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MILLENNIUM POINT PROPERTY LIMITED

REPORT AND ACCOUNTS

Year ended 31 March 2003

Registered No: 3296443




Clement Keys
CHARTERED ACCOUNTANTS

MILLENNIUM POINT PROPERTY LIMITED

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MILLENNIUM POINT PROPERTY LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

David H Tidmarsh
Martin Chambers
Robert Jordan
Herbert Campion
John Adcock
David Pywell

COMPANY SECRETARY
REGISTERED OFFICE AND SOLICITORS

Hammonds Secretarial Services Limited
Hammonds
Rutland House
148 Edmund Street
Birmingham
B3 2JR

BANKERS

Barclays Bank plc
Colmore Row
Birmingham
B3 2EP

AUDITORS

Clement Keys
39/40 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

MILLENNIUM POINT PROPERTY LIMITED

DIRECTORS' REPORT

year ended 31 March 2003

The directors present their annual report and the financial statements for the year ended 31 March 2003.

Directors

Peter Rigby, David H Tidmarsh, Martin Chambers, Herbert Campion and Robert Jordan served throughout the period.

David Pywell was appointed on 10 June 2002. Sir Michael Lyons resigned on 10 June 2002. Peter Rigby resigned on 12 May 2003.

During the year, none of the directors had any interest in the shares of the company or of its parent company, which is a company limited by guarantee.

Constitution

The company was incorporated as a private limited company on 19 December 1996. The company registration number is 3296443.

Activities

The principal activities of the company are to lease and maintain a property portfolio of office, leisure education and retail accommodation plus a car park.

Review of developments

During the year, the company continued to operate the Millennium Point building for the benefit of its tenants. Lettings have continued to plan, with some 90% of space now let within the complex. It has become increasingly clear that the original planning permission relating to the shell units, for food and drink or retail use, is unduly restrictive and is holding back the letting of these units. Consequently after the balance sheet date, the company applied to the relevant authorities for a change of use of the shell units. Once agreed, this will allow the unlet space to be turned over to other appropriate use, ahead of the business plan.

During the year, the company negotiated the sale of a proportion of the car park land on site which was deemed surplus to requirements. This will enable the continuing wider development of Eastside, where Millennium Point plays a key role in the regeneration of the area. The sale, to Advantage West Midlands, was completed shortly after the balance sheet date. The proceeds of the sale of the right to occupy will be reflected in the accounts to 31 March 2004.

Also during the year, the company negotiated the transfer of the management of the Imax theatre on behalf of the company. To 30 November 2002, the management of the theatre was undertaken by Thinktank Trading Limited, a subsidiary of Thinktank Trust. As of 1 December 2002, the management of the theatre was transferred to Cinegrand (Birmingham) Limited. This allowed the experience of an established cinema operator to be brought to bear in the continued development of this part of the project. Ownership of the key assets of the theatre remains within the company.

Results and dividends

The company's results are outlined in the profit and loss account on page 6.

Fixed assets

Movements in fixed assets are shown in note 11 to the financial statements.

MILLENNIUM POINT PROPERTY LIMITED
DIRECTORS' REPORT continued

for the year ended 31 March 2003

Parent company

Millennium Point Trust (a company limited by guarantee) is the ultimate parent company.

Auditors

Clement Keys have expressed their willingness to continue in office. A resolution for their reappointment as auditors is to be proposed at the forthcoming Ordinary General Meeting.

Approved by the Board of Directors and signed on their behalf on December 2003

Robert Jordan
Chairman

A handwritten signature in black ink, appearing to be 'Robert Jordan', written over a large, faint circular stamp or watermark.

22 December 2003

MILLENNIUM POINT PROPERTY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

39/40 Calthorpe Road, Edgbaston
Birmingham B15 1TS

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MILLENNIUM POINT PROPERTY LIMITED**

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described on page 4 the directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

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 with the company is not disclosed.

We read other information contained in the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

39/40 Calthorpe Road
Edgbaston
Birmingham
B15 1TS



CLEMENT KEYS
Chartered Accountants
Registered Auditors

22 December 2003



2003
BWMSCA
Accountancy Firm of the Year
- up to 10 partners

Roger J Parsons, Michael T Meakin, Alan T Robertson, Ian S Yorke,
Joseph R Bates, Philip T Cook, Gavin C Whitehouse, Duncan A McNab, Ross A Cocker

Worldwide representation through  International

MILLENNIUM POINT PROPERTY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Income	4	5,570	4,456
Administrative expenses		(5,136)	(3,876)
Administrative expenses – exceptional	5	<u>(152)</u>	<u>-</u>
Operating profit	7	282	580
Interest receivable	10	6	79
Interest payable	6	<u>(1,134)</u>	<u>(584)</u>
(Loss)/profit on ordinary activities before taxation		(846)	75
Taxation		<u>-</u>	<u>-</u>
(Loss)/profit for the year		<u>(846)</u>	<u>75</u>

There were no recognised gains or losses other than the loss for the financial year. Accordingly, a Statement of Total Recognised Gains and Losses has not been prepared. All income and expenditure related to continuing operations.

