

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2003



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Registered Office:
NEC (Developments) 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 2003.

2. Principal Activities Of The Company

- 2.1 The Company was incorporated with its principal objective to raise finance, construct, operate and manage property at the National Exhibition Centre, Birmingham.

A Shareholders' Agreement was signed on 14 May 1997 between Birmingham City Council, EMAP Business Communications Limited and Birmingham Chamber of Commerce and Industry, forming a joint venture for the purpose of constructing new exhibition halls (17 to 20) at the National Exhibition Centre.

- 2.2 The Company signed a Management Agreement with The National Exhibition Centre Limited (NEC), for the NEC to manage the new exhibition halls.

The NEC makes payments to the Company on 31 March and 30 September in each year, determined by reference to a share of the income achieved less costs incurred in the operation of the National Exhibition Centre 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 the Birmingham City Council.

3. Capital And Finance

- 3.1 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.

- 3.2 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.

- 3.3 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.

- 3.4 The Company has in issue and outstanding 1.2m £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 1.25m £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 ten annual equal instalments commencing on 31 March 2004, for Unsecured 'B' Loan Notes and 31 March 2014 for Unsecured 'A' Loan Notes.

On the 31 March 2003 the Company repaid £0.416m and £0.434m against the Unsecured 'A' Loan Notes and Unsecured 'B' Loan Notes respectively to each of the holders of the Loan Notes, in advance of the above repayment dates.

- 3.5 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 6 months notice in writing.

Upon expiry of such notice, Birmingham City Council shall pay the Company a sum equal to the lower of the nominal value of the Loan Stock £73m and the cost of the premises disclosed in the Company's balance sheet as at 31 March 1999 £68.635m.

Furthermore, in accordance with Shareholders' Agreement, if the amount paid to the Company by the Council is less than the principal value of the Loan Stock, the Council may at its election subscribe in cash for deferred Shares in the capital of the Company for an amount (inclusive of premium) equal to the difference.

4. Results

The results of the Company for the year are set out in the Profit and Loss Account on page 6.

5. Review of Business

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

6. Dividends And Transfers To Reserves

The Directors recommend that no dividend be declared in respect of the year ended 31 March 2003. The deficit for the financial year of £264,000 (2002: deficit £264,000) has been transferred to reserves.

7. Directors

The Directors of the Company at 31 March 2003, all of whom were Non-Executive Directors, were:

Roger Stephen Burman (Chairman)
Ian Johnston Findlay
David Randal Metcalfe
Honorary Alderman Albert Leslie Samuel Jackson
Councillor Sir A Bore
Barry Stanley Cleverdon

There were no changes during the year.

No emoluments were paid to the Directors of the Company.

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 Tipton-based 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

Ian J Findlay BSc MBA C.Eng. MICE

Ian Findlay is EMAP Plc's Director of Corporate Development. He has, since joining EMAP in 1992, been responsible for business development across the whole range of magazine, exhibition and information activities. EMAP is the largest organiser of exhibitions in the UK.

Prior to EMAP, he was Business Development Director of Reed Business Publishing Group for five years.

7. **Directors – continued**

David R Metcalfe

David Metcalfe 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.

Honorary Alderman Albert LS Jackson

He was Chairman of the NEC Committee 1980-86 and, since 1984, a founder member of Aston Science Park and Chairman of Birmingham Technology Limited, the managing company for the Science Park.

In 1999 he was awarded an Honorary DSc by Aston University for services to public life, the City of Birmingham and Aston Science Park.

Councillor Sir Albert Bore PhD BSc

Councillor Sir Albert Bore is 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.

Barry Cleverdon OBE

Barry Cleverdon, OBE, is Chief Executive of The NEC Group, the company managing the NEC (National Exhibition Centre), The NEC Arena, The ICC (International Convention Centre), Symphony Hall and The NIA (National Indoor Arena) and providing a number of additional venue management services. The facilities and services under the management of The NEC Group are amongst Europe's market leaders in exhibitions, conferences, entertainment and sport.

Barry Cleverdon is a Board Director of Marketing Birmingham Limited.

8. **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 2003.

9. **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.

10. **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.

11. **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.

12. **Employees**

The Company has no employees (2002: Nil).

13. **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

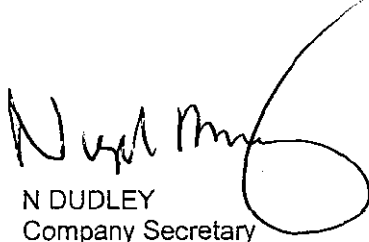
ensure that there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices are contested.

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 2003 and therefore creditor days have not been calculated.

