

COMPANY NO: 3633307

MOORFIELD ATLANTIC POINT LIMITED

ANNUAL REPORT

Year ended 31 December 2003



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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 LLP 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 2003.

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 2003 are set out in the Consolidated Profit and Loss Account on page 5. The directors do not recommend the payment of a dividend (2002: £nil).

Business review

The Dom@in business has continued to make strong progress in 2003. In September 2003 we opened Prospect Point, a 565 bed scheme opposite the main teaching hospital in Liverpool. This scheme is let to nurses, doctors and university students. There are now three Dom@in schemes operating at full capacity providing 1,776 beds.

In the summer of 2004 new Schemes will be opened in Manchester and Coventry for the 2004/5 academic year, providing a further 1,064 beds. Construction has just started on a new 694 bed scheme in Newcastle, which will open next year in time for the 2005/06 academic year.

Parent company

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. All directors served throughout the year.

Directors' interests

None of the directors has an interest in the shares of the Company. Marc Gilbard, Graham Stanley and Graham Sidwell are directors of the ultimate parent company. Their interests in the shares of the ultimate parent company are shown in the financial statements of that 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

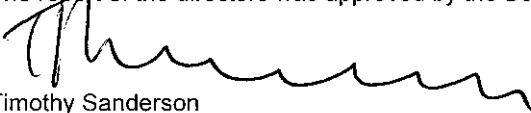
Fully operational investment properties were valued at £54.83m at 31 December 2003 (2002: £34.73m) by employees of the Group, who are members of the Royal Institution of Chartered Surveyors ("RICS"). The properties were valued on the basis of market value, in accordance with the Appraisal and Valuation Standards of the RICS. The valuation gives rise to a cumulative revaluation surplus of £11m (2002: £8.2m) (see note 7).

Auditors

On 3 May 2003, RSM Robson Rhodes, the company's auditors, transferred their business to RSM Robson Rhodes LLP. The directors have consented to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP and a resolution to reappoint RSM Robson Rhodes LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 31 March 2004 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 2003 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 LLP
Chartered Accountants and Registered Auditors
London, England
31 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover		3,988	2,691
Gross rental income		3,988	2,691
Less: property outgoings		(1,576)	(937)
Net rental income		2,412	1,754
Administrative expenses		(259)	(113)
Operating profit	2	2,153	1,641
Interest receivable	3	138	106
Interest payable and similar charges	4	(2,063)	(1,435)
Profit on ordinary activities before taxation		228	312
Tax on profit on ordinary activities	6	(72)	-
Retained profit	14	156	312

All activities are continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the year	156	312
Unrealised revaluation surplus on properties	2,767	2,523
Total recognised gains	2,923	2,835

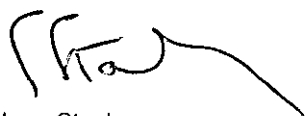
The notes on pages 9 to 15 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investment properties	7	75,978	39,148
Current assets			
Debtors	9	3,127	807
Cash at bank and in hand		3,433	3,256
Creditors: Amounts falling due within one year	10	6,560 (17,565)	4,063 (6,448)
Net current liabilities		(11,005)	(2,385)
Total assets less current liabilities		64,973	36,763
Creditors: amounts falling due after more than one year	11	(48,164)	(22,949)
Provision for liabilities and charges	12	(72)	-
Net assets		16,737	13,814
Capital and reserves			
Called up share capital	13	1	1
Share premium account	14	5,492	5,492
Profit and loss account	14	243	87
Investment revaluation reserve	14	11,001	8,234
Equity shareholders' funds	15	16,737	13,814

The financial statements were approved by the Board on 31 March 2004 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 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investment property	7	25,807	25,790
Investment in subsidiaries	8	3	-
		25,810	25,790
Current assets			
Debtors	9	48,053	17,222
Creditors: Amounts falling due within one year	10	(10,747)	(4,943)
Net current assets		37,306	12,279
Total assets less current liabilities		63,116	38,069
Creditors: amounts falling due after more than one year	11	(51,590)	(26,449)
Net assets		11,526	11,620
Capital and reserves			
Called up share capital	13	1	1
Share premium account	14	5,492	5,492
Profit and loss account	14	(362)	(268)
Investment revaluation reserve	14	6,395	6,395
Equity shareholders' funds	15	11,526	11,620

