

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2006

**Registered Office:
NEC
Birmingham B40 1NT**

Tel. No. 0121 780 4141



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NEC (Developments) Plc
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REPORT OF THE DIRECTORS

Report And Financial Statements

The Directors present their report and the audited financial statements for the year ended 31 March 2006.

Business Review

Business structure

The purpose of the company was to raise finance, construct and operate exhibition halls 17 to 20 at the National Exhibition Centre, Birmingham ('NEC site').

The company was a joint venture formed between Birmingham City Council ('BCC'), EMAP Business Communications Limited and Birmingham Chamber of Commerce and Industry on 14 May 1997.

BCC and Birmingham Chamber of Commerce and Industry also jointly own the National Exhibition Centre Limited ('NEC'), which manages and operates existing facilities at the NEC site.

The company entered into a Management Agreement with NEC to manage the new exhibition halls.

NEC makes payments to the company on 31 March and 30 September in each year, determined by reference to a share of income achieved less costs incurred in the operation of the NEC site as a whole, in accordance with the Management Agreement.

The Management Agreement, which was signed on 14 May 1997, will remain in force for as long as the company is a tenant of the land leased from BCC. The lease term is due to expire on 30 September 2096 but can be terminated by either party on 30 September 2027 after giving not less than six months' notice in writing.

Upon expiry of such notice, BCC will pay the company at that date a sum equal to the lower of the nominal value of the loan stock outstanding and the cost of the premises disclosed in the company's balance sheet as at 31 March 1999 (£68.635m).

Furthermore, in accordance with the Shareholders' Agreement BCC has guaranteed the solvency of the company, and will if required subscribe cash for deferred shares.

Company's financial performance

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. Fluctuations in revenue and expenditure reflect the cycle of exhibition activity.

Development review and the future

The principal activity of the company remains that of owning and operating exhibition facilities.

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 by BCC.

Interest rate risk

The company finances its operations through a mixture of loan notes and debenture stock. All of the company's borrowings are in Sterling and therefore this eliminates any foreign currency risk. The company may borrow at both fixed and floating rates of interest. The company's policy is to keep a significant proportion of its borrowings at fixed rates of interest.

Credit risk

The company has no significant concentrations of credit risk. The company has assumed the policies implemented by NEC that require appropriate credit checks on potential customers before sales commence.

Capital And Finance

The company has in issue 450 £1 Ordinary 'A' Shares owned by Birmingham City Council, 125 £1 Ordinary 'B' Shares owned by Birmingham Chamber of Commerce and Industry and 425 £1 Ordinary 'C' Shares owned by EMAP Business Communications Limited, all of which are fully paid.

The company has in issue 50,000 £1 Preference Shares owned by Birmingham City Council and 50,000 £1 Preference Shares owned by EMAP Business Communications Limited, all of which are fully paid.

The company has in issue and outstanding £73m 7.5625% Guaranteed Unsecured Loan Stock 2027 ('The 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. The Loan Stock was issued at a discount price of £99.689 per £100 Loan Stock.

The company has in issue and outstanding £784,000 £1 Unsecured 'A' Loan Notes, zero coupon to each of Birmingham City Council and EMAP Business Communications Limited. The company also has in issue and outstanding £441,000 £1 Unsecured 'B' Loan Notes, 15% coupon to each of Birmingham City Council and EMAP Business Communications Limited. The Loan Notes are fully paid and repayable by the Company in instalments commencing on 31 March 2004 for Unsecured 'B' Loan Notes and 31 March 2014 for Unsecured 'A' Loan Notes.

Dividends And Transfers To Reserves

The Directors recommend that no dividend be declared in respect of the year ended 31 March 2006. The loss for the financial year of £14,000 (2005: loss £14,000) has been transferred to reserves.

Directors

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

Roger Dickens (Former Chairman – Deceased 29 January 2006)
Councillor Mike Whitby
Andrew Morris
David Randal Metcalfe
Derek Carter
Honorary Alderman Donald Lewis (appointed 31 August 2005)
Honorary Alderman Albert Leslie Samuel Jackson (resigned 3 February 2005)

No emoluments were paid to the Directors of the company.

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

Councillor Mike Whitby

Mike was elected as Leader of Birmingham City Council in June 2004. He was elected to Harborne Ward in 1997, and has been a Parliamentary candidate who has served at the highest level within the Conservative Party.

