COMPANY NO· 5186608

MOORFIELD REAL ESTATE FUND GP LIMITED

ANNUAL REPORT

Year ended 31 December 2007

CONTENTS

COMPANY INFORMATION

Directors	Marc Gilbard Graham Stanley Graham Sidwell
Secretary	Timothy Sanderson
Registered office	Nightingale House 65 Curzon Street London W1J 8PE
Registered number	5186608
Auditors	Grant Thornton UK LLP Chartered Accountants Grant Thornton House Melton Street London, NW1 2EP
Bankers	HBOS plc London Chief Office PO Box 54873 London SW1Y 5WX

Report Of The Directors

The directors present their report and the Company's first audited financial statements for the year ended 31 December 2007

Principal activities

The Company is the General Partner of Moorfield Real Estate Fund "A" Limited Partnership and Moorfield Real Estate Fund "B" Limited Partnership

Results and dividends

The results for the year ended 31 December 2007 are set out in the Profit and Loss Account on page 5 The directors do not recommend the payment of dividend

Directors

The present directors of the Company are set out on page 1 None of the directors had an interest in the shares of the Company

Statement of directors' responsibilities for the Annual Report

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these 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 UK Accounting Standards have been followed, 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 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

REPORT OF THE DIRECTORS (continued)

Disclosure of Information to Auditors

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The auditors, Grant Thornton UK LLP, are willing to continue in office

Approval

The report of the directors was approved by the Board on 20 May 2008 and signed on its behalf by

Graham Sidwell
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MOORFIELD REAL ESTATE FUND GP LIMITED

We have audited the financial statements on pages 5 to 9 These financial statements have been prepared under the accounting polices set out therein

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 Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed

We read the directors report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
London
20 May 2008

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover			
Income receivable		3,975	3,975
Administrative expenses		(3,926)	(3,925)
Operating profit		49	50
Interest receivable		111	1
Profit on ordinary activities before taxation		160	51
Taxation on profit on ordinary activities	2	(48)	-
Retained profit		112	51

All activities are continuing activities

There were no gains and losses other than those shown above

The notes on pages 7 to 9 form part of these financial statements

BALANCE SHEET
at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	3	-	-
Current assets.			
Debtors	4	3,220	1,865
Cash		1	50
Creditors Amounts falling due within one year	5	(2)	-
Net current assets		3,219	1,915
Provisions for liabilities and charges	6	(3,030)	(1,838)
Net assets		189	77
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	189	77
Shareholders' funds	9	189	77

The financial statements were approved by the Board on 20 May 2008 and signed on its behalf by

Graham Sidwell
Director

The notes on pages 7 to 9 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting
The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards

Group accounts
The financial statements present information about the Company as an individual undertaking and not about its group The ultimate parent undertaking, Stessa Holdings Limited, produces consolidated financial statements that include the result of this company and its subsidiaries Therefore the Company has taken advantage of the exceptions available under Section 228 of the Companies Act 1985, and has not prepared group accounts

Cash flow statement
The Company is exempt from publishing a cash flow statement because it is ultimately a wholly owned subsidiary of Stessa Holdings Limited which publishes a consolidated cash flow statement

Income
Income relates to profit share receivable from Moorfield Real Estate Fund A LP and from Moorfield Real Estate Fund B LP in the normal course of business

Investments
Investments are stated at cost less provision for impairment where it is necessary to reduce book value to recoverable amount Cost is the purchase price including acquisition expenses

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

2. TAXATION

	2007 £'000	2006 £'000
United Kingdom Corporation Tax		
Current tax credit on income for the year	(1,144)	(1,838)
Deferred taxation		
- origination and reversal of timing differences	1,192	1,250
- prior period adjustment	-	588
Total deferred taxation charge	1,192	1,838
Tax charge on profit on ordinary activities	48	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

2. TAXATION (cont'd)

Current tax reconciliation

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	160	51
Theoretical tax at UK corporation tax rate 30% (2006 30%)	48	15
Effects of		
- other short term timing differences	(1,192)	(1,192)
- group relief surrendered before payment	1,192	1,177
- amounts receivable for group relief	(1,192)	(1,838)
Actual current taxation credit	(1,144)	(1,838)

3. INVESTMENTS

	2007 £	2006 £
At 31 December	4	4

The Company holds 100% of the share capital of Moorfield Car Park I Limited and Moorfield Car Park II Limited which are both registered in England and Wales

4. DEBTORS

	2007 £'000	2006 £'000
Amounts owed by fellow group undertakings	3,220	1,865

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Amounts owed to fellow group undertakings	1	-
Other creditors	1	-
	2	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

6. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000
At 1 January 2007	1,838
Movement in the year	1,192
At 31 December 2007	3,030

7. SHARE CAPITAL

	2007 £	2006 £
Authorised share capital		
100 ordinary shares of £1	100	100
Issued share capital		
2 ordinary shares of £1	2	2

8. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2007	77
Retained profit for the year	112
At 31 December 2007	189

9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Profit for the year	112	51
Opening shareholders' funds	77	26
Closing shareholders' funds	189	77

10. 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

MOORFIELD REAL ESTATE FUND “A” LIMITED PARTNERSHIP

ANNUAL REPORT

Year ended 31 December 2007

CONTENTS

PARTNERSHIP INFORMATION

Registered office	Nightingale House 65 Curzon Street London W1J 8PE	
Registered number	LP 010437	
Limited Partners	California State Teachers' Retirement System 7667 Folsam Boulevard, Suite 250 Sacramento California 95826 USA	The Rockefeller Foundation 420 Fifth Avenue New York New York 10018 USA
	Board of Trustees of the Leland Stanford Junior University 2770 Sand Hill Road Menlo Park California 94025 USA	John D and Catherine T MacArthur Foundation 140 South Dearborn Street Suite 1200 Chicago Illinois 60603-5285 USA
	The Trustees of Princeton University and The Robertson Foundation c/o Princeton University Investment Company 22 Chambers Street, Suite 400 Princeton New Jersey 08542 USA	TIFF Real Estate Partners II LLC Four Tower Bridge 200 Barr Harbor Drive Suite 100 West Conshohocken Pennsylvania 19428 USA
	Vanderbilt University 2100 West End Avenue Suite 900 Nashville Tennessee 37203 USA	Northwestern University Investment Department 1800 Sherman Avenue, Suite 400 Evanston Illinois 60201 USA
	Rensselaer Polytechnic Institute 110 8th Street Troy New York 12180-3590 USA	University of Michigan Investment Office 101 North Main Street, Suite 525 Ann Arbour Michigan 48104-5517 USA
General Partner	Moorfield Real Estate Fund GP Limited Nightingale House 65 Curzon Street London W1J 8PE	
Carried Interest Partner	Moorfield Real Estate Fund CIP Limited Nightingale House 65 Curzon Street London W1J 8PE	
Investment Manager	Moorfield Investment Management Limited Nightingale House 65 Curzon Street London W1J 8PE	(authorised by the Financial Services Authority)
Asset Manager	Moorfield Group Limited Nightingale House 65 Curzon Street London W1J 8PE	
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP	
Bankers	HBOS plc London Chief Office, PO Box 54873, London SW1Y 5WX	