The notes on pages 8 to 14 form an integral part of these accounts

MILLENNIUM POINT PROPERTY LIMITED

BALANCE SHEET

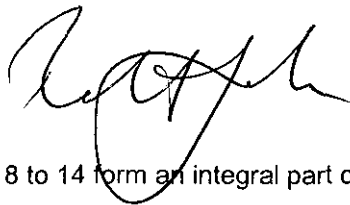
for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	11	87,582	88,796
Current assets			
Debtors	12	601	1,535
Stock	13	-	8
Cash at bank and in hand		<u>83</u>	<u>868</u>
		684	2,411
Creditors: amounts falling due within one year	14	<u>(3,431)</u>	<u>(3,657)</u>
Net current liabilities		<u>(2,747)</u>	<u>(1,246)</u>
Total assets less current liabilities		84,835	87,550
Creditors: amounts falling due after more than one year	15	<u>(85,606)</u>	<u>(87,475)</u>
Net (liabilities)/assets		<u>(771)</u>	<u>75</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	<u>(771)</u>	<u>75</u>
Equity shareholders' (deficit)/funds		<u>(771)</u>	<u>75</u>

These financial statement were approved by the Board of Directors on 22 December 2003

Signed on behalf of the Board of Directors

Robert Jordan
Chairman



The notes on pages 8 to 14 form an integral part of these accounts.

MILLENNIUM POINT PROPERTY LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

1 Accounting policies

These financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Development expenditure

All expenditure incurred in respect of the committed project is capitalised and written off in accordance with the depreciation policies outlined below.

Grants and sponsorship income

Recognition:

Grants, donations and sponsorship are included in the accounts once a legally binding commitment to provide has been entered into and an appropriate claim has been made.

From third parties:

Grants and sponsorship in respect of capital expenditure received from external third parties are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

Sponsorship valuation

Sponsorship in kind includes provision of commercial services and assets valued at cost to the "provider".

Finance leases

Where an asset is financed by an arrangement that gives rights approximating to ownership (finance lease) the asset is treated as if it had been purchased outright. The amount included within the tangible fixed assets is the present value of anticipated cash inflows due under the arrangement. The corresponding commitment is included under financial leases.

Operating leases

Rentals under operating leases are charged to revenue on a straight line basis over the term of the lease.

Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Foreign currency liabilities in the balance sheet are translated into sterling at the rates of exchange ruling at the year-end except where hedged. Resulting exchange gains and losses are taken to the profit and loss account.

Turnover

Turnover represents income from rents and service charges receivable together with car park charges and hoarding rights exclusive of VAT.

MILLENNIUM POINT PROPERTY LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

1 Accounting policies – continued

Tangible fixed assets

Fixed assets comprise:

IT and office equipment for use by the direct employees of the project team;

Project costs associated with the design and build of Millennium Point together with the costs of project management, the raising of finance and of presenting the project to the Millennium Commission and the other funding bodies.

Depreciation

Depreciation is provided on cost less estimate residual value in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Assets in the course of construction	- Nil
IT kit	- 3 years
Imax Projection System	- 20 years
Exhibition fit out	- 30 years
Building	- 150 years

Stocks

Purchased stocks are valued at the lower of cost and net realisable value.

2 Basis of preparation of the financial statements – going concern

At the year end the company was in breach of two of the covenants within its loan agreement with Barclays Bank plc. However, the directors still consider it appropriate to prepare accounts on a going concern basis following transactions which have taken place after the year end (see note 20) and the preparation of cashflow forecasts for the forthcoming year.

3 Cashflow statement

No cashflow statement has been prepared because the company, as a wholly owned subsidiary is exempt from the requirement to prepare such a statement.

4 Income	2003 £'000	2002 £'000
Rental income – floor space	1,239	549
Rental income – service charges	1,090	389
Recharge of other services	630	425
Car park	285	151
Cinema admissions	251	178
Events and other income	127	32
Grant income	1,223	1,549
Sponsorship	725	1,183
	<u>5,570</u>	<u>4,456</u>

**MILLENNIUM POINT PROPERTY LIMITED
NOTES TO THE ACCOUNTS**

for the year ended 31 March 2003

4 Income – continued

In kind sponsorship in the form of goods and services along with cash has been received in the year from :

	2003 £'000	2002 £'000
Specialist Computer Holdings Group Limited	-	145
Birmingham Post and Mail Limited	-	-
Hobbs Reprographics Limited	-	2
Rover Group Limited	-	-
	<u>-</u>	<u>147</u>

5 Exceptional item

The exceptional item relates to costs incurred in the preparation of an enhancement bid application to the Millennium Commission which was unsuccessful.