His other key appointments are:

- Chairman and Managing Director of Skeldings Ltd., an engineering manufacturing company based in the West Midlands
- Director of NEC Limited
- Strategic Board Member on Marketing Birmingham

Andrew B. Morris

Andrew has an impressive record in the exhibition, conference and events business, specialising in start-ups and turnarounds in the events, leisure and media sectors.

Andrew is currently chief executive of The National Exhibition Centre Group, the company managing the National Exhibition Centre, International Convention Centre, Symphony Hall and National Indoor Arena in Birmingham.

Previously chief executive of Earls Court and Olympia (1999-2004) after leading the acquisition of the business from P&O, Andrew transformed the company's market position and culture. On the sale of the business (May 2004) he was appointed non-executive Chairman.

Entering the exhibition and events industry in 1986, Andrew launched and established the Business Design Centre in Islington.

Directors – continued

David R Metcalfe

David is a Divisional Managing Director of EMAP Business Communications Limited and has worked for EMAP since 1984, having previously worked for The Economist and Argus Press.

His responsibilities include the management of Trade Promotion Services Limited, who organise the UK's largest annual trade exhibitions. In addition, he is responsible for EMAP's exhibition activities in continental Europe, in particular in France and Germany.

His key appointments are:

- Director of the Birmingham based British Jewellery and Giftware Federation
- Chairman of the Association of Exhibition Organisers.

Derek Carter

Derek Carter was appointed divisional chief executive of EMAP Communications (EC) in 1997. Derek sits on EMAP's PLC Executive Board. He is a director of the PPA, the association for consumer and business publishers, and was Chairman in 2001/2.

Honorary Alderman Donald Lewis OBE

Honorary Alderman Donald Lewis served as a Birmingham City Councillor between 1959 and 1971 when he became Birmingham City Alderman. In 1974 he went on to be a West Midlands County Councillor and in 1982 returned to Birmingham City as Councillor. In 1995 he was granted an Honorary Aldermanship by Birmingham City.

His key appointments are:

- Director/Trustee of Broader Choices for Old People
- Director/Trustee of West Midlands Special Needs Transport Ltd.
- Council Governor for the Heart of England NHS Foundation Trust

Directors' Interest In Shares Of The Company

No Director has any interest in shares of the company at either the beginning or end of the year ended 31 March 2006.

Directors' Responsibilities For The Financial Statements

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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.

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 debt securities 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

The company has no employees (2005: Nil).

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; and
- ensure that there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices are contested.

The company's payment terms are the last working day of the month following the month in which the invoice is dated, unless alternative agreements are in place. The company had insignificant trade creditors at 31 March 2006 and therefore creditor days have not been calculated.

Audit Information

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.



BY ORDER OF THE BOARD

C STRETTON
Company Secretary
National Exhibition Centre (Developments) Plc
Birmingham B40 1NT
2006

4th September

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

We have audited the financial statements of NEC (Developments) PLC for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 misstatements 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 2006 and of its loss and cash flows 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

8 September

2006

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Turnover		7,728	7,870
Operating Costs	2	(1,800)	(1,903)
Operating Profit		5,928	5,967
Interest receivable and similar income		13	12
Interest payable and similar charges	4	(5,955)	(5,993)
Loss On Ordinary Activities Before and After Taxation		(14)	(14)

Movement Of Reserves

	2006 £000	2005 £000
At 31 March	(1,243)	(1,229)
Loss for the year	(14)	(14)
At 31 March	(1,257)	(1,243)

The above results relate solely to continuing activities.

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

There is no difference between the loss on ordinary activities before taxation and the losses stated above and their historical cost equivalents.

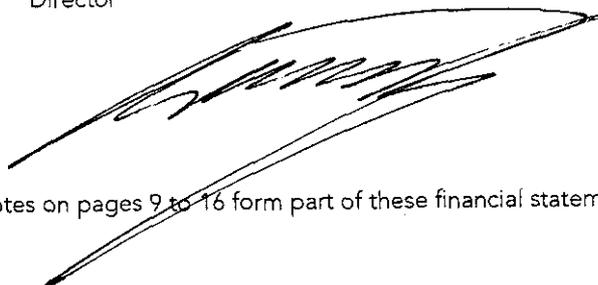
The notes on pages 9 to 16 form part of these financial statements

