

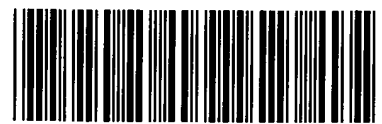
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## **THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2016**

THURSDAY



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

### **COMPANY INFORMATION**

<b>DIRECTORS</b>	P Dransfield P Jones
<b>COMPANY SECRETARY</b>	G A Dean
<b>REGISTERED NUMBER</b>	03301940
<b>REGISTERED OFFICE</b>	Legal Services 10 Woodcock Street Birmingham B7 4BL
<b>INDEPENDENT AUDITOR</b>	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants The Colmore Building Colmore Circus Birmingham B4 6AT

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

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

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016**

The Directors present their Strategic report on the company for the year ended 31 March 2016.

#### **INTRODUCTION**

The principal activity of the company to 30 April 2015 was to raise finance, construct and operate exhibitions halls 17 to 20 (the "Halls") at the National Exhibition Centre, Birmingham.

Since 1 May 2015, its sole function is the servicing of the finance raised to fund the construction of those halls.

#### **BUSINESS REVIEW**

In March 2014 BCC announced its intention to seek a buyer for National Exhibition Centre Limited ("NEC"), which was 99.99% owned by Birmingham City Council ("BCC"). BCC's view was that private sector ownership of NEC (to which the Company leased the Halls) would give it the best opportunity to fulfil its strategic potential.

On the 16 January 2015 BCC announced it had entered into a binding agreement (subject to certain conditions) to sell NEC. The conditions were met and the transaction completed on 1 May 2015.

The following events and transactions in relation to the sale of NEC occurred on 1 May 2015:

- The terms of the lease for the Halls (the "Lease") between the Company and BCC were varied in exchange for a guarantee provided by BCC to pay all outstanding capital and interest payments due on the 2027 Loan Stock issued by the Company, subject to any capital amounts arising on a future assignment of the Lease being payable to BCC; and
- The Lease as varied was assigned to NEC for consideration of £21m. The management agreement between the Company and NEC was terminated under the assignment.

The result of this series of transactions was the effective contribution by BCC to the Company of £12.6m which has been recognised as a capital contribution.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Following the change in the Company's activities in the year, its principal risks and uncertainties are now 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 Company policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and those policies are summarised below. The policies have remained unchanged since 1 April 2001.

##### **Interest rate risk**

The Company finances its operations through debenture stock 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.

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

**STRATEGIC REPORT (continued)**

**KEY PERFORMANCE INDICATORS**

Given the change in the nature of the Company's activities in the year, 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 13th September 2016 and signed on its behalf.



**G A Dean**  
Secretary

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016**

The directors present their report and the financial statements for the year ended 31 March 2016.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £926,000 (2015 - loss £24,000).

The directors do not propose to pay a dividend (2015: £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  
P Jones

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

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

#### **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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

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 be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### AUDITOR

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

This report was approved by the board on 13th September 2016 and signed on its behalf.



G A Dean  
Secretary

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

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

We have audited the financial statements of The National Exhibition Centre (Developments) plc for the year ended 31 March 2016, which comprise the statement of comprehensive income, the balance sheet, the statement of cash flow, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion 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.



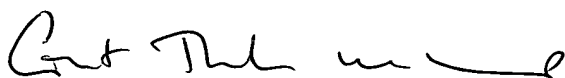
**THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



David White (Senior Statutory Auditor)  
for and on behalf of  
**Grant Thornton UK LLP**  
Statutory Auditor, Chartered Accountants  
Birmingham  
Date: 13/9/16

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Continuing operations 2016 £000	Discontin'd operations 2016 £000	Total 2016 £000	Continuing operations 2015 £000	Discontin'd operations 2015 £000	Total 2015 £000
Turnover		-	569	569	-	7,007	7,007
<b>Gross profit</b>		-	569	569	-	7,007	7,007
Administrative expenses		(83)	(103)	(186)	(11)	(1,235)	(1,246)
<b>Operating profit</b>		(83)	466	383	(11)	5,772	5,761
Interest receivable and similar income	8	4,235	-	4,235	-	-	-
Interest payable and expenses	9	(5,544)	-	(5,544)	(5,785)	-	(5,785)
<b>(Loss) / profit before tax</b>		(1,392)	466	(926)	(5,796)	5,772	(24)
Tax on (loss) / profit	10	-	-	-	-	-	-
<b>(Loss) / profit for the year</b>		(1,392)	466	(926)	(5,796)	5,772	(24)
<b>Total comprehensive income for the year</b>				(926)			(24)

