

**London International Exhibition
Centre PLC**

Report and Financial Statements

Year Ended

31 December 2012

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Company secretary

Simon Price

Registered office

3 Bunhill Row, London, EC1Y 8YZ

Company number

3458317

Auditor

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

London International Exhibition Centre PLC

CHAIRMAN'S STATEMENT

For the year ended 31 December 2012

The year ended 31 December 2012 has seen London International Exhibition Centre PLC further strengthen its position in the UK and international events market. Continued support from the owners, Abu Dhabi National Exhibitions Company ("ADNEC"), has created a positive environment for the Company to deliver exceptional infrastructure and services in the ExCeL London venue. The exhibition and conference facilities at ExCeL London extend to 100,000 square metres of flat floor exhibition space along with a fully flexible 5,000 seat auditorium and extended banqueting facilities, this latter product branded as the International Convention Centre for London (ICC London ExCeL).

Over the summer, ExCeL London made a major contribution to the 2012 Olympics and Paralympics. Seven Olympic events (Boxing, Judo, Weight-lifting, Fencing, Table Tennis, Fencing and Tae Kwon Do) and six Paralympic events (Table Tennis, Judo, Power Lifting, Wheelchair Fencing, Sitting Volleyball and Boccia) were all contested in five purpose built arenas within the venue. More than one million visitors attended these events, witnessing along the way 522 medals including 17 from Team GB and Paralympics GB. ExCeL London was officially recognised as the most complex Olympic venue in the history of the modern games.

Trade and consumer exhibitions continued to flourish at ExCeL. Major exhibitions belonging to a wide variety of event organisers were hosted during the year, including World Travel Market, EcoBuild, Hotelympia and Gastech. The ICC London ExCeL continues to bring unprecedented numbers of new conference and congress events to London. Notable events hosted in the period included several major medical conferences, including ECCMID 2012 and ESH 2012. The corporate world was also well represented with events hosted by (amongst others) Cisco, Sainsburys and BP.

The Company is pleased to note progress made through 2012 on the Crossrail scheme which will provide a direct and rapid link to ExCeL from the centre of London and from Heathrow airport. We are looking forward to the opportunities presented by this link and further upgrades to the Docklands Light Railway which will enhance the comfort and convenience of access to ExCeL London and benefit the continuing development and regeneration of the wider Royal Docks area.

ExCeL London continues to progress and develop as a world class venue thanks to hard work, dedication and commitment. I am delighted to record on behalf of the Board our sincere appreciation to the whole team for their efforts and achievements during the past year. Outstanding results could not have been delivered without them, and consistent support from Abu Dhabi and ADNEC.



Kevin Murphy
Chairman

London International Exhibition Centre PLC

DIRECTORS' REPORT

For the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Results and dividends

The income statement is set out on page 9 and shows the profit for the year. The directors are unable to recommend the payment of a dividend (31 December 2011 - £nil)

The results for the company are as follows

	31 Dec 2012	31 Dec 2011
	£'000	£'000
Revenue	68,675	52,358
Profit from operating activities	20,222	11,988
Profit/(Loss) before tax	10,244	(2,430)
Cash flow from operating activities	37,104	2,869

The strong performance of the business reflects continued positive reaction to ExCeL's newly extended facilities, successful delivery of the 2012 Olympic and Paralympic Games, and a general economic upturn

Principal activities

The principal activities of the company continue to be the operation of the ExCeL London exhibition and conference centre together with the development of property assets on its 100 acre site

Business review and strategy

ExCeL London continues to deliver its vision of being London's premier events destination and has established a strong foot hold on the international events circuit, both for exhibitions and for the international confex, convention and events sectors

The assets and synergies of ExCeL London and its ultimate parent, the Abu Dhabi National Exhibitions Company PJSC ("ADNEC"), continue to be leveraged with great success. ADNEC share the vision of ExCeL London's Management to further expand and develop the assets of the business. ExCeL London now has just under 100,000 square metres of flat floor exhibition space. Its integral ICC also includes a further conference unit capable of hosting events up to 2,000 delegates, together with a specific flexible hall space that can accommodate up to 5,000 delegates in an easily and quickly deployed tiered-seat auditorium

The company continues to target what it considers to be the most attractive and profitable markets for its services where it enjoys a competitive advantage in terms of product offering, location, facilities, and service delivery

The market for the provision of space to the events industry remains highly competitive yet the business continues to achieve success through the strategic targeting of clearly identified events, successful launches, continued investment to improve the facilities and visitor experience and award winning excellence in its service delivery

The company operates a credible and highly attractive venue across the event industry spectrum and successfully hosts many large international exhibitions, conferences, conventions and major corporate events. ExCeL London was fully utilised to great effect throughout the London 2012 Olympic Games, hosting 7 of the 26 Olympic events and 6 of the 20 Paralympic events

The company continues to develop master plans for both the site and the local area, working in partnership with its key stakeholders to underpin its vision as a world class events destination. In addition to the ExCeL London venue the company also envisions the establishment of a leisure and entertainment district together with additional hotels that will drive alternative revenue streams

