

Registered Number: 2652843

NEC FINANCE PLC
ANNUAL REPORT FOR THE YEAR
ENDED 31 MARCH 2004



CONTENTS

	<u>Pages</u>
Report of the Directors	1
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7

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 2004.

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 Limited, of additional exhibition space. The Company's principal activities remain that of holding investments.

3. Results

The results of the Company for the year are considered to be satisfactory. These are set out in the Profit and Loss Account on page 5.

4. Fixed Asset Investments

Fixed Asset Investments represent the Unsecured Loan Stock of The National Exhibition Centre Limited.

5. Dividends And Transfers To Reserves

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

6. Directors

The Directors of the Company at 31 March 2004, all of whom were Non-Executive Directors, were:-

R S Burman (Chairman)
Councillor Sir A Bore
Councillor Ian Ward
Mr G Allen

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.

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 Chamber of Commerce.

He is Chairman and Managing Director of the electronics company, Teledictor Limited, and was also formerly Pro-Chancellor of the University of Birmingham.

He has an interest in the jewellery industry as Chairman of the Birmingham Assay Office and is a member of the British Hallmarking Council.

6. **Directors continued**

Councillor Sir Albert Bore PhD BSc

Councillor Sir Albert Bore was a former Leader of Birmingham City Council. 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 Economic Development Partnership Limited, Birmingham Technology Limited, The National Exhibition Centre Limited and Optima Community Association 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. He is also a UK representative on the European Committee of Regions and served as the President of the institution from 2002-2004.

Councillor Ian Ward

Councillor Ward has been an elected member of Birmingham City Council since 1995 representing the Shard End Ward on the East of the City.

In May 2001 he became Cabinet Member for Leisure, Sport and Culture with responsibility for an annual budget of £81.5 million covering sport, libraries, parks, museums, arts and events.

He also led the bids that won the World Indoor Championships in Athletics 2003, World Badminton Championships 2003, Gymnastics World Cup 2004 and the European Indoor Athletics Championships 2007 for the City.

In addition to his portfolio work he serves as a member/director on a number of national and regional bodies including West Midlands Life (the region's Cultural Consortium), The National Exhibition Centre Limited, Museums Association Council & Executive Committees, Birmingham Sports Council, Marketing Birmingham Limited, Birmingham Royal Ballet, Midlands Arts Centre Board, Millennium Point Trust, Birmingham Arts Marketing Ltd and West Midland Sports Board.

Mr Gary J Allen CBE, DL

Gary Allen is Chairman of IMI plc. He is also a Director of The London Stock Exchange plc, N V Bekaert SA (Belgium) and Temple Bar Investment Trust plc.

He is a past High Sheriff of the West Midlands, and is a Director of Birmingham Royal Ballet and President of the West Midlands Region of The Lord's Taverners.

7. **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 judgements 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.

8. **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.

9. **Employees**

There are no employees of NEC Finance plc (2003:Nil).

10. **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 had insignificant trade creditors at 31 March 2004 and therefore creditor days have not been calculated.

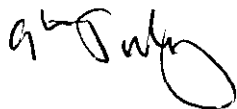
11. **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD


N DUDLEY
Company Secretary

NEC Finance plc
Birmingham B40 1NT



2004

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF NEC FINANCE plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

Basis of audit 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 judgements 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 2004, and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

95 May 2004

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Administrative Expenses		(15)	(15)
Other Operating Income		15	15
Operating Profit		-	-
Investment Income	3	26,293	26,293
Interest Payable and similar Charges	4	(26,293)	(26,293)
Profit On Ordinary Activities Before and after Taxation and Profit for the Financial Year	2	-	-

MOVEMENT ON RESERVES

	2004 £000
At 31 March 2003	9
Retained Profit for the year	-
At 31 March 2004	9

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 7 to 10 form part of these financial statements.

BALANCE SHEET

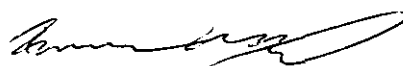
at 31 March 2004

	Notes	2004 £000	2003 £000
Fixed Assets			
Investments	6	215,000	215,000
Current Assets			
Debtors	7	16	15
Cash at bank and in hand		26	26
		42	41
Creditors - amounts falling due within one year			
Creditors	8	(8)	(7)
Net Current Assets		34	34
Total Assets less Current Liabilities		215,034	215,034
Creditors - amounts falling after more than one year			
Borrowings	9	(215,000)	(215,000)
Total Net Assets		34	34
Capital and Reserves			
Called up Share Capital	11	25	25
Profit and Loss Account		9	9
Equity Shareholders' Funds	12	34	34

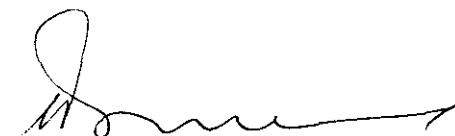
The financial statements on pages 5 to 10 were approved by the board of Directors on
and were signed on its behalf by:

9 July 2004

Director



Director



The notes on pages 7 to 10 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, 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 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.

Financial Instruments

The Company's financial instruments 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 they 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 a significant proportion of such funding matures in more than 5 years.

2. Profit on ordinary activities before and after taxation and Profit for the Financial Year

	2004 £000	2003 £000
Profit on ordinary activities before and after taxation and profit for the financial year is after charging:		
Auditors remuneration - Audit fees	5	4

3. **Investment Income**

	2004	2003
	£000	£000
Income from loans to Parent Company	26,293	26,293

4. **Interest payable and similar Charges**

	2004	2003
	£000	£000
Interest on loans repayable in more than 5 years	26,293	26,293

5. **Directors' And Employees' Emoluments**

No emoluments were paid to any Directors of the Company. There are no employees of the Company (2003:Nil).

6. **Fixed Asset Investments**

	£000
Cost at 1 April 2003 and at 31 March 2004	215,000

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 9).

7. **Debtors**

	2004	2003
	£000	£000
Amounts falling due within one year:		
Trading Reimbursements owed by Parent Company	16	15

8. Creditors - amounts falling due within one year

	2004 £000	2003 £000
Accruals and deferred income	8	7

9. Creditors - amounts falling due after more than one year

	2004 £000	2003 £000
10.625% Debenture Stock 2016	100,000	100,000
13.625% Debenture Stock 2016	115,000	115,000
	215,000	215,000

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.

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 2004 was:

	Fixed Interest £000	No Interest £000	Total £000
Borrowings (Sterling)			
2004	215,000	-	215,000
2003	215,000	-	215,000

	Fixed rate financial assets		Financial assets on which no interest is paid
	Weighted average interest rate %	Weighted average period to which rate relates Years	Years
Borrowings (Sterling)			
2004	12.23	12	-
2003	12.23	13	-

10. Financial Instruments – Continued

Fair values of financial assets and liabilities

	2004		2003	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	26	26	26	26
Long term investments	215,000	339,413	215,000	348,780
Long term borrowings	(215,000)	(339,413)	(215,000)	(348,780)
	26	26	26	26

Maturity profile of financial liabilities

	2004 £000	2003 £000
In more than 5 years	215,000	215,000
	215,000	215,000

11. Called Up Share Capital

	2004 £000	2003 £000
50,000 Ordinary Shares of £1 each authorised and allotted, 50p paid up	25	25

12. Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Opening shareholders' funds	34	34
Result for the financial year	-	-
Closing shareholders' funds	34	34

13. 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 2004. Copies of the parent's consolidated financial statement may be obtained from The Secretary, The National Exhibition Centre Limited, Birmingham B40 1NT.