

COMPANY NO: 3633307

MOORFIELD (ATLANTIC POINT) LIMITED

ANNUAL REPORT

Year ended 31 December 2002



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Company Information

Directors	Marc Gilbard Graham Stanley Pauline Bradley Karen Bothwell Charles Cade (alternate to Marc Gilbard) Graham Sidwell (alternate to Graham Stanley)
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Secretary	Timothy Sanderson
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Registered office	Premier House 44-48 Dover Street London W1S 4NX
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Registered number	3633307
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Auditors	RSM Robson Rhodes Chartered Accountants 186 City Road London EC1V 2NU
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Bankers	HBOS plc 38 Threadneedle Street London EC2P 2EH
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Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the Group is property investment, management and development.

Results and dividends

The results for the year ended 31 December 2002 are set out in the Consolidated Profit and Loss Account on page 5. The directors do not recommend the payment of a dividend (2001: £nil).

Business review

In September 2002 the Group opened a second student accommodation scheme in Cardiff.

Post balance sheet event

Since the year end the Group purchased land on West Street in Coventry for £1.12m.

On 28 March 2003 Stessa Holdings Limited, the ultimate parent company of Moorfield Group Limited, acquired the 50% shareholding of HBOS plc in Moorfield (Atlantic Point) Limited. Consequently Stessa Holdings Limited is now considered to be the ultimate parent company.

Directors

The present directors of the Company are set out on page 1. Changes in directors during the year were as follows:

Peter Cummings	(Resigned 10 April 2002)
Karen Bothwell	(Appointed 10 April 2002)

Directors' interests

None of the directors has an interest in the shares of the Company.

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year, and the profit or loss of the Group for that year. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; 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 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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with Company law in the United Kingdom.

Report of the Directors (Continued)

Fixed assets

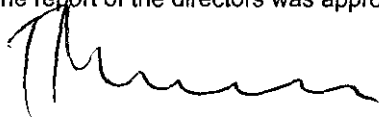
Certain freehold investment properties were valued by appropriately qualified employees of Moorfield Group Limited at 31 December 2002 on the basis of Open Market Value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuation of £34.73m gives rise to a cumulative revaluation surplus of £8.2m (see note 7).

Auditors

The auditors, RSM Robson Rhodes, are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 31 March 2003 and signed on its behalf by:



Timothy Sanderson
Secretary

Independent Auditors' Report to the Shareholders of Moorfield (Atlantic Point) Limited

We have audited the financial statements on pages 5 to 15.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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.

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 the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

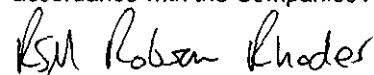
Basis of audit opinion

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 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 affairs of the Group and Company as at 31 December 2002 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes

Chartered Accountants and Registered Auditors

London, England

31 March 2003

Consolidated Profit and Loss Account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover		2,691	1,741
Gross rental income		2,691	1,741
Less: property outgoings		(937)	(664)
Net rental income		1,754	1,077
Administrative expenses		(113)	(61)
Operating profit	2	1,641	1,016
Interest receivable	3	106	47
Interest payable and similar charges	4	(1,435)	(1,208)
Profit/(loss) on ordinary activities before taxation		312	(145)
Tax on profit on ordinary activities	6	-	-
Retained profit/(loss)		312	(145)

All activities are continuing activities.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2002

	2002 £'000	2001 £'000
Profit/(loss) for this year	312	(145)
Unrealised revaluation surplus on properties	2,523	5,711
Total recognised gains	2,835	5,566

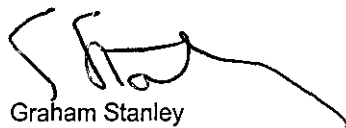
The notes on pages 9 to 15 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Investment properties	7	39,148	27,591
Current assets			
Debtors	9	807	734
Cash at bank and in hand		3,256	3,224
		4,063	3,958
Creditors: Amounts falling due within one year	10	(6,448)	(5,925)
Net current liabilities		(2,385)	(1,967)
Total assets less current liabilities		36,763	25,624
Creditors: amounts falling due after more than one year	11	(22,949)	(14,645)
Net assets		13,814	10,979
Capital and reserves			
Called up share capital	12	1	1
Share premium account	13	5,492	5,492
Profit and loss account	13	87	(225)
Investment revaluation reserve	13	8,234	5,711
Equity shareholders' funds	14	13,814	10,979