BALANCE SHEET
At 31 March 2006

	Notes	2006 £000	2005 £000
Fixed Assets			
Tangible assets	6	68,610	68,635
Current Assets			
Debtors	7	7	1
Investments	8	634	656
		641	657
Creditors - amounts falling due within one year			
Creditors	9	(799)	(840)
Net Current Liabilities		(158)	(183)
Total Assets less Current Liabilities		68,452	68,452
Creditors - amounts falling after more than one year			
Borrowings	10	(69,608)	(69,594)
Net Liabilities		(1,156)	(1,142)
Capital and Reserves			
Called up share capital	12	101	101
Profit and loss account		(1,257)	(1,243)
Shareholders' Funds		(1,156)	(1,142)
Shareholders' Funds			
Equity		(1,256)	(1,242)
Non-equity		100	100
	13	(1,156)	(1,142)

The financial statements on pages 6 to 16 were approved by the Board of Directors on **4 SEPTEMBER 2006** and were signed on its behalf by:

Director



The notes on pages 9 to 16 form part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Net Cash Inflow From Operating Activities	14	5,906	6,244
Returns On Investments And Servicing Of Finance		13	12
Interest received		(5,691)	(5,729)
Interest paid		(5,678)	(5,717)
Net Cash Outflow From Returns On Investments And Servicing Of Finance		228	527
Net Cash Inflow Before Management Of Liquid Resources And Financing		22	(34)
Management Of Liquid Resources		22	(34)
Decrease/(Increase) in money market deposits		22	(34)
Net Cash Inflow/(Outflow) From Management Of Liquid Resources		22	(34)
Financing		(250)	(500)
Repayment of Borrowings		(250)	(500)
Net Cash Outflow From Financing		(250)	(500)
Decrease In Cash	15	-	(7)

The notes on pages 9 to 16 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the accounting policies is set out below.

We have adopted FRS 25 and FRS 21 in the preparation of these financial statements. They have had no effect on the financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Revenue

Income is attributable under an income sharing agreement based on revenue for the whole NEC site and this includes tenancy and ancillary sales generated from conferences, events and exhibitions. Revenue is recognised at the point revenue and the costs associated with the delivery of the services can be reliably measured. It is measured at the fair value of the consideration received or receivable.

Tangible assets

The cost of fixed assets comprises their purchase cost together with any incidental expenses of acquisition. The cost of the land lease premium has been capitalised as land. Buildings include all relevant expenditure incurred, including fixed plant.

Issue costs incurred in raising finance 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 was capitalised as part of the cost of the fixed asset.

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

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 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 they are summarised below. The policies have remained unchanged since 1 April 2001.

Interest rate risk

The company finances its operations through a mixture of loan stock and debenture stock. All of the company's borrowings are in Sterling and therefore this eliminates any foreign currency risk. The company may borrow at both fixed and floating rates of interest. The company's policy is to keep a significant proportion of 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 five years.

Power to amend financial statements

No one has the power to amend the financial statements after issue.

NOTES TO THE FINANCIAL STATEMENTS – 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. Operating Costs

	2006	2005
	£000	£000
Auditors remuneration - audit fees	7	5
- non audit fees	1	1
NEC Ltd management fee	920	1,022
Other	872	875
	1,800	1,903

3. Directors' and Employees' Emoluments

No emoluments were paid to the Directors of the company.

The company has no employees (2005: nil).

4. Interest Payable and Similar Charges

	2006	2005
	£000	£000
Interest on loans repayable in more than 5 years:		
7.5625% Guaranteed Unsecured Loan Stock 2027	5,521	5,521
15% Unsecured 'B' Loan Notes	170	208
Amortisation of guarantee fee (see note 10)	264	264
	5,955	5,993

5. Taxation

A charge to tax does not arise as the results for the year after adjustments for items non-assessable or disallowed, is covered by accumulated trading losses and capital allowances.

6. Tangible Assets

	Land	Buildings	Plant & Equipment	Total
	£000	£000	£000	£000
Cost :				
At 1 April 2005	3,100	63,942	1,593	68,635
Cost adjustment	-	-	(25)	(25)
Net book value at 31 March 2006	3,100	63,942	1,568	68,610
Net book value at 31 March 2005	3,100	63,942	1,593	68,635

On 27 May 1997 the company entered into a lease with Birmingham City Council for the land used in the construction of Halls 17 - 20 for consideration of £3,100,000. The lease is for a period of 99 years but can be terminated by the option of either party after 30 years (2027).