DIRECTORS' REPORT *(continued)*
For the year ended 31 December 2012

Environmental policy

ExCeL London is committed to tackling the challenges of sustainable development and operating as a responsible corporate business. The company implements practices that promote economic security, social and environmental responsibility and will continuously seek to improve performance in these areas. We are committed to working with our suppliers and customers to improve sustainable performance throughout all of our activities and are committed to maintain and operate our sustainability management systems in compliance with both ISO 20121 and ISO 14001 requirements. This policy is supported by the Executive Team. Our set objectives in the areas of sustainability are monitored and measured regularly against our maturity matrix to enable us to continue to improve against our set targets. All ExCeL London staff are responsible for implementing this policy to ensure that all requirements are being met and for the co-ordination and evaluation of ongoing performance against our sustainability principles, inclusivity, transparency, integrity and stewardship. To deliver this, ExCeL London aims to

- Ensure the full implementation of this policy throughout all departments, business operations and services, and wherever possible throughout the supply chain
- Ensure the policy and related sustainability issues are regularly discussed with all employees and training programmes are routinely carried out to ensure all staff are aware of this policy and our 100% commitment to continue measuring and improving our performance
- Be an industry leader in sustainable development in areas relevant to its business in the events industry, and where appropriate, exceed the basic legislation levels required
- Work with its clients to pursue, promote and develop sustainable events throughout the entire lifecycle
- Continue our partnership approach with clients and stakeholders to identify and achieve set goals
- Continue to work with our suppliers and contractors to develop a green procurement policy that is used across the business
- Reduce the use of office consumables and waste whilst increasing recycling and the use of more sustainable materials wherever possible
- Reduce the use of energy throughout our venue, management office and other business operations

We translated our commitments into a sustainability policy with clear objectives and targets to ensure that sufficient resources have been allocated to enable us achieve our commitments and continually improve our sustainability performance. Our performance will be continually measured against our principles of sustainable development by establishing key performance indicators, emission-reducing schemes, internal audits and management reviews.

ExCeL London was awarded a 'D' rating on its EPBD Display Energy Certificate in 2012 underlining its energy efficiency credentials. Although we saw a slight decrease in energy efficiency compared to 2011 this was due to high utilisation during the 2012 Olympic and Paralympic Games. It still means that we are operating 11% more energy efficiently than other buildings of similar type and usage. ExCeL London achieved a Carbon Saver Award in 2012 reflecting our continued achievements in energy efficiency which are reflected in gas and electricity usage that were 18% lower than our targets. ExCeL London has extended its rollout of energy efficient LED lighting throughout the venue. This will drive significant electricity savings in the coming years. Last year ExCeL recycled 86% of all its waste both on and offsite.

ExCeL London was the first privately owned venue to be third-party accredited for ISO 14001, including BS 8901. During 2012 we were successfully upgraded from BS 8901 to the new ISO 20121 standard. ExCeL London is also signed up to the United Nations Global Compact, the largest corporate citizenship and sustainability initiative in the world with over 4,700 corporate participants and stakeholders from over 130 countries. The UN Global Compact is a strategic policy initiative that is committed to aligning operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. We continue to report our progress annually.

DIRECTORS' REPORT *(continued)*
For the year ended 31 December 2012

Corporate social responsibility

ExCeL London is determined to continue its ethical and caring interaction with the local community and other key stakeholders as part of its growing CSR programme. Two major projects which have helped ExCeL London forge strong links in the community included our sponsorship of NASSA (the Newham All Star Sports Academy), and Community Food Enterprise (CFE) to deliver Enterprise Schemes in schools as well as teaching about the importance of health and nutrition via mobile juice units. CFE's mission is to work in partnership with the diverse communities of East London, and nationally with those with similar needs, to safeguard and sustain their rights to the right food as a fundamental condition for individual and community health and well-being. The core foundation of the project includes

- Food Access Facilitation of access to fresh fruits and vegetables
- Healthy Eating Increasing awareness about affordable healthy eating
- Food Enterprise Creation of food enterprise opportunities for young and/or unemployed people
- Local Employment Creation of local employment and volunteering opportunities

The Newham All Stars Sports Academy (NASSA) has been at the forefront of sports development in the London Borough of Newham. A key objective of the organisation is to engage young people in sport through grassroots projects, delivered in partnership with local schools and colleges, and to provide opportunities to progress into competitive club sport. ExCeL partners with NASSA to take advantage of the opportunity to work with local schools to deliver an extra-curricular basketball programme over a period of 24 weeks that would engage young people and provide a clear pathway into playing basketball on a regular basis. All schools involved within the project received one hour per week of coached basketball for the life of the project. The timing of the session (breakfast, lunchtime or after school) was agreed through consultation with the school. The project was available to all children in years 4, 5 and 6 (8+). There was no cost associated to attending these sessions therefore removing any financial barriers that may have affected participation. During the sessions the children were taught ball skills, tactics, techniques and team work and were able to play basketball in a fun learning environment that encouraged their personal development and self-confidence.

The company regularly donates spaces to charities, runs venue tours, sponsors local school initiatives and careers presentations, as well as supports major events organised by the Borough of Newham – this equated to more than £1,000,000 in-kind donations to the community in 2012.

Risks and uncertainties

The management of the business and the execution of the company's vision and strategy are subject to a number of risks, the most prominent of which are noted below. Risks facing the business are reviewed by the Board and appropriate processes are in place to identify, monitor and mitigate these risks.

Competition

The events market is highly competitive. Competition for international events is influenced by the support that many competing venues, particularly in mainland Europe, receive from public funds. A serious risk that the company faces is that one or more of ExCeL London's key events is lost to a competitor or ceases to take place. The company mitigates this risk by actively seeking to enter into long term contracts with its key customers and by continually improving the quality of its service delivery.