14. **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 9 September 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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

The National Exhibition Centre (Developments) Plc
Birmingham B40 1NT

9 September 2003

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

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

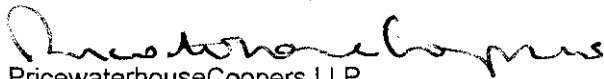
Basis of audit opinion


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 2003, and of its loss and cash flows 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

 2003

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2003

	Notes	2003 £000	2002 £000
Turnover		8,108	7,716
Operating Costs	2	(2,286)	(1,923)
Operating Profit		5,822	5,793
Interest receivable and similar income		74	103
Interest payable and similar charges	4	(6,160)	(6,160)
Loss On Ordinary Activities Before and After Taxation		(264)	(264)
Movement Of Reserves			
		£000	£000
Profit and loss account		(951)	(687)
Loss for the year		(264)	(264)
Profit and Loss Account At The End Of The Year		(1,215)	(951)

The above results relate solely to continuing activities.

The Company has no recognised gains or losses other than the retained 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 retained losses stated above, and their historical cost equivalent.

The notes on pages 9 to 17 form part of these financial statements

BALANCE SHEET

at 31 March 2003

	Notes	2003 £000	2002 £000
Fixed Assets			
Tangible assets	5	68,635	68,635
Current Assets			
Debtors	6	2	4,586
Investments	7	643	1,894
Cash at bank and in hand		4	-
		649	6,480
Creditors - amounts falling due within one year			
Creditors	8	(832)	(4,713)
Net Current (Liabilities)/Assets		(183)	1,767
Total Assets less Current Liabilities		68,452	70,402
Creditors - amounts falling after more than one year			
Borrowings	9	(69,566)	(71,252)
Net Liabilities		(1,114)	(850)
Capital and Reserves			
Called up share capital	11	101	101
Profit and loss account		(1,215)	(951)
Shareholders' Funds		(1,114)	(850)
Shareholders' Funds			
Equity		(1,214)	(950)
Non-equity		100	100
	12	(1,114)	(850)

The financial statements on pages 6 to 17 were approved by the Board of Directors on 9 September 2003 and were signed on its behalf by:

Director



Director



The notes on pages 9 to 17 form part of these financial statements

CASH FLOW STATEMENT

for the year ended 31 March 2003

	Notes	2003 £000	2002 £000
Net Cash Inflow From Operating Activities	13	9,269	2,380
Returns On Investments And Servicing Of Finance			
Interest received		74	103
Interest paid		(8,844)	(5,896)
Net Cash Outflow From Returns On Investments And Servicing Of Finance		(8,770)	(5,793)
Capital Expenditure And Financial Investment			
Payments in respect of buildings in the course of construction		(46)	(65)
Net Cash Outflow For Capital Expenditure And Financial Investment		(46)	(65)
Net Cash Inflow/(Outflow) Before Management Of Liquid Resources And Financing		453	(3,478)
Management Of Liquid Resources			
Reduction in money market deposits		1,251	3,429
Net Cash Inflow From Management Of Liquid Resources		1,251	3,429
Financing			
Repayment of Borrowings		(1,700)	-
Net Cash Outflow From Financing		(1,700)	-
Increase/(Decrease) In Cash	14	4	(49)

The notes on pages 9 to 17 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. A summary of the accounting policies is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoice value, excluding value added tax.

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 at least equal to the capitalised cost of the new halls of £68,635k, 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 5 years.

NOTES TO THE FINANCIAL STATEMENTS – Continued

2. Operating Costs

	2003 £000	2002 £000
Auditors remuneration - audit fees	5	5
- non audit fees	-	2
NEC Ltd management fee	1,295	1,006
Other	986	910
	<u>2,286</u>	<u>1,923</u>

3. Directors' and Employees' Emoluments

No emoluments were paid to the Directors of the Company.

The Company has no employees (2002: nil).

4 Interest Payable And Similar Charges

	2003 £000	2002 £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	375	375
Amortisation of guarantee fee (see note 9)	264	264
	<u>6,160</u>	<u>6,160</u>

5 Tangible Assets

	Land £000	Buildings £000	Plant & Equipment £000	Total £000
Cost :				
At 1 April 2002 and 31 March 2003	<u>3,100</u>	<u>63,942</u>	<u>1,593</u>	<u>68,635</u>

On the 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.

NOTES TO THE FINANCIAL STATEMENTS - Continued

6 Debtors

	2003 £000	2002 £000
Amounts falling due within one year:		
Fees due from NEC Limited	-	4,586
Other debtors	2	-
	<u>2</u>	<u>4,586</u>

7 Investments

	2003 £000	2002 £000
Money market investments:		
Short term deposits	643	1,894
	<u>643</u>	<u>1,894</u>

8 Creditors - amounts falling due within one year

	2003 £000	2002 £000
Borrowings	250	-
Capital creditors	27	73
Amounts due to NEC Limited	10	-
Accruals and deferred income	6	1,185
Interest Payable	-	2,929
Income tax due on payment of interest	-	19
VAT	539	507
	<u>832</u>	<u>4,713</u>

NOTES TO THE FINANCIAL STATEMENTS - Continued

9 Creditors - amounts falling due after more than one year

	Note	2003 £000	2002 £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)	1,284	1,020
Guarantee fee amortised during the period	(a)	264	(6,648)
		66,616	66,352
Zero % Unsecured 'A' Loan Notes	(b)	1,568	2,400
15% Unsecured 'B' Loan Notes	(c)	1,382	2,500
		69,566	71,252

- 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 ten annual equal instalments commencing on 31 March 2014.
- 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 ten annual equal instalments commencing on 31 March 2004.