REPORT OF THE GENERAL PARTNER

The General Partner presents its report on the affairs of the Partnership, together with the accounts and auditors' report, for the year ended 31 December 2007

Principal Activity

The principal activity of the Partnership is investing in real estate and real estate related opportunities

Results

The results for the year ended 31 December 2007 are shown on page 7 The profit on ordinary activities for the year was £1,139,000 (2006 loss £2,334,000) The consolidated loss on activities for the year per the proportionate Income Statement was £7,102,000 (2006 loss £1,622,000)

Business Review

The Partnership has £145 million of commitments, which when combined with its parallel fund, the Moorfield Real Estate Fund "B" LP, totals £265 million Investments are made by the combined parallel partnerships During the year £76,108,000 was drawn from Partners leaving commitments of £26,582,000 outstanding

On 26th January 2007 the Partnership and its parallel fund, acquired 23 hotels located throughout the UK for £387,500,000 and an additional newly completed hotel was acquired on 21st March 2007 for £45,000,000 Both transactions were initially financed using the Bank of Scotland (BOS) Bridge Facility The first transaction was refinanced in August 2007 with a 7 year senior debt facility for £290,700,000 At the same time the equity bridge facility was repaid with funds drawn from partners of £58,548,000 (and £48,454,999 from the parallel fund) In March 2008 the second transaction was refinanced by increasing the existing BOS Senior debt facility by £35,000,000 and a further £8,755,000 was drawn down from the Partners (and £7,246,000 from the parallel fund) These hotels are operated by Accor UK on behalf of the Partnership and its parallel fund and have been branded as "Mercure"

Four additional hotels were acquired during 2007, increasing the total number of hotels leased to Shearings to 43 The combined cost of the 4 hotels to the Partnership and its parallel fund was £11,414,000 To finance the acquisition of the hotels the existing senior debt facility was increased by £9,381,000 to £96,025,000

At the year end the investments (excluding the land acquired for development purposes) were valued by external valuers at £887,421,000 and a reduction in value of £17,657,000 was recognised by the combined Partnerships

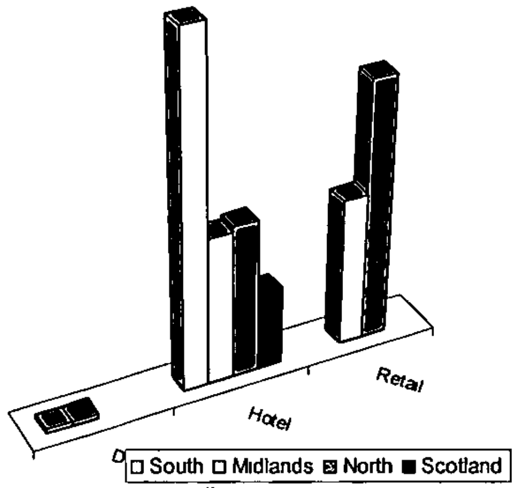
Key Performance Indicators

The Partnership's investment objective is to invest in a diversified portfolio of commercial real estate and real estate related companies in the United Kingdom The following charts demonstrate the regional and sectoral analysis of the Partnership's current investment portfolio

1 Regional and Sectoral Analysis of Turnover (£'000s)

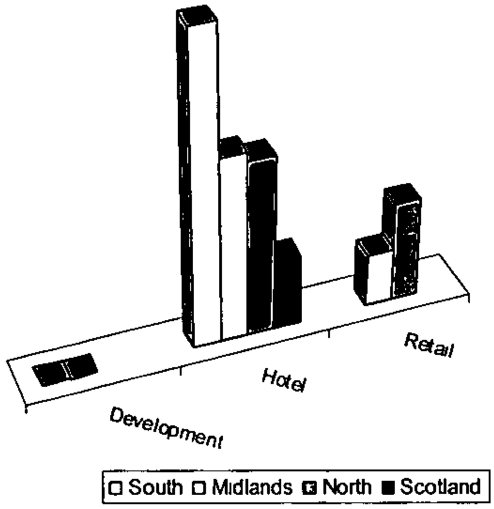
	Retail	Hotels	Development	Total
South	-	20,291	53	20,344
Midlands	3,509	12,134	-	15,643
North	6,500	11,548	-	18,048
Scotland	-	4,602	-	4,602
Total	10,009	48,575	53	58,637

Turnover includes net sales from the Hotel portfolio and rental income



2 Regional and Sectoral Analysis of Capital Values (£'000s)

	Retail	Hotels	Development	Total
South	-	148,701	2,225	150,926
Midlands	63,152	63,077	2,142	128,370
North	110,890	65,080	-	175,970
Scotland	-	33,556	-	33,556
Total	174,042	310,414	4,367	488,822



Moorfield Group is responsible for the asset management of the portfolio The chart (Fig 1) below excludes the reviews of the Shearings Hotel portfolio which has annual RPI rent uplifts from 2008 Both charts exclude the Mercure Hotels portfolio, for which operating income rather than rental income is generated

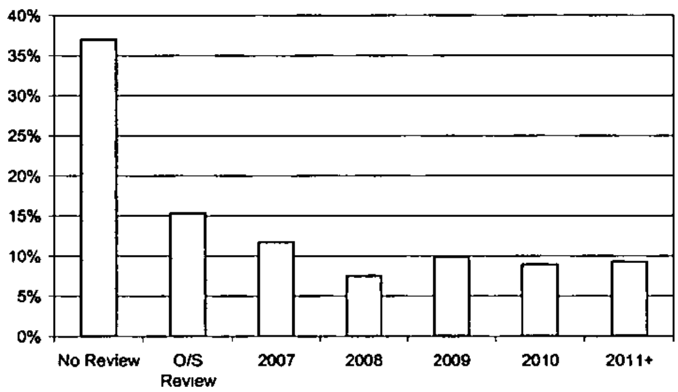


Fig 1 Percentage of Rent due for Review per Year

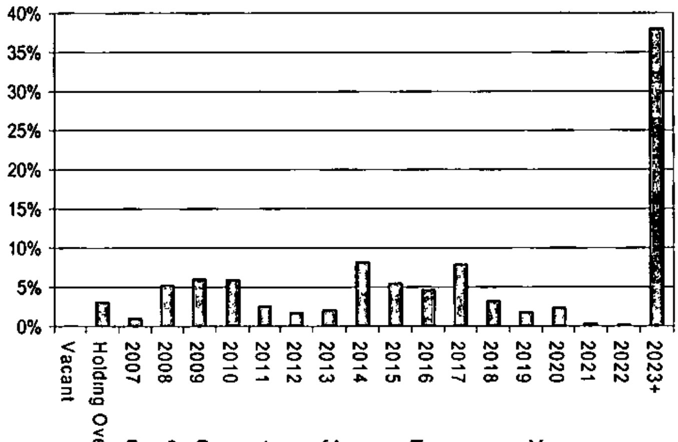


Fig 2 Percentage of Leases Expiring per Year

Principal Risks and Uncertainties facing the Partnership

The following identifies the Partnership's principal risks and the ways in which the General Partner manages and controls these risks