The notes on pages 11 to 22 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 MARCH 2016**

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible assets	11	-	68,610
		<u>-</u>	<u>68,610</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	12	82,678	-
Debtors: amounts falling due within one year	12	958	2
Cash at bank and in hand	13	101	702
		<u>83,737</u>	<u>704</u>
Creditors: amounts falling due within one year	14	(278)	(852)
<b>Net current assets/(liabilities)</b>		<u>83,459</u>	<u>(148)</u>
<b>Total assets less current liabilities</b>		<u>83,459</u>	<u>68,462</u>
Creditors: amounts falling due after more than one year	15	(73,708)	(70,732)
<b>Net assets</b>		<u><u>9,751</u></u>	<u><u>(2,270)</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	1	1
Capital contribution	19	12,947	-
Profit and loss account	19	(3,197)	(2,271)
<b>Total equity</b>		<u><u>9,751</u></u>	<u><u>(2,270)</u></u>

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

 13/2/16

**P Dransfield**  
Director

The notes on pages 11 to 22 form part of these financial statements.

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

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MARCH 2016**

	Share capital £000	Capital contribution £000	Retained earnings £000	Total equity £000
At 1 April 2015	1	-	(2,271)	(2,270)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(926)	(926)
<b>Total comprehensive income for the year</b>	-	-	(926)	(926)
<b>Contributions by and distributions to owners</b>				
Capital contributions	-	12,947	-	12,947
<b>Total transactions with owners</b>	-	12,947	-	12,947
<b>AT 31 March 2016</b>	<b>1</b>	<b>12,947</b>	<b>(3,197)</b>	<b>9,751</b>

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MARCH 2015**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 April 2014	1	(2,247)	(2,246)
<b>Comprehensive income for the year</b>			
Loss for the year	-	(24)	(24)
<b>Total comprehensive income for the year</b>	-	(24)	(24)
<b>AT 31 March 2015</b>	<b>1</b>	<b>(2,271)</b>	<b>(2,270)</b>

The notes on pages 11 to 22 form part of these financial statements.

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016**

	<b>2016 £000</b>	<b>2015 £000</b>
<b>Cash flows from operating activities</b>		
Loss for the financial year	<b>(926)</b>	<b>(24)</b>
<b>Adjustments for:</b>		
Interest paid	<b>5,544</b>	<b>5,785</b>
Interest received	<b>(4,235)</b>	<b>-</b>
Decrease in debtors	<b>-</b>	<b>5</b>
(Decrease) / increase in creditors	<b>(573)</b>	<b>2</b>
<b>Net cash generated from operating activities</b>	<b>(190)</b>	<b>5,768</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	<b>-</b>	<b>(240)</b>
Interest paid	<b>(5,521)</b>	<b>(5,521)</b>
Amounts received under loan guarantee	<b>5,062</b>	<b>-</b>
Capital contributions received	<b>48</b>	<b>-</b>
<b>Net cash used in financing activities</b>	<b>(411)</b>	<b>(5,761)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(601)</b>	<b>7</b>
Cash and cash equivalents at beginning of year	<b>702</b>	<b>695</b>
<b>Cash and cash equivalents at the end of year</b>	<b>101</b>	<b>702</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	<b>101</b>	<b>702</b>

The notes on pages 11 to 22 form part of these financial statements.

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 1. GENERAL INFORMATION

The National Exhibition Centre (Developments) Limited (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, 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.

Information on the impact of first-time adoption of FRS 102 is given in note 24.

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

Birmingham City Council has given a guarantee to the company in relation to the 2027 Loan Stock and makes payments to the company to enable it to meet its liabilities as they fall due. 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 Tangible fixed assets

Until 1 May 2015, the cost of fixed assets comprised their purchase cost together with any incidental expenses of acquisition. The cost of the land lease premium was capitalised as land. Buildings included all relevant expenditure incurred including fixed plant.

Issue costs relating to the construction of a fixed asset were capitalised as part of the cost of the fixed asset. Net interest payable, including amortisation of guarantee fees, on such finance up to the completion of the construction period were capitalised as part of the cost of fixed assets.