On the 31 March 2003 the Company repaid £0.416m and £0.434m against the Unsecured 'A' Loan Notes and Unsecured 'B' Loan Notes respectively to each of the holders of the Loan Notes, in advance of the above repayment dates.

NOTES TO THE FINANCIAL STATEMENTS - Continued

10. Financial Instruments

Interest rate risk profile of financial assets and liabilities.

Financial assets

The Company has short term sterling deposits of £643,000 (2002: £1,894,000) that earn interest at a floating rate based on the prevailing bank base rate.

As set out in the Director's report on page 2, the Company has an undertaking that Birmingham City Council shall pay the Company a sum equal to the lower of the Loan Stock £73m and the cost of the premises disclosed in the Company's balance sheet as at 31 March 1999 of £65,587k. It is not practical to give a fair value of this financial asset as the Company's fixed assets do not have an easily obtainable open market value.

Financial liabilities

The interest rate profile of the Company's financial liabilities at 31 March 2003 was:

	Fixed Rate £000	No Interest £000	Non-equity Shares £000	Total £000
Borrowings (Sterling)				
2003	74,632	1,568	100	76,300
2002	75,500	2,400	100	78,000

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period to which rate relates Years	
Borrowings (Sterling)			
2003	7.72	23	21
2002	7.81	24	22

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.

Fair values of financial assets and liabilities

	2003		2002	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash and short term deposits	647	647	1,894	1,894
Short and Long term borrowings	(76,200)	(92,443)	(77,900)	(81,986)
Non-equity shares	(100)	(100)	(100)	(100)
	(75,653)	(91,896)	(76,106)	(80,192)

NOTES TO THE FINANCIAL STATEMENTS - Continued

10. Financial Instruments - Continued

Maturity profile of financial liabilities

	2003 £000	2002 £000
In more than 2 years but not more than 5 years	750	750
In more than 5 years	75,200	77,150
Non-equity shares - no maturity date	100	100
	<u>76,050</u>	<u>78,000</u>

Borrowing facilities

The Company has no un-drawn committed borrowing facilities (2002:Nil).

11 Share Capital

Authorised

	Note	2003 £	2002 £
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		<u>1,000</u>	<u>1,000</u>
100,000 Preference shares of £1 each	(b)	100,000	100,000
100,000 Deferred shares of £1 each	(c)	100,000	100,000
		<u>201,000</u>	<u>201,000</u>

Allotted, called up and fully paid

	Note	2003 £	2002 £
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		<u>1,000</u>	<u>1,000</u>
100,000 Preference shares of £1 each	(d)	100,000	100,000
		<u>101,000</u>	<u>101,000</u>

NOTES TO THE FINANCIAL STATEMENTS - Continued

11. Share Capital - Continued

- 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.

12 Reconciliation Of The Movement In Shareholders' Funds

	2003	2002
	£000	£000
Opening shareholders' funds	(850)	(586)
Retained loss for the period	(264)	(264)
Closing Shareholders' Funds	(1,114)	(850)

13 Reconciliation Of Operating Profit To Net Cash Inflow From Operating Activities

	2003	2002
	£000	£000
Operating profit	5,822	5,793
Decrease/(Increase) in debtors	4,584	(4,584)
(Decrease)/Increase in creditors	(1,137)	1,171
Net Cash Inflow from operating activities	9,269	2,380

NOTES TO THE FINANCIAL STATEMENTS – Continued

14 Reconciliation Of Net Cash Inflow To Movement In Net Debt

	2003 £000	2002 £000
(Decrease)/Increase in cash in the period	4	(49)
Amortisation of guarantee fee	(264)	(264)
Cash Outflow from movements in liquid resources	(1,251)	(3,429)
Repayment of Borrowings	1,700	0
Movement in Net Debt in The Period	189	(3,742)
Net Debt Brought Forward	(69,358)	(65,616)
Net Debt Carried Forward	(69,169)	(69,358)
Analysed In Balance Sheet:		
Investments	643	1,894
Cash at bank and in hand	4	0
Creditors - amounts falling due within one year	(250)	0
Creditors - amounts falling after more than one year	(69,566)	(71,252)
	(69,169)	(69,358)

15 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 The National Exhibition Centre Limited:

	2003 £000	2002 £000
Sales	8,108	7,716
Purchases	2,281	1,913
Amounts owed to related party	10	86

NOTES TO THE FINANCIAL STATEMENTS - Continued

16 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.