The financial statements were approved by the Board on 31 March 2003 and signed on its behalf by:



Graham Stanley
Director

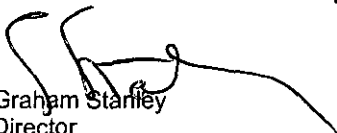
The notes on pages 9 to 15 form part of these financial statements.

Company Balance Sheet

at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Investment property	7	25,790	25,000
Investments	8	-	-
Current assets			
Debtors	9	17,222	8,125
Creditors: Amounts falling due within one year	10	(4,943)	(3,720)
Net current assets		12,279	4,405
Total assets less current liabilities		38,069	29,405
Creditors: amounts falling due after more than one year	11	(26,449)	(18,482)
Net assets		11,620	10,923
Capital and reserves			
Called up share capital	12	1	1
Share premium account	13	5,492	5,492
Profit and loss account	13	(268)	(281)
Investment revaluation reserve	13	6,395	5,711
Equity shareholders' funds	14	11,620	10,923

The financial statements were approved by the Board on 31 March 2003 and signed on its behalf by:


Graham Stanley
Director

The notes on pages 9 to 15 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	15	1,078	2,627
Returns on investments and servicing of finance			
Interest received		106	47
Interest and finance fees paid		(1,668)	(1,171)
		(1,562)	(1,124)
Capital expenditure and financial investment			
Additions to investment properties		(9,157)	(2,646)
Net cash outflow before financing		(9,641)	(1,143)
Financing			
Proceeds from issue of shares		-	1,340
Loans advanced		8,018	70
Loan repayments		-	(108)
Increase in loan stock		-	977
Repayment of loan stock		-	(37)
Net cash inflow from financing		8,018	2,242
(Decrease)/increase in cash	16	(1,623)	1,099

The notes on pages 9 to 15 form part of these financial statements.

Notes to the Financial Statements

31 December 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investment properties. The financial statements are prepared in accordance with applicable accounting standards, including SSAP19, which unlike the detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements.

The financial statements have been prepared on a consistent basis with prior years, subject to the adoption of FRS19.

Investment properties

In accordance with SSAP19 investment properties are included in the balance sheet at an open market value. The surplus or deficit of such value over cost is transferred to the revaluation reserve. Properties are revalued annually by internal professional valuers. Freehold and long leasehold investment properties are not depreciated. Depreciation is only one of many factors reflected in the annual valuation and the amount which otherwise would have been shown cannot be separately identified or quantified. Where there is an impairment in the value of a buildings, a charge is made to the profit and loss account.

Investment properties in the course of construction are included in the balance sheet at cost and are not depreciated. Where there is an impairment in the value of a building, a charge is made to the profit and loss account.

Leases

Rentals payable under the operating leases are charged to the profit and loss account on an accrual basis over the term of the lease. The initial advance receipt in relation to the operating lease is treated as part of the rentals receivable and accordingly these receipts are credited to the profit and loss account on a straight line basis over twenty five years and are classified within deferred income.

Capitalisation of interest

Interest on borrowings to finance the construction of properties held as tangible fixed assets is capitalised. Interest is capitalised from the date work starts on the property to the date when substantially all the activities that are necessary to get the property ready for use are complete. Where construction is completed in parts, each part is considered separately when capitalising interest.

Turnover

Turnover, excluding VAT, comprises amounts invoiced for goods and services provided.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences in the treatment of certain items for taxation and accounting purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS 19 deferred tax is not provided on:

- revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Pensions

The Group operates a defined contribution scheme for certain employees. The pension cost for that scheme represents contributions payable by the group in the period.