Depreciation was calculated to write off the cost less estimated residual value of fixed assets. The residual value of the land, buildings and plant and equipment was equal to the capitalised costs of the new exhibition halls of £68,610,000 resulting in £nil depreciation charge.

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 2. ACCOUNTING POLICIES (continued)

##### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Until 1 May 2015, turnover was attributable under a turnover sharing agreement based on revenue for the whole NEC site including tenancy and ancillary sales generated from conferences, events and exhibitions.

##### 2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.5 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.

##### 2.6 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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.

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.

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

#### **2. ACCOUNTING POLICIES (continued)**

##### **2.6. Financial instruments (continued)**

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.

##### **2.7 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including loan stock, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **2.8 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.

##### **2.9 Interest income**

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

##### **2.10 Borrowing costs**

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

##### **2.11 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 2016

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

The Directors have made the following judgements and estimate in preparing the financial statements:

##### **Judgements**

After due consideration, the directors are of the opinion that the linked transactions referred to in note 20 are, in substance, one transaction and have therefore treated them accordingly.

##### **Estimates**

An active market quote does not exist for the guarantee given by Birmingham City Council over the Company's 2027 Loan Stock. Management has therefore developed an estimate of its fair value at initial recognition consistent with how market participants would price the instrument based on observable data.

#### 4. ANALYSIS OF TURNOVER

Until 1 May 2015 the whole of the turnover was attributable to revenues receivable under the terms of the lease for Halls 17 to 20 of the National Exhibition Centre.

All turnover arose within the United Kingdom.

#### 5. OPERATING PROFIT

During the year, no director received any emoluments (2015 - £NIL).

#### 6. AUDITOR'S REMUNERATION

	2016 £000	2015 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	12	8

#### 7. EMPLOYEES

The Company has no employees other than the directors, who did not receive any remuneration (2015 - £NIL).

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

#### 8. INTEREST RECEIVABLE

	2016 £000	2015 £000
Amortisation of loan guarantee receivable	4,235	-

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 9. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Interest payable on 7.5625% Guaranteed Unsecured Loan Stock 2027	5,521	5,521
Amortisation of guarantee fee paid	23	264
	<u>5,544</u>	<u>5,785</u>

### 10. TAXATION

#### FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	<u>(926)</u>	<u>(24)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(185)	(5)
Effects of:		
Unrelieved tax losses carried forward	185	5
Total tax charge for the year	<u>-</u>	<u>-</u>

#### FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The July 2015 Budget Statement announced changes to the UK Corporation tax regime which will reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020 that have been substantively enacted at the year end date. A further change was announced in the March 2016 budget to further reduce the rate to 17% from 1 April 2020 which has yet to be substantively enacted.

#### DEFERRED TAX ASSET

Deferred tax in relation to corporation tax losses of £8,236,000 have not been recognised on the basis of their future recoverability. At the balance sheet date the total unrecognised deferred tax amounts to £1,482,000.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

11. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Plant and machinery £000	Total £000
<b>Cost</b>			
At 1 April 2015	67,042	1,568	68,610
Disposals	(67,042)	(1,568)	(68,610)
<b>At 31 March 2016</b>	-	-	-
<b>Net book value</b>			
<b>At 31 March 2016</b>	-	-	-
At 31 March 2015	67,042	1,568	68,610

The residual value of tangible fixed assets was considered to be equal to the carrying value of those assets and hence no depreciation expense was charged.

At 31 March 2015, the company had entered into a binding agreement to sell all of the above fixed assets. The facts and circumstances of the sale are set out in the Strategic Report on page 1.

12. DEBTORS

	2016 £000	2015 £000
<b>Due after more than one year</b>		
Other debtors	82,678	-
<b>Due within one year</b>		
Amounts owed by group undertakings	38	1
Other debtors	919	-
Prepayments and accrued income	1	1
	958	2

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 12. DEBTORS (continued)

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. Further details are provided in note 20.

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.

### 13. CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash at bank and in hand	101	702

### 14. CREDITORS: Amounts falling due within one year

	2016 £000	2015 £000
Other loans	240	240
Taxation and social security	-	601
Accruals and deferred income	38	11
	278	852

Disclosure of the terms and conditions attached to other loans are made in note 16.