(i) The inability to identify additional return enhancing investments – the General Partner manages this process by following a highly disciplined and rigorous investment process evaluating each acquisition introduced to it,

(ii) The risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units lying vacant – this risk is managed by the Asset Manager on behalf of the General Partner The Asset Manager acts as project manager directing a team of leading real estate professionals to manage this process in a timely manner,

(iii) The risk of a general downturn in the real estate market negatively impacting on the valuation of individual properties – whilst the Partnership cannot influence the property market, the Investment Manager completes both macro economic and real estate research with focuses on the specific micro level areas of the real estate market to support the robustness of the investment decision The investment strategy is based on acquiring real estate, real estate related opportunities and asset rich companies where active corporate, asset and financial management is expected to enhance both income and capital returns thereby minimising the exposure to adverse market movements

(iv) The operating risk of the hotel portfolio - the partnership, through a corporate structure operates 24 hotels The Partnership has appointed Accor, the second largest hotel operator in Europe, to manage the hotels on its behalf The Asset Manager, in conjunction with Accor, has identified a number of capital expenditure and maintenance projects to ensure the portfolio maintains its focus on quality and standards The portfolio is diversified across the UK and operates in a variety of markets including corporate, leisure, conference and functions

The financial risks and the way in which the Partnership manages them are listed below

(i) **Interest Rate Risk**
The Partnership finances its operations through a mixture of interest free loans from Limited Partners and bank borrowings The Partnership then uses interest rate derivatives to manage its exposure to interest rate fluctuations At the year end approximately 75% of the Partnership's bank borrowings were at fixed rates after taking in to account interest rate swaps (see note 11 to the financial statements)

(ii) **Debt Financing**
The bank borrowings are secured by fixed and floating charges over the assets of the Partnerships The principal covenants relating to these borrowings are an interest cover ratio, a loan to value ratio and a loan to undrawn Partner Commitments ratio

Statement of the General Partner's responsibilities

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Limited partnership law in the United Kingdom requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the limited partnership and of the profit or loss of the limited partnership for that period In preparing those financial statements, the General Partner is 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 have been followed, 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 Partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the limited partnership and enable it to ensure that the financial statements comply with the Partnerships and Unlimited Companies (Accounts) Regulations 1993 The General Partner is also responsible for safeguarding the assets of the limited partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The General Partner is required by the Limited Partnership Agreement to provide information indicating any differences that would have arisen had such accounts been prepared in accordance with either US GAAP or IFRS

Disclosure of information to auditors

At the date of making this report the each director of the General Partner confirms the following

- so far as each director is aware, there is no relevant information needed by the Partnership's auditors in connection with preparing their report of which the Partnership's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton Robson Rhodes resigned as auditors on 31 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton Grant Thornton is willing to continue in office

Approval

Signed on 29 April 2008

G Sidwell
For Moorfield Real Estate Fund GP Limited
General Partner

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF MOORFIELD REAL ESTATE FUND "A" LIMITED PARTNERSHIP

We have audited the financial statements on pages 7 to 19 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Partners, as a body, in accordance with section 235 of the Companies Act 1985 as applied by the Partnerships and Unlimited Companies (Accounts) Regulations 1993 Our audit work has been undertaken so that we might state to the Partners 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 Partnership and the partners as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of partners and auditors

The General Partner's Responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the General Partner's Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 as applied by the Partnerships and Unlimited Companies (Accounts) Regulations 1993, Regulation 4 We also report to you if, in our opinion, the Report of the General Partner is consistent with the financial statements In addition, we report to you if, in our opinion, the Partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit

We read the Report of the General Partner and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership'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, which exclude any provision for any liability to taxation on the individual partners

Opinion

In our opinion the

- financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the partnership as at 31 December 2007 and of its profit for the period then ended,
- financial statements have been properly prepared in accordance with the Limited Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993, and
- the information given in the Report of the General Partner is consistent with the financial statements

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
London
29 April 2008

INCOME STATEMENT

for the year ended 31 December 2007

	Note	Partnership		Proportionate share of income and expenditure[1]	
		Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Turnover		-	-	58,637	9,726
Cost of sales		-	-	(35,376)	(809)
Gross profit		-	-	23,261	8,917
Administrative expenses		(103)	(88)	(5,197)	(548)
Operating (loss)/profit	2	(103)	(88)	18,064	8,369
Income from participating interests		1,805	2,698	-	-
Interest payable	3	(592)	(4,979)	(28,135)	(10,167)
Interest receivable		29	35	2,969	176
Profit/(loss) on ordinary activities before taxation		1,139	(2,334)	(7,102)	(1 622)
Taxation		-	-	-	-
Profit/(loss) on ordinary activities for the period		1,139	(2,334)	(7,102)	(1,622)

[1] Proportionate share of income and expenditure of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

All activities are continuing The notes on pages 10 to 19 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2007

	Partnership		Proportionate share of gains and losses[1]	
	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Profit/(loss) for the year	1,139	(2,334)	(7,102)	(1,622)
Movement on unrealised revaluation surplus	(17,902)	17,206	(9,661)	16,494
Total recognised gains and losses for the year	(16,763)	14,872	(16,763)	14,872

[1] Proportionate share of gains and losses of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

BALANCE SHEET
at 31 December 2007

		Partnership		Proportionate share of assets and liabilities[1]	
	Note	2007 £'000s	2006 £'000s	2007 £'000s	2006 £'000s
FIXED ASSETS					
Intangible fixed assets	6	-	-	(240)	(306)
Tangible fixed assets					
Other tangible fixed assets	7	-	-	239,496	-
Investment in real estate	8	-	-	249,326	248,280
Other fixed asset investments	5	115,772	55,636	11	10
Total tangible fixed assets		115,772	55,636	488,833	248,290
Current assets					
Stock	9	-	-	346	-
Debtors	10	6,266	4,976	13,201	5,298
Cash at bank and in hand		25	371	9,065	11,323
		6,291	5,347	22,612	16,621
Creditors Amounts falling due within one year	11	(6,223)	(4,488)	(52,136)	(25,767)
Net current assets / (liabilities)		68	859	(29,524)	(9,146)
Total assets less current liabilities		115,840	56,495	459,069	238,838
Creditors Amounts falling due after more than one year	12	-	-	(343,229)	(182,343)
Net assets / (liabilities)		115,840	56,495	115,840	56,495
Represented by Partners' capital accounts					
Capital contribution accounts	13	2	2	2	2
Partner loan accounts	13	118,417	42,309	118,417	42,309
Revaluation reserve	13	178	18,080	6,833	16,494
Income account	13	(2,757)	(3,896)	(9,412)	(2,310)
		115,840	56,495	115,840	56,495