6 Interest payable

	2003 £'000	2002 £'000
Bank loan interest	1,134	584
	<u>1,134</u>	<u>584</u>

7 Operating profit

	2003 £'000	2002 £'000
Operating profit is stated after charging:		
Depreciation and other amounts written off fixed assets		
- owned	1,523	749
- leased	96	35
Auditors' remuneration - audit services	4	4
Employees costs recharged (see note 9 below)	376	289
	<u>1,999</u>	<u>1,077</u>

8 Directors

No director received any remuneration from the company in respect of services to this company or any other company in the group. The average number of directors serving during the year was 7 (2002 : 7)

9 Staff numbers and cost

	2003 No	2002 No
Average number of persons employed		
Operations	9	9
	<u>9</u>	<u>9</u>

In addition to the above staff directly employed by the company, the remaining staff are employed by Millennium Point Trust and recharged to the company on the basis of time spent. The recharges for the year was £376,341 (2002: £289,507).

Employee costs (directly employed) during the year amounted to:	2003 £'000	2002 £'000
Wages and salaries	80,261	141,494
Social security costs	<u>5,893</u>	<u>10,046</u>
	<u>86,154</u>	<u>151,540</u>

MILLENNIUM POINT PROPERTY LIMITED
NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

10	Interest receivable				2003 £'000	2002 £'000
	Bank interest				6	79
					<u> </u>	<u> </u>
11	Tangible fixed assets	Long leasehold land and buildings £'000	Exhibition fit out costs £'000	Fixtures and fittings £'000	IT equipment £'000	Total £'000
	Cost					
	At 1 April 2002	71,845	16,338	89	1,351	89,623
	Additions	300	72	32	1	405
	Transfers	<u>(96)</u>	<u>-</u>	<u>51</u>	<u>45</u>	<u>-</u>
	At 31 March 2003	<u>72,049</u>	<u>16,410</u>	<u>172</u>	<u>1,397</u>	<u>90,028</u>
	Depreciation					
	At 1 April 2002	272	274	4	277	827
	Charge for the year	<u>545</u>	<u>577</u>	<u>31</u>	<u>466</u>	<u>1,619</u>
	At 31 March 2003	<u>817</u>	<u>851</u>	<u>35</u>	<u>743</u>	<u>2,446</u>
	Net Book Value					
	At 31 March 2003	<u>71,232</u>	<u>15,559</u>	<u>137</u>	<u>654</u>	<u>87,582</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	At 31 March 2002	71,573	16,064	85	1,074	88,796

Included within the above is a 3D Projection system held on finance leases between the IMAX Corporation and the company. The net book value is £1,610,240 (2002: £1,705,984) on which a depreciation charge for the year of £95,744 (2002: £34,816) has been made. All payments due under the lease had been made by the year end.

The majority of the land on which the project is constructed is currently owned by Birmingham City Council. A long lease has been granted to the trust at a peppercorn rent.

The company occupies a small part of the leasehold land and buildings. The majority of the buildings are held for letting under operating leases.

12	Debtors	2003 £'000	2002 £'000
	Due within one year		
	Trade debtors	475	518
	Amounts due from group undertakings	-	280
	Grants receivable	-	500
	Prepayments and accrued income	104	57
	Other debtors	22	154
		<u> </u>	<u> </u>
		601	1,509
	Due after more than one year		
	Other debtors	-	26
		<u> </u>	<u> </u>
		601	1,535
		<u> </u>	<u> </u>

MILLENNIUM POINT PROPERTY LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

13	Stock	2003 £'000	2002 £'000
	IMAX – spares	-	8
		<u> </u>	<u> </u>
14	Creditors: amounts falling due within one year	2003 £'000	2002 £'000
	Bank loans	400	-
	Trade creditors	734	939
	Amounts due to group undertakings	61	339
	Accruals	520	541
	Deferred grants	1,356	1,735
	Other deferred income	340	103
	Other creditors	20	-
		<u>3,431</u>	<u>3,657</u>
		<u> </u>	<u> </u>
15	Creditors: amounts falling due after more than one year	2003 £'000	2002 £'000
	Bank loan	12,900	13,300
	Deferred grants	<u>72,706</u>	<u>74,175</u>
		<u>85,606</u>	<u>87,475</u>
		<u> </u>	<u> </u>

Debenture :

The company has granted a debenture over its assets to the Millennium Commission to secure all monies owing to the Commission by the company and its parent under the terms of a grant agreement dated 30 June 1997.