### 15. CREDITORS: Amounts falling due after more than one year

	2016 £000	2015 £000
Other loans	73,608	70,632
Share capital treated as debt	100	100
	73,708	70,732

Disclosure of the terms and conditions attached to the non-equity shares is made in note 18.

Disclosure of the terms and conditions attached to other loans are made in note 16.

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 16. LOANS

An analysis of loans is given below:

	2016 £000	2015 £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	240	240
<b>2 to 5 years</b>		
Zero % Unsecured 'A' Loan Notes	368	608
<b>Greater than 5 years</b>		
7.5625% Guaranteed Unsecured Loan Stock 2027	73,000	73,000
Less: amortised guarantee fee	-	(3,216)
	<b>73,848</b>	<b>70,872</b>

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 discount amounted to £227,000 and this was capitalised.

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").

The guarantee fee paid to BCC was being amortised on a straight line basis until expected repayment of the Loan Stock until 1 May 2015 when it was written off.

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 £848,000 (2015: £1,088,000).

#### 17. FINANCIAL INSTRUMENTS

	2016 £000	2015 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>83,635</b>	<b>1</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(73,986)</b>	<b>(74,199)</b>
Financial assets measured at amortised cost comprise of other debtors.		
Financial liabilities measured at amortised cost comprise of other loans, accruals and share capital treated as debt.		

# THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

### 18. SHARE CAPITAL

	2016 £	2015 £
<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>
	2016 £	2015 £
<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

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.

### 19. 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 2016

#### 20. DISCONTINUED OPERATIONS

On 1 May 2015, the Company entered into a series of transactions with Birmingham City Council and The National Exhibition Centre Limited as part of the overall sale of The National Exhibition Centre Limited to a third party.

The Company agreed to a variation of the terms of the lease of Halls 17 to 20 of the National Exhibition Centre in exchange for a guarantee that Birmingham City Council will pay the remaining principal and interest due on the Loan Stock maturing in 2027 (the "funding guarantee"), subject to any proceeds receivable on the sale of the lease interests being repaid to Birmingham City Council.

The leasehold property interests were then assigned to The National Exhibition Centre Limited for £21m which was paid directly to Birmingham City Council.

Considering the substance of this transaction, for accounting purposes, the excess of the fair value of the funding guarantee over the book value of the fixed assets and unamortised guarantee fee associated with the loan stock maturing in 2027 is considered to be a capital contribution.

	£000
Fair value of funding guarantee received from Birmingham City Council	84,423
Amounts receivable on assignment of leasehold interests	21,000
Amounts payable to Birmingham City Council on assignment of leasehold interests	(21,000)
	<hr/>
	84,423
<b>Net assets disposed of:</b>	
Tangible fixed assets	(68,610)
Unamortised guarantee fee	(3,193)
	<hr/>
<b>Capital contribution recognised</b>	<b>12,620</b>
	<hr/>

## THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 21. RELATED PARTY TRANSACTIONS

On 14 May 1997, the company signed a Management Agreement with NEC for NEC to manage the New Exhibition Halls (17 to 20). As disclosed in note 20 this agreement ceased on 1 May 2015.

Until 1 May 2015, BCC was the ultimate parent of the company and of NEC. From 1 May 2015, BCC remained 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 entered into the following transactions, in the ordinary course of business with NEC:

	2016 £000	2015 £000
Sales	569	7,007
Purchases	103	1,235
Amounts due from related party	-	1

As disclosed in note 20, the Company received a funding guarantee from BCC in the year. In addition to the amounts expected to be received under that funding guarantee, a further £327,000 was received under the guarantee in the year which has been recognised as a Capital Contribution.

#### 22. NON-CASH TRANSACTIONS

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

- Recognition of guarantee provided by Birmingham City Council of £84,423,000; and
- Settlement of liability to Birmingham City Council arising on reassignment of lease interests of £21,000,000.
- Amortisation of guarantee receivable of £4,235,000.
- Settlement of £240,000 of loan notes due to Birmingham City Council.

Further details of these transactions are given in note 20.

#### 23. 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 consolidated financial statements at 31 March 2015 are available from [www.birmingham.gov.uk](http://www.birmingham.gov.uk).



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**24. FIRST TIME ADOPTION OF FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition was 1 April 2014.