Notes to the Financial Statements

31 December 2002 (Continued)

2. OPERATING PROFIT

The operating profit is arrived at after charging:

	2002 £'000	2001 £'000
Audit fees	20	13

3. INTEREST RECEIVABLE

	2002 £'000	2001 £'000
Bank deposit interest	106	47

4. INTEREST PAYABLE

	2002 £'000	2001 £'000
Bank loan interest	1,005	844
Loan stock interest	229	144
Financing fees and other interest	511	220
	1,745	1,208
Less: interest capitalised	(310)	-
	1,435	1,208

5. STAFF COSTS

	2002 £'000	2001 £'000
Salaries and wages	220	113
Social security costs	18	10
Pension costs	2	2
	240	125
Average number of employees	14	7

The Company paid HBOS plc £16,000 (2001: £23,000) for directors services in respect of its nominated directors.

Notes to the Financial Statements

31 December 2002 (Continued)

6. TAXATION

	2002 £'000	2001 £'000
United Kingdom Corporation Tax		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
Current taxation	-	-
Deferred taxation	-	-
Group taxation	-	-
Current tax reconciliation		
	2002 £'000	2001 £'000
Profit/ (loss) on ordinary activities before taxation	312	(145)
Theoretical tax at UK corporation tax rate 30% (2001: 30%)	94	(44)
Effects of:		
- other expenditure that is not tax deductible	(100)	(35)
- losses carried forward	6	79
Actual current taxation charge	-	-

Change of accounting policy

The change in accounting policy for deferred tax had no impact on the Group's profits or balance sheet in the current or prior years.

7. INVESTMENT PROPERTIES

	Group £'000	Company £'000
Cost or valuation		
At 1 January 2002	27,591	25,000
Additions in the year	8,724	106
Revaluation	2,523	684
Interest capitalised	310	-
At 31 December 2002	39,148	25,790

Freehold investment properties were valued by appropriately qualified employees of Moorfield Group Limited at 31 December 2002 on the basis of Open Market Value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Being	Group £'000	Company £'000
2002 valuation	34,730	25,790
Cost	4,418	-
	39,148	25,790

Notes to the Financial Statements

31 December 2002 (Continued)

7. INVESTMENT PROPERTIES (continued)

The year end book values are analysed as follows:

	Group £'000	Company £'000
Historical cost	30,914	19,395
Revaluation surplus	8,234	6,395
	39,148	25,790

8. INVESTMENTS

Company	2002 £	2001 £
Cost		
Shares in subsidiary undertakings	14	10

Subsidiaries	Interest	Nature of business
Dom@in Limited	100%	Dormant
Domain Hanover Mills Limited	100%	Property investment
Domain Navigation Road Limited	100%	Property investment
Domain North Road Limited	100%	Property investment
Domain North Road Management Limited	100%	Property letting & management
Domain West Street Limited	100%	Property investment
Moorfield (Atlantic Point) Management Limited	100%	Property letting & management

During the year, the Company acquired the whole of the share capital of Domain Hanover Mills Limited and Domain North Road Management Limited.

The Company's investment in the above subsidiaries is £2 each, being their entire issued share capital.

9. DEBTORS

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Trade debtors	195	330	-	-
Amounts due from subsidiary undertakings	-	-	16,692	7,833
Other debtors	612	404	530	292
	807	734	17,222	8,125

Notes to the Financial Statements

31 December 2002 (Continued)

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Bank loans	-	286	-	286
Overdrafts	3,438	1,783	3,353	1,783
Trade creditors	200	100	107	29
Amounts owed to related undertakings (note 18)	47	28	3	2
Accruals and deferred income	2,216	2,524	1,340	1,541
Other creditors	547	1,204	140	79
	<u>6,448</u>	<u>5,925</u>	<u>4,943</u>	<u>3,720</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Bank loans	20,710	12,406	20,710	12,406
Loan stock	2,239	2,239	2,239	2,239
Deferred income	-	-	3,500	3,837
	<u>22,949</u>	<u>14,645</u>	<u>26,449</u>	<u>18,482</u>

The loans are secured by charges on the properties held by the Group. The senior loan is repayable by March 2010 and is at a margin of 125 basis points over LIBOR. The loan stock is repayable in March 2010 and is at a margin of 600 basis points over LIBOR. The Group has also entered into an interest rate swap agreement and the notional amount outstanding at 31 December 2002 was £14,417,962 (2001: £11,122,667).