The company has also granted a debenture to Barclays Bank Plc in respect of the bank loan. Under the debenture, the company has assigned its rights over future rental income and granted a fixed and floating charge over its entire undertaking.

Total secured liabilities at 31 March 2003 are £56,959,223 (2002 : £57,636,400).

Included within the above are amounts falling due for repayment as follows:	2003 £'000	2002 £'000
Less than 1 year	400	-
in 1 – 2 years	500	400
In 2 – 5 years	2,100	1,800
More than 5 years	<u>10,300</u>	<u>11,100</u>
	<u>13,300</u>	<u>13,300</u>
	<u> </u>	<u> </u>

Bank loan creditors falling due after more than five years are repayable by instalments from 2003. The loan will bear interest at a fixed rate of 8.03% as a result of the company entering into an interest rate swap to manage its interest rate exposure.

MILLENNIUM POINT PROPERTY LIMITED
NOTES TO THE ACCOUNTS

for the year ended 31 March 2003

16	Called up share capital	2003 £	2002 £
	Authorised		
	100 Ordinary shares of £1 each	100	100
		<hr/>	<hr/>
	Called up, allotted and fully paid		
	2 Ordinary shares of £1 each	2	2
		<hr/>	<hr/>
17	Profit and loss account	2003 £'000	2002 £'000
	Balance brought forward	75	-
	(Loss)/profit for the year	<hr/> (846)	<hr/> 75
	Balance carried forward	<hr/> (771)	<hr/> 75
		<hr/>	<hr/>
18	Financial commitments		

Value Added Tax

As a result of group registration arrangements for value added tax, the company is jointly and severally liable together with other members of the group, for any value added tax due by the representative member of the group.

Operating leases	2003 £'000	2002 £'000
Equipment		
Leases which expire within two to five years	4	4
	<hr/>	<hr/>

Imax promotional expenditure

Under an agreement with the IMAX Corporation, the company is committed to the following expenditure in sterling to promote the IMAX 3D projection system.

With effect from the date of opening of the IMAX Theatre at Millennium Point the applicable rate is 12% of Theatre Admissions subject to a maximum of \$240,000 and a minimum of \$150,000.

In relation to the IMAX equipment the company is committed to an annual maintenance contract amounting to \$118,000 per annum.

Annual royalties are based upon seating with a minimum commitment of \$125,000 per annum adjusted annually for inflation with 31 December 2002 being the base date.

**MILLENNIUM POINT PROPERTY LIMITED
NOTES TO THE ACCOUNTS**

for the year ended 31 March 2003

19 Transactions with related parties

A number of the directors of Millennium Point Property Limited and members of its parent company Millennium Point Trust have interests in organisations which have provided services to the company in the period. The directors of Millennium Point Property Limited have considered the disclosure requirements of Financial Reporting Standard 8, Related Party Disclosures, and consider that the transactions requiring disclosure are as follows:

During the year Specialist Computer Holdings Limited, a company in which Peter Rigby, a director and Chairman of this company until 12 May 2003, is a majority shareholder, provided in kind sponsorship in the form of IT consultancy to the cost of £Nil (2002: £635,344)

During the year Birmingham City Council, which is a member of Millennium Point Trust has charged for the following items:

	£
Provision of site supervisory services	71,560
Fees in relation to building regulations	180

Technology Innovation Centre is a wholly owned subsidiary of the University of Central England, a member of Millennium Point Trust. During the year, charges totalling £695,158 were, made by the company in respect of rent, service charges and other rechargeable costs on an arms length basis. At the year end an amount of £243,512 was due from Technology Innovation Centre.

Birmingham City Council and the University of Central England, are guarantors, together with Millennium Point Trust, to the loan made by Barclays Bank to the company.

The Academy of Youth Limited (University of the First Age) is a charitable company influenced by Birmingham City Council within the meaning of the Local Government and Housing Act 1989. During the year the company charged £35,575 in respect of rent, service charges and other rechargeable costs.

20 Post balance sheet events

During the year, the company negotiated the sale of a proportion of the car park land on site which was deemed surplus to requirements. This will enable the continuing wider development of Eastside where Millennium Point plays a key role in the regeneration of the area. The sale, to Advantage West Midlands, was completed shortly after the balance sheet date. The proceeds of the sale of the right to occupy (of £3,000,000) will be reflected in the accounts to 31 March 2004.

At the same time an agreement was signed by the company to lease back from Advantage West Midlands part of the car park land for a duration of three years. The annual rent payable will be 17.5% of the turnover rent (being gross turnover less operating expenses).

21 Ultimate parent company

The company's ultimate parent company is Millennium Point Trust (a charitable company limited by guarantee) and incorporated in England. Copies of the group financial statements are available from Millennium Point, Curzon Street, Digbeth, Birmingham, B4 7XG.