
<b>Due after more than one year</b>		
Other debtors	<b>80,839</b>	81,759
	<b>2018 £000</b>	2017 £000
<b>Due within one year</b>		
Amounts owed by group undertakings	<b>48</b>	59
Other debtors	<b>920</b>	919
Prepayments and accrued income	<b>1</b>	1
	<b>969</b>	979

Other debtors comprise principally of the value of a guarantee provided by Birmingham City Council to settle the interest arising and capital due on loan stock issued by the Company as part of the arrangement to transfer the fixed asset interests of the Company to The National Exhibition Centre Limited on 1 May 2015.

The guarantee was initially recognised at fair value, as determined by the market value of the loan stock on the date of the transaction, and is being amortised at its effective interest rate over the remaining period until the loan stock matures.

**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**11. CASH AND CASH EQUIVALENTS**

	<b>2018 £000</b>	2017 £000
Cash at bank and in hand	<b>101</b>	101

**12. CREDITORS: Amounts falling due within one year**

	<b>2018 £000</b>	2017 £000
Other loans	<b>240</b>	240
Accruals	<b>49</b>	60
	<b>289</b>	300

Disclosure of the terms and conditions attached to other loans is made in note 14.

**13. CREDITORS: Amounts falling due after more than one year**

	<b>2018 £000</b>	2017 £000
Other loans	<b>73,128</b>	73,368
Share capital treated as debt	<b>100</b>	100
	<b>73,228</b>	73,468

Disclosure of the terms and conditions attached to the non-equity shares is made in note 16.

Disclosure of the terms and conditions attached to other loans is made in note 14.

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 14. LOANS

An analysis of loans is given below:

	2018 £000	2017 £000
<b>Less than one year</b>		
Zero % Unsecured 'A' Loan Notes	240	240
<b>1 to 2 years</b>		
Zero % Unsecured 'A' Loan Notes	128	240
<b>2 to 5 years</b>		
Zero % Unsecured 'A' Loan Notes	-	128
<b>Greater than 5 years</b>		
7.5625% Guaranteed Unsecured Loan Stock 2027	73,000	73,000
	<u>73,368</u>	<u>73,608</u>

On 21 May 1997, the company issued £73m 7.5625% Guaranteed Unsecured Loan Stock 2027 ('the Loan Stock') at a discount price of £99.689 per £100 Loan Stock.

The Loan Stock is constituted and secured by a Trust Deed dated 21 May 1997. The Loan Stock is listed on the London Stock Exchange and is guaranteed by Birmingham City Council ("BCC").

On 21 May 1997, the company issued 1.2m Unsecured 'A' £1 Loan Notes, zero coupon to each of BCC and Emap Limited. On 26 March 2010 BCC acquired Emap Limited's Loan Notes. The Loan Notes are fully paid and are repayable by the company in instalments commencing on 31 March 2014 with £240,000 repayable on the 31 March 2014.

Early repayments of £832,000 have been made, leaving the total balance outstanding at the year end of £368,000 (2017: £608,000).

### 15. FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
<b>Financial assets</b>		
Cash	101	101
Financial assets that are debt instruments measured at amortised cost	<u>81,807</u>	<u>82,737</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(73,417)</u>	<u>(73,668)</u>

Financial assets measured at amortised cost comprise of other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of other loans and accruals.

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 16. SHARE CAPITAL

	2018 £	2017 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
450 Ordinary 'A' shares of £1 each	450	450
125 Ordinary 'B' shares of £1 each	125	125
425 Ordinary 'C' shares of £1 each	425	425
	<u>1,000</u>	<u>1,000</u>
	2018 £	2017 £
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
100,000 Preference shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

The 'A', 'B' and 'C' Shares are separate classes of shares and carry the rights to appoint and remove Directors. The 'B' Shares do not carry the right to participate in the profits of the company or the assets of the company available for distribution amongst members but in all other respects the 'B' Shares rank pari passu in all respects as Ordinary Shares. BCC holds all the Ordinary Shares. All shares were issued for cash at par.

The Preference Shares do not carry any rights to receive a dividend or to participate in the profits of the company. On liquidation or return of capital, the assets of the company available for distribution amongst the members shall be applied in priority to any payment to the holders of any other class of shares in repayment of the amount paid up or credited as paid on the Preference Shares. Holders of the Preference Shares do not have the right to attend or vote at any general meeting of the company.

The company has the right at any time to redeem the Preference Shares with not less than one month's notice in writing. The amount redeemed at any time is the amount paid up or credited as paid on the Preference Shares.

### 17. RESERVES

#### Other reserves

Other reserves consist of the Capital Contribution reserve which represents amounts provided by the parent entity to the Company with no rights or obligations, including repayment, attached. To the extent that they have been satisfied by qualifying consideration, they are considered to be distributable reserves.

#### Profit and loss account

The Profit and loss account represents the cumulative recognised gains and losses of the Company, less any distributions made to shareholders.

## **THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **18. RELATED PARTY TRANSACTIONS**

BCC is the ultimate parent of the company.

Loan related transactions between the company and the shareholders are detailed elsewhere within the financial statements.

During the year, the company received £295,000 under the guarantee from BCC which has been recognised as a capital contribution.

#### **19. NON-CASH TRANSACTIONS**

During the year, the following significant non-cash transactions occurred:

- Amortisation of guarantee receivable of £4,601,000.
- Settlement of £240,000 of loan notes due to Birmingham City Council.

#### **20. CONTROLLING PARTY**

The Directors regard BCC, a local authority in England and Wales, the immediate and ultimate parent of the company, as its controlling party. A copy of the latest available financial statements can be obtained from [www.birmingham.gov.uk](http://www.birmingham.gov.uk).