The commitment to service quality is demonstrated by the many awards which ExCeL London has won during 2012 including

- Exhibition News Awards – Best Venue Marketer
- Business Superbrand 2012
- Venue of the Year 2012 – aeo Awards
- Excellence Awards 2012 – aeo Awards
- Event Awards – Exhibition Venue of the Year 2012
- World Travel Awards - Europe's Leading Meetings & Conference Centre 2012
- Event Awards – Number 1 in top 20 venues

London International Exhibition Centre PLC

DIRECTORS' REPORT *(continued)*

For the year ended 31 December 2012

External Threats

The threat posed by terrorism is accepted as being particularly acute in London. Discontinuity of services caused by a terrorist attack or a recession in business tourism in London after an attack could seriously impact the company.

Staffing

The challenge posed in retaining a high-quality team of senior managers where there is strong demand for their skills is considered to be significant. The company has implemented incentive plans and a programme of training and development to identify, retain and motivate key staff.

Key performance indicators

The board monitors progress on the overall company strategy by reference to the following key performance indicators. Performance during the year is set out below.

	31 Dec 2012	31 Dec 2011
	£'000	£'000
Revenue Growth (%)	31%	73%
Underlying EBITDA Growth (%)	36%	291%
Cash flow (£'000)	10,899	3,267

Underlying EBITDA excludes the charges relating to the property development and design costs relating to potential future developments on the ExCeL London campus.

Both revenue growth and underlying EBITDA growth reflect the company's continued success in attracting increasing numbers of successful events to ExCeL London, along with an improved economic environment.

Composition of the board

The following served as directors of the company during the year.

	Appointed	Resigned
<i>Chairman</i>		
Sir David Arculus		31 December 2012
Kevin Murphy	1 January 2013	
<i>Executive directors</i>		
Kevin Murphy		31 December 2012
Philip Dowson	1 January 2013	
David Pegler	1 January 2013	
<i>Non-executive directors</i>		
Matar Hamdan Sultan Hamad Al Ameri		
H E Ali Saeed Bin Harmal Al Dhaheri		
Humaid Matar Al Dhaheri		
H E Saif Mohamed Ali Al Khait Al Hajeri		
Michael Henderson		
Pieter Idenburg	1 August 2012	
Lord King of Bridgwater CH		
H E Khalifa Nasser Al Mansoori		
H E Mubarak Hamad Al Muhairi		
Note: Kevin Murphy resigned as an executive director on 31 December 2012 and was appointed Chairman on 1 January 2013.		

Indemnity provision for directors

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

London International Exhibition Centre PLC

DIRECTORS' REPORT *(continued)* For the year ended 31 December 2012

Statement of disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Financial instruments

The company's financial instruments consist of cash, a loan facility provided by ADCG (UK) Limited, a company ultimately owned by Abu Dhabi National Exhibitions Company PJSC who is the ultimate parent company of London International Exhibition Centre Holdings PLC, a loan facility provided by the National Bank of Abu Dhabi, forward currency exchange contracts and interest rate swap contracts, and trade payables and receivables.

Information on the company's use of financial instruments and the management of the risks arising from those instruments is contained within notes 19 and 20 of the financial statements.

Employees

The company wholeheartedly supports the principle of equal opportunities in employment and opposes all discrimination on the grounds of age, colour, race, nationality, ethnic origin, creed, sex, sexual orientation, marital status or disability.

Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion. Any employee who becomes disabled whilst employed by the company is encouraged to remain in the company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available, and any necessary training is arranged.

Employee involvement

The company has well-established communication and consultation procedures with all employee groups. These continually evolve to meet the changing needs of the business and are considered valuable by both management and staff.

Creditor payment policy

The company's creditor policy is to fix terms of payment when agreeing the conditions of each business transaction, to ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. As at 31 December 2012 trade creditors represented 68 days of supplies (31 December 2011 – 37 days).

Charitable donations

In addition to the social contributions outlined above, during the year the company made charitable donations of £10,446 (31 December 2011 - £11,935).

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution is to be proposed at the annual general meeting for reappointment of Ernst & Young LLP as auditor of the company.

On behalf of the board



David Pegler, Director
3 April 2013

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT
AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

The directors are required to prepare financial statements for each financial period which present fairly the financial position of the company and the financial performance and cash flows of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance,
- state that the company has complied with IFRSs, 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 proper accounting records which 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 prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON INTERNATIONAL EXHIBITION CENTRE PLC

We have audited the financial statements of London International Exhibition Centre PLC for the year ended 31 December 2012 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

As explained more fully in the statement of directors' responsibilities set out on page 7, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and the chairman's statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider for the implications for our report.