Deferred income comprises a receipt in advance for the costs of repairs and maintenance over the period of the lease.

12. SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid		
1,436 ordinary shares of £1 each	<u>1</u>	<u>1</u>
Made up of:		
718 A ordinary shares		
718 B ordinary shares		

Notes to the Financial Statements

31 December 2002 (Continued)

13. MOVEMENT IN RESERVES

	Share premium account £'000	Group Investment revaluation reserve £'000	Profit and loss account £'000	Share premium account £'000	Company Investment revaluation reserve £'000	Profit and loss account £'000
At 1 January 2002	5,492	5,711	(225)	5,492	5,711	(281)
Retained profit	-	-	312	-	-	13
Property revaluation	-	2,523	-	-	684	-
	<u>5,492</u>	<u>8,234</u>	<u>87</u>	<u>5,492</u>	<u>6,395</u>	<u>(268)</u>
At 31 December 2002	5,492	8,234	87	5,492	6,395	(268)

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Retained profit/(loss) for the year	312	(145)	13	(192)
Issue of shares	-	1,340	-	1,340
Property revaluation	2,523	5,711	684	5,711
Opening shareholders' funds	10,979	4,073	10,923	4,064
	<u>13,814</u>	<u>10,979</u>	<u>11,620</u>	<u>10,923</u>
Closing shareholders' funds	13,814	10,979	11,620	10,923

15. RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating profit	1,641	1,016
Working capital movements		
Debtors	(18)	(428)
Creditors	(545)	2,039
	<u>1,078</u>	<u>2,627</u>
Net cash inflow from operating activities	1,078	2,627

Notes to the Financial Statements

31 December 2002 (Continued)

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £'000	2001 £'000
(Decrease)/increase in cash	(1,623)	1,099
Cash inflow from increase in debt	(8,018)	(902)
	(9,641)	197
Other movements in net debt		
Accrued interest	-	(37)
(Increase)/decrease in net debt	(9,641)	160
Net debt at 1 January	(13,490)	(13,650)
Net debt at 31 December	(23,131)	(13,490)

17. ANALYSIS OF NET DEBT

	1 January 2002 £'000	Cash flow £'000	Non-cash changes £'000	31 December 2002 £'000
Cash at bank and in hand	3,224	32	-	3,256
Bank overdrafts	(1,783)	(1,655)	-	(3,438)
Cash	1,441	(1,623)	-	(182)
Bank loan due after one year	(12,406)	(8,018)	(286)	(20,710)
Loan stock due after one year	(2,239)	-	-	(2,239)
Bank loan due within one year	(286)	-	286	-
Borrowings	(14,931)	(8,018)	-	(22,949)
Net debt	(13,490)	(9,641)	-	(23,131)

18. RELATED PARTY TRANSACTIONS

During the year a management fee of £99,584 (2001: £60,045) was charged to the Group by Moorfield Group Limited which has a 50% shareholding in Moorfield (Atlantic Point) Limited.

The aggregate amount due to Moorfield Group Limited at the year end was £47,473 (2001: £27,695) as disclosed in note 10.

19. POST BALANCE SHEET EVENT

Since the year end the Group purchased land on West Street in Coventry for £1.12m.

On 28 March 2003 Stessa Holdings Limited, the ultimate parent company of Moorfield Group Limited, acquired the 50% shareholding of HBOS plc in Moorfield (Atlantic Point) Limited. Consequently Stessa Holdings Limited is now considered to be the ultimate parent company.