[1] Proportionate share of assets and liabilities of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

The notes on pages 10 to 19 form part of these financial statements

The financial statements were approved by the General Partner on 29 April 2008 and signed on behalf of the General Partner by

G Sidwell
For Moorfield Real Estate Fund GP Limited
General Partner

CASH FLOW STATEMENT
for the year ended 31 December 2007

	Note	Partnership		Proportionate share of cash flows[1]	
		Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Net cash (outflow)/ inflow from operating activities	17	1,346	(1,475)	26,228	10,531
Advance profit share paid to General Partner		(2,175)	(2,175)	(2,175)	(2,175)
Distributions from fixed asset investments		1,805	2,697	-	-
Returns on investment and servicing of finance					
Interest received		29	35	761	171
Interest and finance fees paid		(283)	(5,603)	(24,531)	(11,149)
Net cash outflow from returns and servicing of finance		(254)	(5,568)	(23,770)	(10,978)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		-	-	(238,942)	-
Purchase of investments in real estate		-	-	(15,990)	(105,410)
Purchase of fixed asset investments		(81,107)	(65,967)	-	-
Redemption of fixed asset investments		-	152,603	-	-
Net cash inflow/ (outflow) from capital expenditure and financial investment		(81,107)	86,636	(254,932)	(105,410)
Cash inflow/ (outflow) before financing		(80,385)	80,115	(254,649)	(108,032)
Financing					
Capital introduced		-	-	-	-
Bank loans advanced in the period		3,931	(123,903)	176,283	74,146
Partner loans advanced in the period		76,108	41,267	76,108	41,267
Net cash inflow from financing		80,039	(82,636)	252,391	115,413
(Decrease)/ increase in cash in the year/ period	18, 19	(346)	(2,521)	(2,258)	7,381

[1] Proportionate share of cash flows of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

The notes of pages 10 to 19 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with UK GAAP under the historical cost convention as modified by the revaluation of investment properties The financial statements are prepared in accordance with applicable accounting standards, including SSAP 19, which unlike the detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties The lack of depreciation for investment real estate is necessary to give a true and fair view for the reason explained in the investment in real estate accounting policy below

Gross rental Income

Gross rental income represents investment income from properties, receivable net of VAT, and is accounted for on an accruals basis

Fixed asset Investments

The Partnership invests in a number of undertakings along with its parallel fund, Moorfield Real Estate Fund B Limited Partnership as detailed in note 5 In the individual financial statements of Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Partnership the fixed asset investments are accounted for as investments in joint ventures To satisfy the requirements of FRS 9 the fixed asset investments have been accounted for under the equity accounting method The directors of the General Partner have adopted the alternative accounting policy of carrying the fixed asset investments at a valuation reflecting the fair value of their assets and liabilities which approximate the book values This treatment provides a fairer indication of the value of the investments made by the Partnership Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income Statement to the extent it is not covered by a revaluation surplus

The Partnership has also presented its proportionate share of income, expenditure, assets, liabilities and cash flows to provide further information on the Partnership's investments

Investment In real estate

In accordance with SSAP19 investment in real estate is included in the balance sheet at open market value The surplus or deficit of such value over cost is transferred to the revaluation reserve Investment in real estate in the course of construction are included in the balance sheet at cost, and 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 unless it represents a reversal of prior upward valuations in which case the charge is made to the revaluation reserve

Other tangible fixed assets

Other tangible fixed assets comprise freehold and long leasehold land and buildings within the Mercure Hotels portfolio No depreciation is provided on these freehold or long leasehold land and buildings It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long, and residual values are so high, that their depreciation is not material Whilst the initial costs incurred on extensive repair and refurbishment programmes are capitalised, those in respect of items subsequently replaced are written off to the profit and loss account as incurred In accordance with FRS 15 "Tangible Fixed Assets", the directors perform an annual impairment review Any deficits noted are charged to the profit and loss account, except where the asset has been revalued when the deficit is charged to the revaluation reserve

For loose plant and equipment, depreciation is provided to write off the cost less the residual value of tangible fixed assets over their estimated useful economic lives Loose plant and equipment are depreciated on a reducing balance basis at a rate of 10% per annum

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

Taxation
The Partnership as a transparent entity is not subject to pay UK income tax Any tax liabilities arising from the results of the Partnership are dealt with in the financial statements of the investing partners

Where the Partnership has an investment in corporate entities which are subject to UK tax, the proportionate share of taxation expense is shown

General Partner's annual share of profits
The General Partner is entitled to receive an annual priority share of profits during the investment period in respect of it's management activities as defined by the Limited Partnership Agreement The priority profit share is payable quarterly in advance

In the event that the income and capital gains of the Partnership, in any accounting year are less than the amount to be allocated, any deficiency not already drawn by the General Partner may, at the discretion of the Manager, be advanced to the General Partner as an interest free loan net of any fees This deficiency will then be carried forward until satisfied by the future allocations of net income and capital gains

Carried Interest Partner
As detailed in the Limited Partnership Agreement, the Carried Interest Partner is entitled to receive a share of the profits of the partnership which is known as carried interest Carried interest is recognised in the accounts on an accruals basis when the entitlement arises

Negative Goodwill
In December 2006 the Partnership, together with its parallel fund the Moorfield Real Estate Fund "B" LP, acquired all the shares in two companies holding the title to the Cornmill Shopping Centre in Darlington As a result of this transaction the Partnership acquired an excess of net assets over cost The resultant negative goodwill is being amortised over a 5 year period

2. OPERATING PROFIT

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
Administration expenses include				
Fees payable to the Partnership's auditor for the audit of the annual financial statements	4	3	118	27
Fees payable to the Partnership's auditor and its associates for other services	21	8	447	235

3. INTEREST PAYABLE

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
Interest payable on loans - bank	259	4,294	27,146	9,354
Other Interest payable	242	-	304	-
Financing fees	91	685	685	813
	592	4,979	28,135	10,167

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

4. EMPLOYEES

	Proportionate Share for the period 26 Jan to 31 Dec 2007
Average monthly number of employees	
Employees	1,330

Staff costs	Proportionate Share for the period 26 Jan to 31 Dec 2007 £ '000
Wages and salaries	12,669
Social Security costs	958
Other pension costs	39
	13,666

The Partnership itself does not have any employees, MREF Hotels as a proportionate investment does include employee numbers and costs