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 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 directors' report and the chairman's statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Gordon Cullen

Gordon Cullen, Senior statutory auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, 4 April 2013

London International Exhibition Centre PLC**INCOME STATEMENT**

For the year ended 31 December 2012

	Note	31 Dec 2012 £'000	31 Dec 2011 £'000
Revenue	5	68,675	52,358
Direct operating expenses	6	(27,405)	(21,252)
Depreciation	10	(12,983)	(12,509)
GROSS PROFIT		28,287	18,597
Administrative expenses	7	(6,303)	(6,600)
Loss on disposal of fixed assets		(1,762)	(9)
PROFIT FROM OPERATING ACTIVITIES		20,222	11,988
Finance income		423	72
Finance cost		(10,401)	(14,490)
PROFIT/(LOSS) BEFORE TAX		10,244	(2,430)
Taxation	9	511	-
PROFIT/(LOSS) FOR THE YEAR		10,755	(2,430)

A statement of other comprehensive income has not been presented as all gains and losses have been recognised within the income statement

The notes on pages 13 to 30 form part of these financial statements

London International Exhibition Centre PLC**STATEMENT OF FINANCIAL POSITION**

At 31 December 2012

	Note	31 Dec 2012 £'000	31 Dec 2011 £'000
Non-current assets			
Property, plant and equipment	10	317,649	329,157
Amounts owed by group company	11	24,644	24,155
		<u>342,293</u>	<u>353,312</u>
Current assets			
Stock and inventory		154	-
Accounts receivable and prepayments	11	20,456	10,970
Other financial assets	16	43	15
Cash and cash equivalents	12	27,072	16,173
		<u>47,725</u>	<u>27,158</u>
TOTAL ASSETS		<u>390,018</u>	<u>380,470</u>
Equity			
Share capital	13	(72,233)	(72,233)
Other reserves		(59,367)	(59,367)
Retained earnings		100,943	111,698
		<u>(30,657)</u>	<u>(19,902)</u>
Non-current liabilities			
Bank borrowings	14	(118,926)	(134,753)
Amounts owed to group companies	15	(173,850)	(169,277)
Deferred income		(4,342)	(5,650)
Other financial liabilities	16	(6,141)	(6,296)
		<u>(303,259)</u>	<u>(315,976)</u>
Current liabilities			
Bank borrowings	14	(15,872)	(15,872)
Deferred income		(20,377)	(13,561)
Accounts payable and accruals	17	(19,853)	(15,159)
		<u>(56,102)</u>	<u>(44,592)</u>
TOTAL EQUITY AND LIABILITIES		<u>(390,018)</u>	<u>(380,470)</u>

The financial statements on pages 9 to 30 were approved by the Board on 27 March 2013

**David Pegler, Director**

3 April 2013

The notes on pages 13 to 30 form part of these financial statements

London International Exhibition Centre PLC**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2012

	31 Dec 2012 £'000	31 Dec 2011 £'000
OPERATING ACTIVITIES		
Net profit/(loss) before tax	10,755	(2,430)
Adjustments for non-cash items		
Finance income	(423)	(72)
Finance expense	10,401	7,753
Loss on disposal of property, plant and equipment	1,762	9
Depreciation of property, plant and equipment	12,983	12,509
Working capital adjustments		
Movements in accounts receivable, inventory and prepayments	(9,070)	(21,120)
Movements in accounts payable and accruals	10,696	6,220
	26,349	5,299
Tax paid	-	-
Net cash flows from operating activities	37,104	2,869
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,237)	(5,266)
Proceeds from disposal of property, plant and equipment	-	14
Net cash flows used in investing activities	(3,237)	(5,252)
FINANCING ACTIVITIES		
Interest received	181	72
Interest paid	(7,149)	(3,708)
Proceeds of borrowings	-	9,286
Repayment of borrowings	(16,000)	-
Net cash flows from financing activities	(22,968)	5,650
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,899	3,267
Cash and cash equivalents at beginning of year	16,173	12,906
Cash and cash equivalents at end of year	27,072	16,173

The notes on pages 13 to 30 form part of these financial statements

London International Exhibition Centre PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

For the year ended 31 December 2012

At 31 December 2011

Loss for the year

At 31 December 2012

For the year ended 31 December 2011

At 31 December 2010

Loss for the year

At 31 December 2011

Share capital £'000	Share premium £'000	Capital contribution £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
72,233	40,383	9,992	8,992	(111,698)	19,902
-	-	-	-	10,755	10,755
72,233	40,383	9,992	8,992	(100,943)	30,657
72,233	40,383	9,992	8,992	(109,268)	22,332
-	-	-	-	(2,430)	(2,430)
72,233	40,383	9,992	8,992	(111,698)	19,902

The notes on pages 13 to 30 form part of these financial statements

1 CORPORATE INFORMATION

The financial statements of London International Exhibition Centre PLC ("the company") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the board of directors on 27 March 2013

The company is a public limited company registered in England and Wales. The registered office of the company is 3 Bunhill Row, London, EC1Y 8YZ

The principal activities of the company continues to be the operation of the ExCeL London exhibition and conference centre together with the development of property assets on its 100 acre site as described in the directors' report

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in United Kingdom Pounds Sterling which is the functional currency of the company. All amounts have been rounded to the nearest thousand pounds (£'000) unless indicated otherwise.

Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the applicable requirements of the Companies Act 2006.

3 PRINCIPAL ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in these financial statements.

Going concern

The financial statements have been prepared on the going concern basis. The company's operations are partially funded by a loan facility provided by the ultimate parent company via an intermediate parent company based in the United Kingdom. Further details of the loan facility are given in note 15 of these financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. In particular these relate to accounting policies concerning impairment of non-financial assets including property, plant and equipment, impairment of accounts receivable, taxation and deferred tax assets. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key judgements, estimates and assumptions used by the company's management in preparation of the financial statements are discussed below in conjunction with the relevant accounting policy.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue

Revenue represents sales to third parties, net of value added tax. Revenue in respect of events, rents and commissions is recognised over the time period that the event, rent or commission relates to. Other revenues are recognised by reference to the stage of completion of the services being provided.