The financial statements were approved by the Board on 31 March 2004 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 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	16	3,716	1,078
Returns on investments and servicing of finance			
Interest received		138	106
Interest and finance fees paid		(2,995)	(1,668)
		(2,857)	(1,562)
Capital expenditure and financial investment			
Additions to investment properties		(26,261)	(9,157)
Acquisition of subsidiary		(3)	-
		(26,264)	(9,157)
Net cash outflow before financing			
		(25,405)	(9,641)
Financing			
Loans advanced		17,509	8,018
Increase in loan stock		7,706	-
Net cash inflow from financing		25,215	8,018
Decrease in cash	17		
		(190)	(1,623)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

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.

Investment properties

In accordance with SSAP19 investment properties are included in the balance sheet at an open market value on completion. The surplus or deficit of such value over cost is transferred to the revaluation reserve. These 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 impairment in the value of a building, 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 impairment in the value of a building, a charge is made to the profit and loss account.

Leases

Rentals payable/(receivable) under operating leases are charged/ (credited) to the profit and loss account on an accruals basis over the term of the lease. The initial advance payment/ (receipt) in relation to operating leases is treated as part of the rentals payable/ (receivable) and accordingly these payments/ (receipts) are charged/ (credited) to the profit and loss account on a straight line basis over the period of the lease and are classified within prepayments/(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 comprises amounts invoiced for goods and services provided, excluding VAT.

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.

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

for the year ended 31 December 2003

2. OPERATING PROFIT

The operating profit is arrived at after charging:

	2003 £'000	2002 £'000
Audit fees	26	20
Goodwill charge	5	-
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE

	2003 £'000	2002 £'000
Bank deposit interest	138	106
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

	2003 £'000	2002 £'000
Bank loan interest	1,385	1,005
Loan stock interest	614	229
Financing fees and other interest	772	511
	<u> </u>	<u> </u>
	2,771	1,745
Less: interest capitalised	(708)	(310)
	<u> </u>	<u> </u>
	2,063	1,435
	<u> </u>	<u> </u>

5. STAFF COSTS

	2003 £'000	2002 £'000
Salaries and wages	409	220
Social security costs	37	18
Pension costs	2	2
	<u> </u>	<u> </u>
	448	240
	<u> </u>	<u> </u>
Average number of employees	33	14
	<u> </u>	<u> </u>

The Company paid HBOS plc £1,484 (2002: £16,594) for directors services in respect of its nominated directors. No further directors' emoluments were paid by the Company or its subsidiaries in the year (2002: £nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

6. TAXATION

	2003 £'000	2002 £'000
United Kingdom Corporation Tax		
Current tax on income for the year	-	-
Deferred taxation	(72)	-
Taxation charge	(72)	-
Current tax reconciliation		
	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	228	312
Theoretical tax at UK corporation tax rate 30% (2002: 30%)	68	94
Effects of:		
- expenditure that is not taxable	(1)	(100)
- short term timing differences reflected in deferred tax	(72)	-
- other timing differences not reflected in deferred tax	(258)	-
- losses carried forward	263	6
Actual current taxation charge	-	-

7. INVESTMENT PROPERTIES

	Group £'000	Company £'000
Cost or valuation		
At 1 January 2003	39,148	25,790
Additions in the year	33,454	17
Revaluation	2,767	-
Write down	(99)	-
Interest capitalised	708	-
At 31 December 2003	75,978	25,807
Analysed between cost and valuation as follows:		
	Group £'000	Company £'000
Valuation (see below)	54,832	25,807
Cost	21,146	-
	75,978	25,807

Fully operational investment properties were valued at £54.83m at 31 December 2003 (2002: £34.73m) by employees of the Group, who are members of the Royal Institution of Chartered Surveyors ("RICS"). The properties were valued on the basis of market value, in accordance with the Appraisal and Valuation Standards of the RICS. Included within the cost of investment properties in the Group is £1.485m of capitalised interest (2002: £777,000). The interest was paid on specific borrowings linked to LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

7. INVESTMENT PROPERTIES (continued)

The year end book values are analysed as follows:

	Group £'000	Company £'000
Historical cost	64,977	19,412
Revaluation surplus	11,001	6,395
	75,978	25,807