5. FIXED ASSET INVESTMENTS

PARTNERSHIP

	At 1 January 2007 £ '000	Net additions £ '000	Revaluations £ '000	At 31 December 2007 £ '000
Investment in				
Cardiff Unit Trust	20,802	328	(6,877)	14,253
Ridings Unit Trust	17,100	328	(2,720)	14,708
Domain Baxtergate LP Limited	1,942	271	(13)	2,200
Jewel Hotels Unit Trust I	12,540	1,973	529	15,042
Jewel Hotels Unit Trust II	3,254	164	(169)	3,249
Moorfield Jewel Hotels LP	-	-	-	-
Moorfield Dover Street LP	(8)	14,195	(3,104)	11,083
Domain Queens Road LP Limited	(5)	2,227	42	2,264
MREF Hotels group	-	58,552	(5,590)	52,962
MREF Luxembourg Finance SARL	11	-	-	11
Total	55,636	78,038	(17,902)	115,772

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

6. INTANGIBLE FIXED ASSETS

	Proportionate Negative Goodwill £'000s
Cost	
At 1 January 2007	(306)
Additions	(8)
At 31 December 2007	(314)
Amortisation	
At 1 January 2007	-
Charge for the year	74
At 31 December 2007	74
Net Book Value	
At 31 December 2007	(240)
At 1 January 2007	(306)

7. OTHER TANGIBLE FIXED ASSETS

The Partnership does not hold other tangible fixed assets

	Proportionate Freehold and long leasehold land & buildings £'000s	Proportionate Loose plant & equipment £'000s	Proportionate Total £'000s
Cost			
At 1 January 2007	-	-	-
Additions on acquisition	226,349	12,227	238,576
Additions	339	15	354
Revaluations	1,669	-	1,669
At 31 December 2007	228,357	12,242	240,599
Depreciation			
At 1 January 2007	-	-	-
Charge for the year	-	1,103	1,103
At 31 December 2007	-	1,103	1,103
Net book value			
At 31 December 2007	228,357	11,139	239,496
At 31 December 2006	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

On 26 January 2007, the Partnership, acting with its parallel fund, Moorfield Real Estate Fund B Limited Partnership, acquired a portfolio of hotels from Macdonald Hotels The aggregate consideration (including transaction costs and net assets acquired) was £436 7 million - the proportionate share relating to Moorfield Real Estate Fund A Limited Partnership was £238 9 million

Valuations of the Partnership's proportionate share of the hotel properties were undertaken at 31 December 2007 by external professionally qualified valuers The resulting valuation of the Partnership's proportionate share of hotel properties was £239 5 million

8. INVESTMENT IN REAL ESTATE

	Proportionate Share of Investment in real estate £'000s
Cost or valuation	
At 1 January 2007	248,280
Additions	12,376
Revaluation	(11,330)
At 31 December 2007	249,326

The historical cost to the Partnership of its underlying investments in real estate as at 31 December 2007 was £244 2 million (2006 £231 8 million)

Valuations of the Partnership's proportionate share of fully operational investment properties were undertaken at 31 December 2007 by external professionally qualified valuers The resulting valuation of the Partnership's proportionate share of fully operational investment properties was £249 3m

9. STOCK

	Partnership 31 December 2007 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Goods and consumables	-	-	346	-

10. DEBTORS

	Partnership 31 December 2007 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Trade debtors	-	-	3,741	1,124
Amounts due from General Partner (see below)	5,527	3,352	5,527	3,352
Amounts due from fellow group undertakings	539	1,363	-	-
Other debtors and prepayments	200	261	3,933	822
	6,266	4,976	13,202	5,298

The amount due from the General Partner represents an interest free advance paid in lieu of the Priority Profit Share allocation

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Partnership 31 December 2007 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Bank loan	3,931	-	28,226	14,168
Accounts payable	10	27	1,761	147
Other taxes and social security	-	-	2,207	478
Other creditors and accruals	2,282	4,461	19,942	10,974
	6,223	4,488	52,136	25,767

The bank loan is a 364 day bridge facility from Bank of Scotland provided to the Partnership and its parallel fund, the Moorfield Real Estate Fund "B" LP, for financing the acquisition of investments and working capital It comprises of an equity tranche and a senior tranche, the proportionate share of the Partnership is as follows

Tranche	Amount	Rate	Margin
Equity Bridge	£3,931,000	Base rate	80 basis points
Senior Bridge	nil		
	£3,931,000		

These borrowings are secured by fixed charges over the properties and floating charges on certain other assets On the 14th March 2007 the facility was extended and is repayable in full in April 2008 Bank of Scotland has given approval to the extend the equity tranche of the facility until December 2009

12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Partnership 31 December 2006 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Bank loans - amounts drawn down	-	-	346,107	183,881
Bank loans - amortised finance fees	-	-	(2,878)	(1,538)
Bank loans	-	-	343,229	182,343

Bank Loans	Amount	Expiry	Rate	Margin %
Hypo Real Estate Bank	£134,503,000	23/04/2013	Libor	0 755
Bank of Scotland	£52,542,000	22/12/2011	Libor	1 00
Bank of Scotland	£159,062,000	31/3/2014	Libor	1 40

In accordance with the terms of the borrowing arrangements, the underlying investments have jointly entered into interest rate swap agreements The purpose is to manage the interest rate risks arising from the Partnership's sources of finance The Partnership's proportionate share is as follows

Hedging		Amount	Strike date	Expiry	Fixed Rate %
Hypo Real Estate Bank	Swap	£82,075,000	-	23/07/2013	4 725
Hypo Real Estate Bank	Swap	£33,925,000	-	23/04/2013	5 435
Bank of Scotland	Swap	£32,830,000	-	20/04/2011	5 25
Bank of Scotland	Swap	£16,415,000	-	20/04/2011	5 710
Bank of Scotland	Swap	£123,113,000	-	31/03/2014	5 39
Bank of Scotland	Swap	£35,566,000	-	31/03/2014	5 618
Bank of Scotland	Swap Option	£19,151,000	31/3/2008	31/03/2014	5 549

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

13. PARTNERS' ACCOUNTS

PARTNERSHIP

	Partners Loans	Capital Contributions	Revaluation Reserve	Income Account	Total 31 December 2007
	£	£	£	£	£
Limited Partners					
Board of Trustees of the Leland Stanford Junior University	24,500,016	300	36,899	(570,302)	23,966,913
California State Teachers' Retirement System	24,500,016	300	36,899	(570,302)	23,966,913
The Trustees of Princeton University	23,103,515	283	34,796	(537,795)	22,600,799
The Robertson Foundation	1,396,501	17	2,103	32,507	1,366,114
Vanderbilt University	4,083,336	50	6,150	(95,050)	3,994,486
Rensselaer Polytechnic Institute	2,041,668	25	3,074	(47,525)	1,997,242
The Rockefeller Foundation	8,983,339	110	13,530	(209,111)	8,787,868
John D and Catherine T MacArthur Foundation	6,941,671	85	10,455	(161,585)	6,790,626
TIFF Real Estate Partners II LLC	4,900,004	60	7,380	(114,059)	4,793,385
Northwestern University	8,983,339	110	13,530	(209,111)	8,787,868
University of Michigan	8,983,339	110	13,530	(209,111	8,787,868
	118,416,744	1,450	178,346	(2,756,458)	115,840,082
Carried Interest Partner					
Moorfield Real Estate Fund CIP Limited	-	362	-	-	362
	118,416,744	1,812	178,346	(2,756,458)	115,840,444