Deferred income

Deferred income represents amounts invoiced by the company in respect of future events to be held at the ExCeL London venue after the reporting date.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Management determines whether there are any indications of impairment to property, plant and equipment at each reporting date. Property, plant and equipment is tested for impairment when there are indicators that the carrying value of assets may not be recoverable. An impairment exists when the carrying value of property, plant or equipment is greater than its recoverable amount which is defined as the greater of fair value less costs to sell and the value in use. The calculation of fair value less costs to sell is based on available data from binding sales of similar assets in arm's length transactions. The value in use calculation is based on a cash flow model. Calculating the value in use requires the company to make estimates of future cash flows. Any impairment of property, plant and equipment is charged to the income statement in the year of impairment.

Depreciation is provided on all property, plant and equipment to write off the cost, less estimated residual values, over their expected useful lives according to the following categories of asset:

Motor vehicles	- 25% on cost
Fixtures and fittings	- 20% on cost
Computer equipment and software	- between 20% and 50% on cost
Office equipment	- 25% on cost
Plant and machinery	- 4% on cost
Buildings	- 2% on cost

Management may use judgement to determine the expected useful life of particular assets where it is deemed that their expected useful life is significantly different to the expected useful life of the general category of assets to which they are allocated.

Assets under construction are capitalised as construction progresses. The value capitalised represents the stage of completion of the asset. No depreciation is provided on assets until they are completed and available for use. Interest payable that is directly attributable to the construction of property, plant and equipment is capitalised as part of the cost of these assets during the period of construction. Capitalisation of finance costs ceases upon completion of construction.

Accounts receivable

Accounts receivable are stated at the original invoiced amount less a provision for any uncollectible amounts. An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates. Bad debts are written off when there is no possibility of recovery.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

Stock and inventory

Stock and inventory are valued at the lower of cost and net realisable value

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less

Current taxation

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items. The computation is based on the tax rates and tax laws that are fully or substantially enacted at the date of the statement of financial position.

The company is subject to routine tax audits and also to a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply at the time when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income tax assets or liabilities relate to the same taxation authority.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not

Interest payable and receivable

Interest payable and receivable is recognised as it accrues

Leased assets

For operating leases annual rentals are charged to the income statement on a straight-line basis over the term of the lease

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the income statement in the year in which they become payable. The company also makes contributions to the personal defined contribution schemes of key management and made contributions to the personal defined contribution schemes of directors in the prior year

Financial liabilities and derivative financial instruments

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings as appropriate. The company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, include directly attributable transaction costs.

The company's financial liabilities include trade and other payables, interest-bearing bank loans and derivative financial instruments comprising forward currency exchange contracts and interest rate swap contracts.

The subsequent measurement of financial liabilities depends on their classification. The company's derivative financial instruments are classified at fair value through profit or loss and any movement in their fair value is immediately recognised in the income statement. Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in finance costs in the income statement.

Bank borrowings

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT APPLIED

The IASB has issued the following standards with an effective date after the date of these financial statements which the directors expect to be relevant to the company

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective for periods that begin on or after</i>
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of interest in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IFRS 9	Financial Instruments – Classification and measurement	1 January 2015
IAS 1	Amendment to IAS 1 – Other comprehensive income	1 July 2012
IAS 19	Employee benefits (amendment)	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The company expects to apply these standards from the date that they become effective. The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

5 REVENUE

All revenue is generated from within the United Kingdom

	31 Dec 2012 £'000	31 Dec 2011 £'000
Exhibition and events income	61,032	46,128
Rents and commissions	2,926	3,419
Other revenues	4,717	2,811
	68,675	52,358

6 DIRECT OPERATING EXPENSES

	31 Dec 2012 £'000	31 Dec 2011 £'000
Marketing and advertising	572	717
Security and cleaning	2,219	2,632
Staff costs (see note 8)	12,052	10,301
Venue maintenance and facilities management	1,588	1,082
Other operating costs	10,974	6,520
	27,405	21,252

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

7 ADMINISTRATIVE EXPENSES

8 STAFF COSTS

The average number of full-time staff employed (including the Chairman and executive directors) during the year was

Details of directors' emoluments are given in note 19 to these financial statements

9 TAXATION

	31 Dec 2012 £'000	31 Dec 2011 £'000
Current year tax credit	511	-
<i>Tax reconciliation</i>		
Profit/(Loss) on ordinary activities before taxation	10,244	(2,430)
Profit/(Loss) on ordinary activities at standard rate of corporation tax in the UK of 24.5% (December 2011 – 26.5%)	2,510	(644)
Effects of		
Expenses not deductible for tax purposes	3,196	3,332
Current year movement in unprovided deferred tax	(174)	(1,096)
Utilisation of tax losses brought forward	(5,532)	(1,592)
Land remediation relief	511	-
Current year tax credit	511	-

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. The tax rate prior to 1 April 2012 was 26%. As this change was substantively enacted on 3 July 2012, and therefore before the balance sheet date, deferred tax is recognised at 23% as at 31 December 2012. On 5 December 2012, the Chancellor announced that the main rate of corporation tax will in fact reduce from 24% to 23% from 1 April 2013 with further reductions to the main rate of 2% to 21% by 1 April 2014.