8. INVESTMENT IN SUBSIDIARIES

Company	2003 £	2002 £
Cost		
Shares in subsidiary undertakings	3,019	14

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 Maindy Road Limited	100%	Property investment
Domain Melbourne Street Limited	100%	Property investment
Domain North Road Limited	100%	Property investment
Domain North Road Management Limited	100%	Property letting & management
Domain Prescott Street Limited	100%	Property investment
Domain Prescott Street 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 Maindy Road Limited, Domain Melbourne Street Limited and Domain Prescott Street Limited. The Company's investment in the above subsidiaries is £2, £2 and £3,001 respectively, being their entire issued share capital. Domain Prescott Street Limited has a 100% subsidiary company, Domain Prescott Street Management Limited.

Goodwill of £4,981 arose upon the acquisition of Domain Prescott Street Limited by the Company. This sum was charged to profit and loss account in 2003.

9. DEBTORS

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Trade debtors	563	195	-	-
Amounts due from subsidiary undertakings	-	-	46,134	16,692
Other debtors	2,564	612	1,919	530
	3,127	807	48,053	17,222

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank overdrafts	3,805	3,438	3,710	3,353
Trade creditors	955	200	82	107
Amounts owed to parent undertaking	7,978	47	5,347	3
Accruals and deferred income	3,996	2,216	505	1,340
Other creditors	831	547	1,103	140
	<u>17,565</u>	<u>6,448</u>	<u>10,747</u>	<u>4,943</u>

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

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank loans	38,219	20,710	38,219	20,710
Loan stock	9,945	2,239	9,945	2,239
Deferred income	-	-	3,426	3,500
	<u>48,164</u>	<u>22,949</u>	<u>51,590</u>	<u>26,449</u>

All borrowings are secured by fixed charges on Group properties and floating charges on certain other Group assets. 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 a number of interest rate derivative agreements. The notional amounts outstanding at 31 December 2003 were £50.1m (2002: £14.4m) and the last of these agreements expires in March 2010.

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Deferred tax £'000
At 1 January 2003	-
Charged to profit and loss account in the year	72
At 31 December 2003	<u>72</u>

The Company had no liability to deferred taxation at 31 December 2003 and 31 December 2002.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

13. SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
1,436 ordinary shares of £1 each	1	1
(2002: 718 "A" shares and 718 "B" shares of £1 each)		

On 28 March 2003, the whole of the authorised and issued A and B ordinary share capital of £1 each was re-designated as ordinary shares of £1 each.

14. 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 2003	5,492	8,234	87	5,492	6,395	(268)
Retained profit/ (loss)	-	-	156	-	-	(94)
Property revaluation	-	2,767	-	-	-	-
At 31 December 2003	5,492	11,001	243	5,492	6,395	(362)

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Retained profit/ (loss) for the year	156	312	(94)	13
Property revaluation	2,767	2,523	-	684
Opening shareholders' funds	13,814	10,979	11,620	10,923
Closing shareholders' funds	16,737	13,814	11,526	11,620

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

	2003 £'000	2002 £'000
Operating profit	2,153	1,641
Goodwill charge	5	-
Increase in debtors	(1,912)	(18)
Increase/ (decrease) in creditors	3,470	(545)
Net cash inflow from operating activities	3,716	1,078

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

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

	2003 £'000	2002 £'000
Decrease in cash	(190)	(1,623)
Cash inflow from increase in debt	(25,215)	(8,018)
Increase in net debt	(25,405)	(9,641)
Net debt at 1 January	(23,131)	(13,490)
Net debt at 31 December	(48,536)	(23,131)

18. ANALYSIS OF NET DEBT

	1 January 2003 £'000	Cash flow £'000	31 December 2003 £'000
Cash at bank and in hand	3,256	177	3,433
Bank overdrafts	(3,438)	(367)	(3,805)
Cash	(182)	(190)	(372)
Bank loan due after one year	(20,710)	(17,509)	(38,219)
Loan stock due after one year	(2,239)	(7,706)	(9,945)
Borrowings	(22,949)	(25,215)	(48,164)
Net debt	(23,131)	(25,405)	(48,536)

19. ULTIMATE PARENT UNDERTAKING

The ultimate parent company is Stessa Holdings Limited, which is registered in England and Wales.

Group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

20. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose inter-company related party transactions on the grounds that it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements. There are no other related party transactions.