PROPORTIONATE SHARE OF RESERVES

	Partners Loans	Capital Contributions	Revaluation Reserve	Income Account	Total 31 December 2007
	£	£	£	£	£
Limited Partners					
Board of Trustees of the Leland Stanford Junior University	24,500,016	300	1,413,652	(1,947,055)	23,966,913
California State Teachers' Retirement System	24,500,016	300	1,413,652	(1,947,055)	23,966,913
The Trustees of Princeton University	23,103,515	283	1,333,075	(1,836,074)	22,600,799
The Robertson Foundation	1,396,501	17	80,577	(110,982)	1,366,114
Vanderbilt University	4,083,336	50	235,609	(324,509)	3,994,486
Rensselaer Polytechnic Institute	2,041,668	25	117,804	(162,255)	1,997,242
The Rockefeller Foundation	8,983,339	110	518,339	(713,920)	8,787,868
John D and Catherine T MacArthur Foundation	6,941,671	85	400,535	(551,665)	6,790,626
TIFF Real Estate Partners II LLC	4,900,004	60	282,730	(389,409)	4,793,385
Northwestern University	8,983,339	110	518,339	(713,920)	8,787,868
University of Michigan	8,983,339	110	518,339	(713,920)	8,787,868
	118,416,744	1,450	6,832,652	(9,410,764)	115,840,082
Carried Interest Partner					
Moorfield Real Estate Fund CIP Limited	-	362	-	-	362
	118,416,744	1,812	6,832,652	(9,410,764)	115,840,444

Partner loans accrue no interest

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

14. RECONCILIATION OF MOVEMENT IN PARTNERS' ACCOUNTS

PARTNERSHIP

	2007 £'000	2006 £'000
Profit / (Loss) for year	1,139	(2,334)
Drawdown of Partner capital	-	-
Drawdown of Partner loans	76,108	41,266
Movement on revaluation reserve	(17,902)	17,207
Net addition to Partners' accounts	59,345	56,139
Opening Partners' accounts	56,495	356
Closing Partners' accounts	115,840	56,495

PROPORTIONATE SHARE

	2007 £'000	2006 £'000
Profit / (Loss) for year	(7,101)	(1,622)
Drawdown of Partner capital	-	-
Drawdown of Partner loans	76,108	41,266
Movement on revaluation reserve	(9,662)	16,495
Net addition to Partners' accounts	59,345	56,139
Opening Partners' accounts	56,495	356
Closing Partners' accounts	115,840	56,495

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

15. RELATED PARTY TRANSACTIONS

The Partnership is operated in conjunction with the Moorfield Real Estate Fund B LP, its parallel fund The two partnerships, with respect to any investment in real estate, invest and divest on economic and non-economic terms that are the same The respective interests of the two partnerships in any investment in real estate are in proportion to the un-drawn loan commitments of each of the Partnerships and they share in the same fashion any related investment expenses (Moorfield Real Estate Fund "A" Limited Partnership 54 7%, Moorfield Real Estate Fund "B" Limited Partnership 45 3%) Similarly the partnerships bear any operating expenses on a pro rata basis (except to the extent that such expenses are specifically allocable to a particular partnership)

The Limited Partnership Agreement provides that Moorfield Real Estate Fund GP Limited shall act as the General Partner of the Partnership The Limited Partnership Agreement also provides that the General Partner is entitled to a Priority Profit Share for the year of £2,175,000 from the Partnership

Moorfield Group Limited is the Asset Manager for the Partnership and received £1,101,000 of asset management fees from the Partnership and its underlying investments Moorfield Group also received a further £1,183,000 for the introduction, due diligence and advisory services in relation to the acquisition of the Macdonald Hotels portfolio

Moorfield Car Park I Limited is a subsidiary of Moorfield Real Estate Fund GP Ltd Moorfield Car Park I Ltd has entered into a lease for the car park at the Capitol Shopping Centre in Cardiff at a base rent of £900,000 per annum together with a turnover rent adjustment At the 31 December 2006 the Partnership's proportionate share had included rental income of £492,000 receivable from Moorfield Car Park I Ltd In addition Moorfield Car Park I Ltd has been charged a property management fee of £148,000

Moorfield Car Park II Limited is a subsidiary of Moorfield Real Estate Fund GP Ltd Moorfield Car Park II Ltd has entered into a lease for the car park at the Ridings Shopping Centre in Wakefield at a base rent of £500,000 per annum together with a turnover rent adjustment At the 31 December 2006 the Partnership's proportionate share had included rental income of £274,000 receivable from Moorfield Car Park II Ltd In addition, Moorfield Car Park II has been charged a property management fee of £84,000

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2007 there were no capital commitments or contingent liabilities

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

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
Operating (loss)/ profit	(103)	(88)	18,064	8,369
Depreciation/Amortisation	-	-	1,030	-
Working capital movements				
Debtors	799	(1,347)	(5,315)	(778)
Creditors	650	(40)	12,449	2,940
Net cash flow from operating activities	1,346	(1,475)	26,228	10,531

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

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

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
(Decrease)/ increase in cash	(346)	(2,521)	(2,258)	7,381
Cash (inflow)/outflow from debt	(3,931)	123,904	(176,284)	(74,145)
Non-cash changes	-	(607)	1,340	931
Net movement in debt	(4,277)	120,776	(177,202)	(65,833)
Net debt at start of the period	371	(120,405)	(185,188)	(119,355)
Net debt at end of the period	(3,906)	371	(362,390)	(185,188)

19. ANALYSIS OF NET DEBT

PARTNERSHIP

	1 January 2007 £'000s	Cash flow in year £'000s	Non-cash changes £'000s	31 December 2007 £'000s
Cash in hand and at bank	371	(346)	-	25
Bank loans due within one year	-	(3,931)	-	(3,931)
Net debt	371	(4,277)	-	(3,906)

PROPORTIONATE

	1 January 2007 £'000s	Cash flow in year £'000s	Non-cash changes £'000s	31 December 2007 £'000s
Cash in hand and at bank	11,323	(2,258)	-	9,065
Bank loans due within one year	(14,168)	(14,058)	-	(28,226)
Bank loans due after one year	(182,343)	(162,226)	1,340	(343,229)
Net debt	(185,188)	(178,542)	1,340	(362,390)

UNAUDITED COMPARISON TO US GAAP AND IFRS

The financial statements presented on pages 7 to 19 have been prepared in accordance with the accounting standards generally accepted in the United Kingdom In accordance with the Limited Partnership Agreement the General Partner is required to provide information indicating the differences that would have arisen had such accounts been prepared in accordance with either US GAAP or IFRS The following information demonstrates the differences between the proportionate accounts as prepared under UK GAAP and either US GAAP or IFRS