The effect on the company of further proposed reductions in the UK main rate of corporation tax will be reflected in the company's financial statements in future years, as appropriate, once the changes have been substantively enacted.

At the year end the company had tax losses of £71.2 million (31 December 2011 - £86.3 million) that are available for offset against future taxable trading profits, subject to agreement with HMRC.

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of these losses due to the absence of suitable evidence that the company can reasonably expect to generate sufficient taxable profits in the near future.

	31 Dec 2011 £'000	Movement in year £'000	31 Dec 2012 £'000
Accelerated capital allowances	3,565	(566)	2,999
Tax losses	21,571	(5,374)	16,197
Other temporary differences	(5,204)	877	(4,327)
Unrecognised deferred tax assets	19,932	(5,063)	14,869

London International Exhibition Centre PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2012

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>				
At beginning of year	402,201	58	7,028	409,287
Additions	2,605	-	632	3,237
Disposals	(4,761)	-	(739)	(5,500)
At end of year	400,045	58	6,921	407,024
<i>Depreciation</i>				
At beginning of year	(75,849)	(35)	(4,246)	(80,130)
Provided for the year	(11,753)	(15)	(1,215)	(12,983)
Disposals	3,028	-	710	3,738
At end of year	(84,574)	(50)	(4,751)	(89,375)
<i>Net book value</i>				
At 31 December 2012	315,471	8	2,170	317,649
At 31 December 2011	326,352	23	2,782	329,157
<i>Assets in the course of construction included above in Cost and Net Book Value</i>				
At 31 December 2012	773	-	-	773
At 31 December 2011	165	-	-	165

London International Exhibition Centre PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2012

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

Non-current

	31 Dec 2012 £'000	31 Dec 2011 £'000
Amounts owed by group companies	24,644	24,155
	<u>24,644</u>	<u>24,155</u>

Amounts owed by group companies are owed by ADCG Hotels Limited and are unsecured with no fixed repayment date. The company provided an undertaking to ADCG Hotels Limited that it will only demand repayment of all or part of the balance subject to a minimum 12 month notice period. Therefore at 31 December 2012 this liability is classified as non-current.

Current

	31 Dec 2012 £'000	31 Dec 2011 £'000
Trade receivables	16,703	10,291
Provision for impairment of trade receivables	(250)	(499)
	<u>16,453</u>	<u>9,792</u>
Unimpaired trade receivables	16,453	9,792
Prepayments, other debtors and accrued income	2,220	971
Amounts owed by group companies	1,272	207
Corporation tax	511	-
	<u>20,456</u>	<u>10,970</u>

Trade receivables are non-interest bearing and are generally on 30 day terms. 'Amounts owed by group companies' are unsecured with no fixed repayment date. No interest has been charged to date.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Impairment of trade receivables

At 31 December 2012, trade receivables with a value of £250,193 (31 December 2011 – £499,476) were impaired and provided for. The movement in the provision for impairment is shown below

	Individually impaired £'000	Collectively impaired £'000	Total £'000
<i>Year ended 31 December 2012</i>			
At 31 December 2011	499	-	499
Charge for the year	73	41	114
Utilised in the year	(93)	-	(93)
Unused amounts reversed	(270)	-	(270)
At 31 December 2012	209	41	250
<i>Year ended 31 December 2011</i>			
At 31 December 2010	393	-	393
Charge for the year	240	-	240
Utilised in the year	(29)	-	(29)
Unused amounts reversed	(105)	-	(105)
At 31 December 2011	499	-	499

The ageing of unimpaired trade receivables at the financial statements reporting date was as follows

£'000	Total balance	Not yet past due	Less than 30 days past due	More than 30 days past due	More than 60 days past due
31 December 2012	16,453	4,916	6,621	3,689	1,227
31 December 2011	9,792	3,035	3,108	1,664	1,985

Unimpaired receivables are expected on the basis of past experience to be fully collectable. The company therefore considers carrying value of trade receivables to be equivalent to fair value. It is not the practice of the company to obtain security or collateral over receivables and therefore they are unsecured.

London International Exhibition Centre PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2012

12 CASH AND CASH EQUIVALENTS

	31 Dec 2012 £'000	31 Dec 2011 £'000
Bank balances	20,515	9,654
Short-term deposits and investments	6,557	6,519
	<u>27,072</u>	<u>16,173</u>

Cash surplus to the day-to-day trading requirements of the company is placed on short-term deposits (for terms of less than 1 month). Rates achieved in the current year were between 0.4% and 0.7% (31 December 2011 – 0.5% and 0.7%) per annum. The liquidity and interest rate risks are managed by selecting investments with a maturity date consistent with the company's day-to-day need for cash in its trading activities whilst ensuring that they return a competitive rate of interest.

13 ISSUED SHARE CAPITAL

At 31 December 2012 and 31 December 2011

	Number	£'000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	72,233,333	72,233

14 BANK BORROWINGS

	Due within one year		Due after one year	
	31 Dec 2012 £'000	31 Dec 2011 £'000	31 Dec 2012 £'000	31 Dec 2011 £'000
Construction loan facility	16,000	16,000	120,000	136,000
Unamortised facility fee	(128)	(128)	(1,074)	(1,247)
	<u>15,872</u>	<u>15,872</u>	<u>118,926</u>	<u>134,753</u>

The construction loan facility provided by the National Bank of Abu Dhabi was used to finance the construction of the extension to the ExCeL Exhibition Centre. The maximum size of the facility is £152 million. The facility is secured upon the property, plant and equipment of the Company (see note 10).