Included in Buildings are costs relating to exhibition halls 17 - 20 at the National Exhibition Centre, Birmingham, of which £5,786,455 net interest has been capitalised.

The £25,000 cost adjustment relates to the final settlement of contracted costs.

NOTES TO THE FINANCIAL STATEMENTS - Continued

7. Debtors

	2006	2005
	£000	£000
Amounts falling due within one year:		
Fees due from NEC Limited	6	-
Other debtors	1	1
	7	1

8. Investments

	2006	2005
	£000	£000
Money market investments:		
Short term deposits	634	656

9. Creditors – amount falling due within one year

	2006	2005
	£000	£000
Borrowings	250	250
Capital creditors	-	25
Amounts due to NEC Limited	-	10
Accruals and deferred income	10	10
VAT	539	545
	799	840

10. Creditors – amount falling due after more than one year

	Note	2006	2005
		£000	£000
7.5625% Guaranteed Unsecured Loan Stock 2027	(a)	73,000	73,000
Less: Guarantee fee	(a)	(7,932)	(7,932)
Guarantee fee amortised brought forward	(a)	2,076	1,812
Guarantee fee amortised during the period	(a)	264	(5,856)
		67,408	67,144
Zero % Unsecured 'A' Loan Notes	(b)	1,568	1,568
15% Unsecured 'B' Loan Notes	(c)	632	882
		69,608	69,594

NOTES TO THE FINANCIAL STATEMENTS - Continued

- a) 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 was capitalised within fixed assets.

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.

The guarantee fee paid to Birmingham City Council is being amortised on a straight line basis until expected repayment of the Loan Stock.

- b) On 21 May 1997, the company issued 1.2m Unsecured 'A' £1 Loan Notes, zero coupon to each of Birmingham City Council and EMAP Business Communications Limited. The Loan Notes are fully paid and are repayable by the company in instalments commencing on 31 March 2014.

Early repayments of £416,000 have been made to each of Birmingham City Council and EMAP Business Communications Limited, leaving the total balance outstanding at the year end of £1,568,000 (2005: £1,568,000)

- c) On 21 May 1997, the company issued 1.25m Unsecured 'B' £1 Loan Notes, 15% coupon to each of Birmingham City Council and EMAP Business Communications Limited. The Loan Notes are fully paid and are repayable by the company in equal instalments commencing on 31 March 2004.

Early repayments of £434,000 were made to each of Birmingham City Council and EMAP Business Communications Limited followed by normal annual repayments, which will result in the Loans being fully repaid in 2010. Further, £250,000 (2005: £250,000) is included as borrowing repayable within one year leaving a total balance outstanding at the year of £882,000 (2005: £1,132,000).

11. Financial Instruments

Interest rate risk profile of financial assets and liabilities.

Financial assets

The company has short term Sterling deposits of £634,000 (2005: £658,000) that earn interest at a floating rate based on the prevailing bank base rate.

As set out in the Director's report on page 1, the company has an undertaking that Birmingham City Council shall pay upon termination of the lease the company a sum equal to the lower of the Loan Stock outstanding at that date and the cost of the premises disclosed in the company's balance sheet as at 31 March 1999 of £68,635m. It is not practical to give a fair value of this financial asset as the company's fixed assets do not have a readily obtainable open market value.

Financial liabilities

The interest rate profile of the company's financial liabilities at 31 March 2006 was:

	Fixed Rate £000	No Interest £000	Non-equity Shares £000	Total £000
Borrowings (Sterling) 2006	73,882	1,568	100	75,550
2005	74,132	1,568	100	75,800

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid Years
	Weighted average interest rate %	Weighted average period to which rate relates Years	
Borrowings (Sterling) 2006	7.65	20	18
2005	7.72	21	19

The preference shares do not carry any rights to receive dividends or to participate in any profits of the company. As these shares do not have a maturity date, in order to prevent distortion of the 'weighted average period to maturity' figure, they have been excluded from the calculation.

NOTES TO THE FINANCIAL STATEMENTS - Continued

Fair values of financial assets and liabilities

Market values have been used to determine fair values.