US GAAP

Investment in real estate

Under UK GAAP, investments in real estate are stated at fair value and are revalued annually The change in the real estate valuation is recorded directly to the revaluation reserve, a component of shareholders' equity Impairment provisions are charged to earnings when a decrease in value is considered permanent At 31 December 2007, the properties were held at market value or the cost of acquisition, this being considered to be equivalent to open market value At the 31 December 2007 the Partnership's proportionate share of the decrease in value credited to the revaluation reserve was £9,661,000 (2006 increase in value of £16,494,000)

As a result of its investment objectives and the nature of its investments, the Moorfield Real Estate Fund is considered to be an investor entity under US GAAP The investment in real estate is therefore carried at fair value under US GAAP and any increase in valuation would be credited directly to the income statement

Financial instruments

Under UK GAAP, certain financial instruments established for the purposes of managing interest rate risk, principally interest rate swaps, are recorded on an accruals basis

For the purposes of US GAAP, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments would have been fair valued and the movement in the fair value reported in the earnings in the current period The fair value adjustment at 31 December 2007 would have given rise to a charge of £7,073,000 (2006 income of £3,165,000)

Advanced Profit Share

Under the Limited Partnership Agreement, the General Partner shall be paid an amount equal to 1 5% of "Total Commitments" (as defined in that agreement) The "General Partner's Share" is paid quarterly in advance

The General Partner's Share ranks as a first charge on the net income and capital gains of the Partnership and is recognised as a distribution to the General Partner In the event that the aggregate of the net income and capital gains of the Partnership in any accounting period are less than the General Partner's Share, the deficiency is recognised as an interest free loan to the General Partner rather than as a distribution Accordingly, for the 12 months to 31 December 2007, the General Partner's Share paid has been recognised as an interest free loan to the General Partner

For US GAAP purposes, the General Partner considers that the General Partner's Share for the 12 months to 31 December 2007, amounting to £2,175,000 (2006 - £2,175,000) would be recognised as an operating expense in the period

Negative Goodwill

The excess of acquired net assets over cost Under UK GAAP, FRS 10 requires that negative goodwill is taken to the profit and loss account to match the depreciation or sale of the acquired non-monetary assets At the 31 December 2007 the Partnership had amortised £74,000 of negative goodwill during the year

Under US GAAP, SFAS 141 requires that negative goodwill is offset against the acquired long-lived assets with the remainder, if any, recognised in income as an extraordinary gain

UNAUDITED COMPARISON TO US GAAP AND IFRS (CONTINUED)

The effect of the adjustments referred to on the previous page is shown in the following table

	UK GAAP £'000s	Net Adjustments £'000s	US GAAP £'000s
Net loss for the 12 months to 31 December 2007	(7,102)	(18,983)	(26,085)
Net assets at 31 December 2007	115,840	(10,332)	105,508

IFRS

Financial instruments

Under UK GAAP, certain financial instruments established for the purposes of managing interest rate risk, principally interest rate swaps, are recorded on an accruals basis

For the purpose of IFRS, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments would have been fair valued and the movement in the fair value reported in the earnings in the current period The fair value adjustment at 31 December 2007 would have given rise to a charge of £7,073,000 (2006 income of £3,165,000)

Leasehold investment properties

Under UK GAAP, leasehold investment properties are held at valuation

Under IFRS, where an investment property is subject to a head or ground lease, that head lease is treated as if it were a finance lease This can result in the recognition of a lease liability and a corresponding increase in the carrying value of the Group's properties The General Partner considers that the required adjustment as at 31 December 2007 would be immaterial

Negative Goodwill

The excess of acquired net assets over cost Under UK GAAP, FRS 10 requires that negative goodwill is taken to the profit and loss account to match the depreciation or sale of the acquired non-monetary assets At the 31 December 2007 the Partnership had amortised £74,000 of negative goodwill during the year

Under IFRS, where negative goodwill arises the measurement of the purchase consideration and all identifiable assets and liabilities should be reassessed If negative goodwill remains after this reassessment of cost and fair values, the balance is credited to the income statement in the year of acquisition, at 31 December 2007 this would have lead to an adjustment of £240,000 (2006 £306,000)

The effect of the adjustments referred to above is shown in the following table

	UK GAAP £'000s	Net Adjustments £'000s	IFRS £'000s
Net (loss)/income for the period to 31 December 2007	(7,102)	(7,139)	(14,241)
Net assets at 31 December 2007	115,840	(4,491)	111,349

MOORFIELD REAL ESTATE FUND "B" LIMITED PARTNERSHIP

ANNUAL REPORT

Year ended 31 December 2007

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PARTNERSHIP INFORMATION

Registered office	Nightingale House 65 Curzon Street London W1J 8PE	
Registered number	LP010438	
Limited Partners	Composition Capital Europe Fund C V World Trade Centre Amsterdam Zuidplein 126 Tower H, 15th Floor 1070 NB Amsterdam The Netherlands	Stichting Pensioenfonds Metaal en Techniek P O Box 5210 2280 HE Rijswijk The Netherlands
	Uberior (Moorfield) Limited Level 1, Citymark 190 Fountainbridge Edinburgh EH3 9PE	Moorfield Real Estate Fund LP Limited Nightingale House 65 Curzon Street London W1J 8PE
	PSPIB – SDL Inc 1250 René-Lévesque Blvd West Suite 2030 Montreal Quebec H3B 4WB Canada	Varma Mutual Pension Insurance Company Alternative Investments Annankatu 18 P O Box 4 00121 Helsinki Finland
General Partner	Moorfield Real Estate Fund GP Limited Nightingale House 65 Curzon Street London W1J 8PE	
Carried Interest Partner	Moorfield Real Estate Fund CIP Limited Nightingale House 65 Curzon Street London W1J 8PE	
Investment Manager	Moorfield Investment Management Limited Nightingale House 65 Curzon Street London W1J 8PE	(authorised by the Financial Services Authority)
Asset Manager	Moorfield Group Limited Nightingale House 65 Curzon Street London W1J 8PE	
Auditors	Grant Thornton UK LLP Melton Street London NW1 2EP	
Bankers	HBOS plc London Chief Office, PO Box 54873, London SW1Y 5WX	

REPORT OF THE GENERAL PARTNER

The General Partner presents its report on the affairs of the Partnership, together with the accounts and auditors' report, for the year ended 31 December 2007

Principal Activity

The principal activity of the Partnership is investing in real estate and real estate related opportunities

Results

The results for the year ended 31 December 2007 are shown on page 7 The profit on ordinary activities for the year was £943,000 (2006 loss £1,932,000) The consolidated loss on activities for the year per the proportionate Income Statement was £5,876,000 (2006 loss £1,343,000)

Business Review

The Partnership has £120 million of commitments, which when combined with its parallel fund, the Moorfield Real Estate Fund "A" LP, totals £265 million Investments are made by the combined parallel partnerships During the year £62,986,000 was drawn from Partners leaving commitments of £21,999,000 outstanding