Interest accrues at a rate of 1.5% above LIBOR and is payable semi-annually. The facility is repayable in instalments between 2012 and 2020.

London International Exhibition Centre PLC**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2012

15 AMOUNTS OWED TO GROUP COMPANIES

	31 Dec 2012 £'000	31 Dec 2011 £'000
Shareholder loan	140,000	140,000
Interest accrued on shareholder loan	23,850	19,277
	163,850	159,277
Amounts owed to parent company	10,000	10,000
	173,850	169,277

The shareholder loan is provided by Abu Dhabi National Exhibitions Company PJSC through its UK subsidiary ADCG (UK) Limited which is the immediate parent company of London International Exhibition Centre Holdings PLC, the parent company of the company. The shareholder loan accrues interest at a rate of 1.0% above LIBOR and is secured on the assets of the company. ADCG (UK) Limited has provided an undertaking to the company that it will only demand repayment of all or part of the shareholder loan and accrued interest subject to a minimum 12 month notice period.

'Amounts owed to parent company' are unsecured with no fixed repayment date. No interest has been charged to date. London International Exhibition Centre Holdings PLC has provided an undertaking to the company that it will only demand repayment of all or part of the balance subject to a minimum 12 month notice period.

16 OTHER FINANCIAL ASSETS AND LIABILITIES

	31 Dec 2012 £'000	31 Dec 2011 £'000
<i>Current assets</i>		
Fair value of forward exchange currency contracts	43	15
<i>Non-current liabilities</i>		
Fair value of interest rate swap contracts	(6,141)	(6,296)
Fair value of derivative contracts (see Note 20)	(6,098)	(6,281)

London International Exhibition Centre PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2012

17 ACCOUNTS PAYABLE AND ACCRUALS

	31 Dec 2012 £'000	31 Dec 2011 £'000
Interest payable on construction loan facility	579	1,762
Interest rate swap agreement (see note 20)	412	780
Trade payables	4,009	1,784
VAT payable	1,180	139
Other tax and social security creditors	257	239
Accruals and other creditors	13,416	10,455
	19,853	15,159

Trade payables are non-interest bearing and are normally settled between 30 and 45 days after the date of invoice

The terms and conditions relating to related party balances are disclosed in note 19

18 PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The company's ultimate parent company and controlling party is Abu Dhabi National Exhibitions Company PJSC, a company incorporated in the United Arab Emirates. The company's immediate parent company is London International Exhibition Centre Holdings PLC, a company incorporated in England and Wales.

The smallest group into which the company's financial statements are consolidated is ADCG (UK) Limited, an intermediate holding company incorporated in England and Wales. The company's financial statements are also consolidated into the financial statements of the ultimate parent company, Abu Dhabi National Exhibitions Company PJSC.

19 RELATED PARTY TRANSACTIONS

Related parties of the company are comprised of other group companies that are controlled by the ultimate parent company and the directors and key management of the company. Pricing policies and terms of transactions with related parties are approved by the group's management.

Transactions with other group companies

ADCG (UK) Limited, the parent company of London International Exhibition Centre Holdings PLC, the Company's immediate parent company, has provided the company with a loan of £140 million (the "shareholder loan"). Interest of £4,572,860 (31 December 2011 - £3,899,964) was provided during the year in respect of this loan. Further details relating to the shareholder loan are disclosed in note 15 of these financial statements.

During the year the company paid £489,678 (31 December 2011 - £18,473,859) of professional fees and costs relating to the design and construction of a hotel being constructed by a fellow group company, ADCG Hotels Ltd. This remains outstanding at the reporting date and is included within the amounts disclosed in note 11.

The company's ultimate parent company, Abu Dhabi National Exhibitions Company PJSC, has charged the company with £82,355 (31 December 2011 - £289,417) of administrative and management expenses during the year. The company has charged Abu Dhabi National Exhibitions Company with £507,608 (31 December 2011 - £126,806) of administrative and management costs during the year.

Compensation of directors and other key management

	Directors		Other key management	
	31 Dec 2012 £'000	31 Dec 2011 £'000	31 Dec 2012 £'000	31 Dec 2011 £'000
Salaries and other emoluments	1,021	817	1,169	850
Long-term incentive plans	-	300	83	109
Pension contributions	-	-	110	131
	<u>1,021</u>	<u>1,117</u>	<u>1,362</u>	<u>1,090</u>

During the year the highest paid director received emoluments of £835,215 (31 December 2011 - emoluments of £611,220) and pension contributions of £nil (31 December 2011 - £nil). The company did not make contributions to the defined contribution pension schemes of any directors during the year (31 December 2011 - no contributions).

There were no other related party transactions requiring disclosure in the current year.

