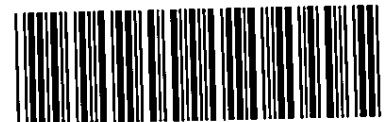


NEC FINANCE PLC
ANNUAL REPORT FOR THE YEAR
ENDED 31 MARCH 2009

Registered Office:
NEC
Birmingham B40 1NT

Tel. No. 0121 780 4141

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NEC FINANCE PLC
For the year ended 31 March 2009

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Registered Office:
NEC Finance plc
Birmingham B40 1NT

Tel. No. 0121 780 4141

NEC FINANCE PLC
For the year ended 31 March 2009

REPORT OF THE DIRECTORS

Report and financial statements

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2009.

Business review

Business structure

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

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

Company's financial performance

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

Development review and future

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

Financial Risk Management

Liquidity

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

Interest rate risk

The company finances its operations through debenture stock. All of the company's borrowings are in Sterling and therefore this eliminates any foreign currency risk. The company's policy is to match its fixed asset investments with its borrowings at fixed rates of interest.

Fixed asset investments

Fixed asset investments represent the unsecured loan stock of NEC.

Dividends and transfers to reserves

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

Directors

The Directors of the company who served during the year, all of whom were Non-Executive Directors, were:-

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

NEC FINANCE PLC
For the year ended 31 March 2009

REPORT OF THE DIRECTORS - (Continued)

Directors - (Continued)

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

Mr Martin D Angle

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

His other key appointments are:

- Chairman of NEC Limited
- Director of NEC (Developments) Plc
- Chairman of Celerant Consulting (resigned July 2008)
- Director of Pennon Group PLC
- Director of Savills PLC
- Director of JSC Severstal
- Director of Dubai International Capital LLC
- Sits on the Board of Warwick Business School

Councillor Sir Albert Bore PhD BSc

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

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 a.s.b.l., a company incorporated in Belgium to promote the interests of major European cities.

His other key appointments are:

- Director of Aston Science Park
- Director of NEC Limited
- Chairman of the University Hospital Birmingham NHS Foundation Trust
- Director of Performances Birmingham Limited
- Member of Marketing Birmingham

Councillor Paul Tilsley MBE

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

His other key appointments are:

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

NEC FINANCE PLC
For the year ended 31 March 2009

REPORT OF THE DIRECTORS - (Continued)

Directors' Responsibilities for the financial statements

The Directors are responsible for preparing the Annual 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).

The financial statements are required by law to 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 of the company for that period.

In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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.

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.

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 (2008: Nil).

Statement of disclosure of information to auditors

So far as the Directors are aware there is no relevant audit information of which the company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

Auditors

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

NEC FINANCE PLC
For the year ended 31 March 2009

REPORT OF THE DIRECTORS (Continued)

BY ORDER OF THE BOARD
C STRETTON
Company Secretary
NEC Finance plc
Birmingham B40 1NT
19 October 2009

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 2009 which comprise Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
19 October 2009

NEC FINANCE PLC**PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2009**

	Note	2009 £000	2008 £000
Administrative expenses		(12)	(12)
Other operating income		12	12
Operating Profit		-	-
Other interest and similar income	3	24,261	24,261
Interest payable and similar charges	4	(24,260)	(24,260)
Profit On Ordinary Activities Before and after Taxation	2	1	1
Profit for the Financial Year		1	1

MOVEMENT ON RESERVES

	£000
At 1 April 2008	12
Retained profit for the year	1
At 31 March 2009	13

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

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

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


The notes on pages 8 to 12 form part of these financial statements.

NEC FINANCE PLC

BALANCE SHEET
at 31 March 2009

	Note	2009 £000	2008 £000
Fixed Assets			
Investments	6	200,074	200,074
Current Assets			
Debtors	7	1	12
Cash at bank and in hand		45	33
		46	45
Creditors - amounts falling due within one year			
Creditors	8	(8)	(8)
Net Current Assets		38	37
Total Assets less Current Liabilities		200,112	200,111
Creditors - amounts falling after more than one year			
Borrowings	9	(200,074)	(200,074)
Total Net Assets		38	37
Capital and Reserves			
Called up share capital	11	25	25
Profit and loss account		13	12
Total Shareholders' Funds	12	38	37

The financial statements on pages 6 to 12 were approved by the board of Directors on 19 October 2009 and were signed on its behalf by:



Director

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 1985 and applicable Accounting Standards in the United Kingdom.

Basis of accounting

The financial statements are prepared under the historical cost convention and 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 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.

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 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 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 and profit for the financial year

	2009	2008
	£000	£000
Profit on ordinary activities before and after taxation and profit for the financial year is after charging:		
Auditors' remuneration	5	5

3. Other interest receivable and similar income

	2009	2008
	£000	£000
Income from loans to parent company	24,260	24,260
Bank interest received	1	1
	24,261	24,261

4. Interest payable and similar charges

	2009	2008
	£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 (2008:£Nil) for services to this company. They are remunerated from group companies. There are no employees of the company (2008:Nil).

6. Investments

	£000
Cost at 1 April 2008 and 31 March 2009	200,074

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

- £100m 10.625% Unsecured Loan Stock 2016 (2008: £100m 10.625% Unsecured Loan Stock 2016)
- £100.074m 13.625% Unsecured Loan Stock 2016 (2008: £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

	2009	2008
	£000	£000
Amounts falling due within one year:		
Operating reimbursements owed by parent company	1	12

8. Creditors – amounts falling due within one year

	2009	2008
	£000	£000
Accruals and deferred income	8	8

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

	2009	2008
	£000	£000
10.625% Debenture Stock 2016	100,000	100,000
13.625% Debenture Stock 2016	100,074	100,074
	200,074	200,074

The company has issued and outstanding £100m 10.625% Debenture Stock 2016 (2008: £100m) and £100.074m 13.625% Debenture Stock 2016 (2008: £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 2009 was:

	Fixed Interest £000	No Interest £000	Total £000
Borrowings (Sterling)			
2009	200,074	-	200,074
2008	200,074	-	200,074

	Fixed rate financial liabilities		
	Weighted average interest rate %	Weighted average period to which rate relates Years	Financial liabilities on which no interest is paid Years
Borrowings (Sterling)			
2009	12.13	7	-
2008	12.13	8	-

Fair values of financial assets and liabilities

As the NEC loanstock is held by Birmingham City Council which owns 50% of the company, coupled with the relatively short term to the maturity of the debt, fair value has been calculated at book cost. Previously it was valued at market value.

	2009		2008	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	45	45	33	33
Long term investments	200,074	200,074	200,074	307,944
Long term borrowings	(200,074)	(200,074)	(200,074)	(307,944)
	45	45	33	33

Maturity profile of financial liabilities

	2009 £000	2008 £000
In more than five years	200,074	200,074
	200,074	200,074

11. Called up share capital

	2009 £000	2008 £000
50,000 Ordinary Shares of £1 each authorised and allotted, 50p paid up	25	25

NEC FINANCE PLC
For the year ended 31 March 2009

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

12. Reconciliation of movements in shareholders' funds

	2009	2008
	£000	£000
Opening shareholders' funds	37	36
Result for the financial year	1	1
Closing shareholders' funds	38	37

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 2009. Copies of the parent's consolidated financial statement may be obtained from The Secretary, The National Exhibition Centre Limited, Birmingham B40 1NT.