	2006		2005	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	634	634	656	656
Short and Long term borrowings	(75,450)	(100,663)	(75,700)	(99,526)
Non-equity shares	(100)	(100)	(100)	(100)
	(74,916)	(100,129)	(75,144)	(98,970)

Maturity profile of financial liabilities

	2006 £000	2005 £000
In one year or less	250	250
In more than 1 years but not more than 2 years	250	250
In more than 2 years but not more than 5 years	750	750
In more than 5 years	74,200	74,450
Non-equity shares - no maturity date	100	100
	75,550	75,800

Borrowing facilities

The company has no un-drawn committed borrowing facilities (2005:Nil).

NOTES TO THE FINANCIAL STATEMENTS – Continued

12. Share Capital

Authorised

	Note	2006 £	2005 £
450 Ordinary 'A' shares of £1 each	(a)	450	450
125 Ordinary 'B' shares of £1 each	(a)	125	125
425 Ordinary 'C' shares of £1 each	(a)	425	425
Total Ordinary Shares		1,000	1,000
100,000 Preference shares of £1 each	(b)	100,000	100,000
100,000 Deferred shares of £1 each	(c)	100,000	100,000
		201,000	201,000

Allotted, called up and fully paid

	Note	2006 £	2005 £
450 Ordinary 'A' shares of £1 each	(d)	450	450
125 Ordinary 'B' shares of £1 each	(d)	125	125
425 Ordinary 'C' shares of £1 each	(d)	425	425
Total Ordinary Shares		1,000	1,000
100,000 Preference shares of £1 each	(d)	100,000	100,000
		101,000	101,000

- a) 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.
- b) 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.
- c) The *Deferred Shares* carry the right to a dividend in accordance with the Articles of Association. On liquidation or return of capital, holders of Deferred Shares will receive £1 for each Share held, after payments to Preference and Ordinary Shareholders have been satisfied.

Holders of Deferred Shares do not have the right to attend or vote at any General Meeting of the company

- d) EMAP Business Communications Limited holds all the 'C' Shares for cash at par and 50,000 Preference Shares for cash at par on the terms that they be paid up as to 25p each on issue.

Birmingham Chamber of Commerce and Industry holds all the 'B' Shares for cash at par.

Birmingham City Council holds all the 'A' shares for cash at par and 50,000 Preference Shares for cash at par on the terms that they be paid up as to 25p each on issue.

NOTES TO THE FINANCIAL STATEMENTS - Continued

13. Reconciliation of the Movement in Shareholders' Funds

	2006	2005
	£000	£000
Opening shareholders' funds	(1,142)	(1,128)
Retained loss for the period	(14)	(14)
Closing Shareholders' Funds	(1,156)	(1,142)

14. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2006	2005
	£000	£000
Operating profit	5,928	5,967
(Increase)/Decrease in debtors	(138)	226
Increase in creditors	116	51
Net Cash Inflow from operating activities	5,906	6,244

15. Reconciliation of Net Cash Inflow to Movement in Net Debt

	2006	2005
	£000	£000
Decrease in cash in the period	-	(7)
Amortisation of guarantee fee	(264)	(264)
Cash (Outflow)/Inflow from movements in liquid resources	(22)	34
Repayment of Borrowings	250	500
Movement in Net Debt in The Period	(36)	263
Net Debt Brought Forward	(69,188)	(69,451)
Net Debt Carried Forward	(69,224)	(69,188)

Analysed in Balance Sheet:

Investments	634	656
Creditors - amounts falling due within one year	(250)	(250)
Creditors - amounts falling after more than one year	(69,608)	(69,594)
	(69,224)	(69,188)

NOTES TO THE FINANCIAL STATEMENTS - Continued

16. Related Party Transactions

On 14 May 1997, the company signed a Management Agreement with The National Exhibition Centre Limited ('NEC'), for NEC to manage the new exhibition halls (17 to 20).

NEC is jointly owned by Birmingham Chamber of Commerce and Industry and Birmingham City Council and manages the National Exhibition Centre complex in an agency capacity.

EMAP Business Communications Limited is a wholly owned subsidiary of EMAP plc.

EMAP plc and its related companies organise exhibitions at the National Exhibition Centre in the normal course of business.

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:

	2006	2005
	£000	£000
Sales	7,728	7,870
Purchases	920	1,022
Amounts owed to related party	-	10
Amounts due from related party	7	-

17. Ultimate Parent

The company does not regard any particular shareholder as being an ultimate parent. The control and direction of the company can only be exercised by a majority decision of the Board of Directors.