20 FINANCIAL RISK MANAGEMENT

The company, during the normal course of its operations, is exposed to credit risk arising from its transactions with customers, interest rate risk arising from its floating rate borrowings, liquidity risk arising from its obligations to pay suppliers and other creditors and its transactions with customers, and foreign exchange risk arising from customers who have contracted to pay the company in currencies other than pounds sterling

Foreign Exchange Risk

The company has contracted with certain customers to receive payment for events in currencies other than pounds sterling. Where the foreign exchange risk is considered to be significant the company manages this risk through entering into forward contracts to exchange the foreign currency for pounds sterling after it is received from the customer. The aggregate amount of pounds sterling receivable by the company under open forward currency exchange contracts is £887,391 (31 December 2011 - £1,140,698). The fair value of these derivative contracts is determined using open market forward exchange rates matching the maturities of the contracts and any gain or loss is recognised in the income statement for the year.

	31 Dec 2012 £'000	31 Dec 2011 £'000
Unrealised profits on open forward currency exchange contracts	28	15
Realised profits on contracts expiring in the year	60	-
Net profits on forward currency exchange contracts	88	15
Fair value of open contracts at the beginning of the year	15	-
Fair value of open contracts at the end of the year	43	15
Movement in fair value of open contracts	28	15

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company is exposed to credit risk on its bank balances and receivables as follows

	31 Dec 2012 £'000	31 Dec 2011 £'000
Bank balances	27,072	16,173
Receivables	16,453	9,792
	43,525	25,965

20 FINANCIAL RISK MANAGEMENT (continued)

The company seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by establishing procedures to minimise the risk of default by trade debtors. These procedures include undertaking credit verification before engaging in trade with customers, the setting of appropriate credit limits and proactive monitoring of outstanding receivables on an aged basis. The company actively reviews its receivable balances for evidence of impairment. Details of the impairment of trade receivable balances are given in note 11.

Interest rate risk

The company is exposed to interest rate risk arising from its floating-rate borrowings which comprise the construction loan facility (note 14) and the shareholder loan (note 15).

In November 2010 the company entered into an interest rate swap agreement with a notional value of £100,000,000 whereby it pays a fixed rate of 2.87% and receives a variable rate based on LIBOR. The interest rate swap agreement expires in November 2015. The interest rate swap agreement is valued at fair value using a discounted cash flow model which incorporates published interest rates. Any changes to the fair value of the interest rate swap are recognised in the income statement for the year.

	31 Dec 2012 £'000	31 Dec 2011 £'000
Net increase/(decrease) in fair value of interest rate swaps	155	(4,842)
Fair value at the beginning of year	(6,296)	(1,454)
Fair value at the end of year	(6,141)	(6,296)

At 31 December 2012 net interest payable of £411,613 (31 December 2011 - £780,027) was accrued in respect of the interest rate swap agreement.

The following table illustrates the sensitivity of the company's profit before tax (31 December 2011 – loss before tax) to a reasonably possible change in interest rates. There is no impact on the company's equity.

	Increase in basis points	Increase in loss £'000
Year ended 31 December 2012	+100	2,056
Year ended 31 December 2011	+100	2,027

20 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The tables below summarise the maturities of the company's financial liabilities based on undiscounted payments and current market interest rates

Non derivative financial liabilities

	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
<i>At 31 December 2012</i>					
<i>Interest bearing financial liabilities</i>					
Construction loan facility	-	16,000	80,000	40,000	136,000
Accrued interest	579	-	-	-	579
Shareholder loan	-	-	140,000	-	140,000
Accrued interest on shareholder loan	-	-	23,850	-	23,850
	579	16,000	243,850	40,000	300,429
<i>Non interest bearing financial liabilities</i>					
Amounts owed to parent company	-	-	10,000	-	10,000
Trade and other payables	5,446	-	-	-	5,446
Interest rate swap interest	412	-	-	-	412
	6,437	16,000	253,850	40,000	316,287
<i>At 31 December 2011</i>					
<i>Interest bearing financial liabilities</i>					
Construction loan facility	-	16,000	80,000	56,000	152,000
Accrued interest	1,762	-	-	-	1,762
Shareholder loan	-	-	140,000	-	140,000
Accrued interest on shareholder loan	-	-	19,277	-	19,277
	1,762	16,000	239,277	56,000	313,039
<i>Non interest bearing financial liabilities</i>					
Amounts owed to parent company	-	-	10,000	-	10,000
Trade and other payables	2,162	-	-	-	2,162
Interest rate swap interest	780	-	-	-	780
	4,704	16,000	249,277	56,000	325,981

20 FINANCIAL RISK MANAGEMENT (*continued*)

Derivative financial liabilities

	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
<i>At 31 December 2012</i>					
<i>Net settled liabilities</i>					
Interest rate swaps	-	-	6,141	-	6,141
Forward currency exchange contracts	-	(43)	-	-	(43)
	-	(43)	6,141	-	6,098
<i>At 31 December 2011</i>					
<i>Net settled liabilities</i>					
Interest rate swaps	-	-	6,296	-	6,296
Forward currency exchange contracts	-	(4)	(11)	-	(15)
	-	(4)	6,285	-	6,281

21 COMMITMENTS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as set out below

	31 Dec 2012 Land and buildings £'000	31 Dec 2012 Other £'000	31 Dec 2011 Land and buildings £'000	31 Dec 2011 Other £'000
Operating leases which expire				
Within one year	-	16	-	24
In one to two years	-	36	-	203
In two to five years	-	141	-	-
Over five years	203	-	203	-
	203	193	203	227

22 CAPITAL COMMITMENTS

The authorised capital expenditure contracted for at the balance sheet date but not provided for amount to £nil (31 December 2011 - £nil)