On 26th January 2007 the Partnership and its parallel fund, acquired of 23 hotels located throughout the UK for £387,500,000 an additional newly completed hotel was acquired on 21st March 2007 for £45,000,000 Both transactions were initially financed using the Bank of Scotland (BOS) Bridge Facility The first transaction was refinanced in August 2007 with a 7 year senior debt facility for £290,700,000 At the same time the equity bridge facility was repaid with funds drawn from partners of £48,454,999 (and £58,548,000 from the parallel fund) In March 2008 the second transaction was refinanced by increasing the existing BOS Senior debt facility by £35,000,000)and a further £7,246,000 was drawn down from the Partners (and £8,755,000 from the parallel fund) These hotels are operated by Accor UK on behalf of the Partnership and its parallel fund and have been branded as "Mercure"

Four additional hotels were acquired during 2007, increasing the total number of hotels leased to Shearings to 43 The combined cost of the 4 hotels to the Partnership and its parallel fund was £11,414,000 To finance the acquisition of the hotels the existing senior debt facility was increased by £9,381,000 to £96,025,000

At the year end the investments (excluding the land acquired for development purposes) were valued by external valuers at £887,421,000 and a reduction in value of £17,657,000 was recognised by the combined Partnerships

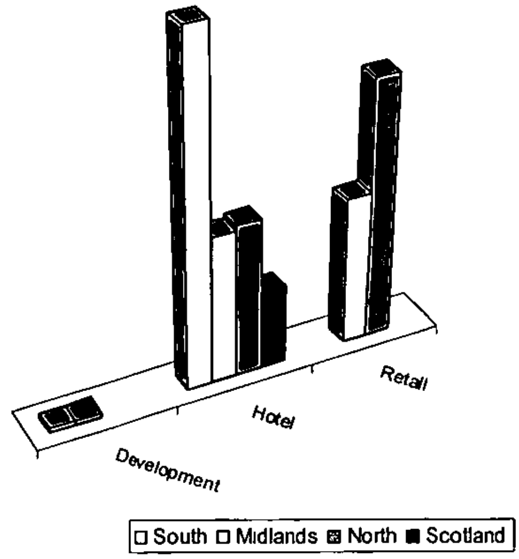
Key Performance Indicators

The Partnership's investment objective is to invest in a diversified portfolio of commercial real estate and real estate related companies in the United Kingdom The following charts demonstrate the regional and sectoral analysis of the Partnership's current investment portfolio

1 Regional and Sectoral Analysis of Turnover (£'000s)

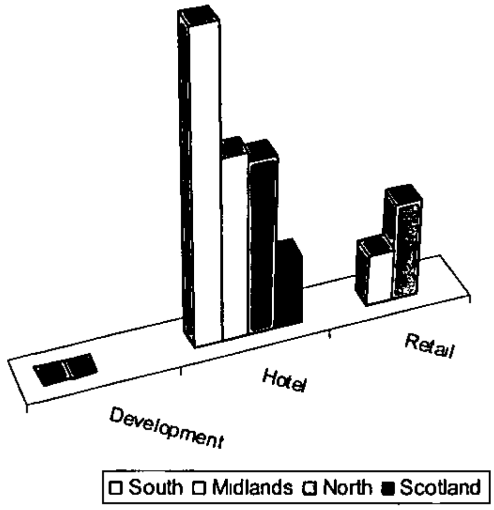
	Retail	Hotels	Development	Total
South	-	16,793	44	16,837
Midlands	2,904	10,042	-	12,946
North	5,380	9,556	-	14,936
Scotland	-	3,808	-	3,808
Total	8,284	40,199	44	48,527

Turnover includes net sales from the Hotel portfolio and rental income



2 Regional and Sectoral Analysis of Capital Values (£'000s)

	Retail	Hotels	Development	Total
South	-	123,062	1,841	124,903
Midlands	52,263	52,201	1,773	106,238
North	91,771	53,860	-	145,631
Scotland	-	27,771	-	27,771
Total	144,034	256,894	3,614	404,542



Moorfield Group is responsible for the asset management of the portfolio The chart (Fig 1) below excludes the reviews of the Shearings Hotel portfolio which has annual RPI rent uplifts from 2008 Both charts exclude the Mercure Hotels portfolio, for which operating income rather than rental income is generated

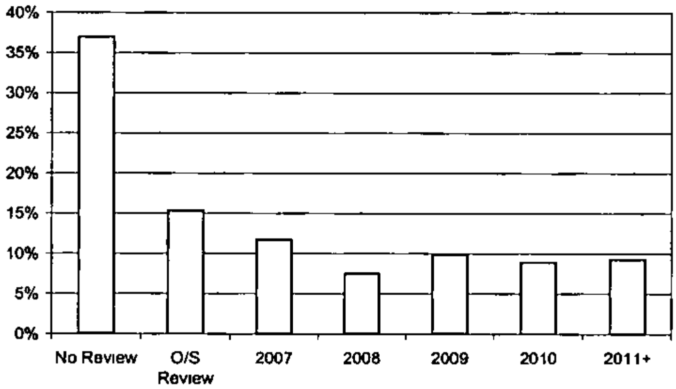


Fig 1 Percentage of Rent due for Review per Year

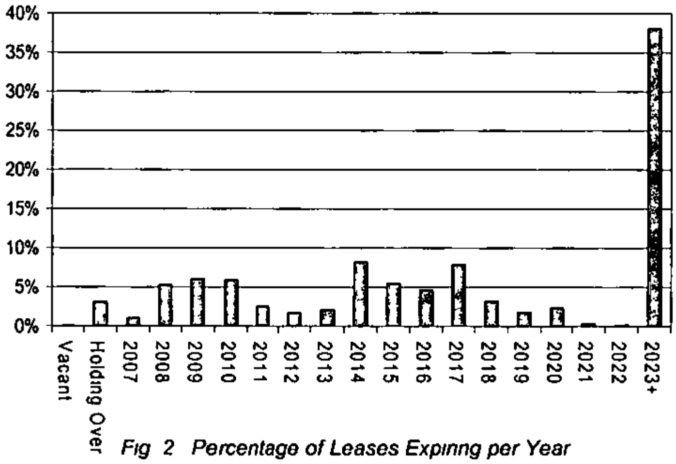


Fig 2 Percentage of Leases Expiring per Year

Principal Risks and Uncertainties facing the Partnership

The following identifies the Partnership's principal risks and the ways in which the General Partner manages and controls these risks

(i) The inability to identify additional return enhancing investments – the General Partner manages this process by following a highly disciplined and rigorous investment process evaluating each acquisition introduced to it,

(ii) The risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units lying vacant – this risk is managed by the Asset Manager on behalf of the General Partner The Asset Manager acts as project manager directing a team of leading real estate professionals to manage this process in a timely manner,

(iii) The risk of a general downturn in the real estate market negatively impacting on the valuation of individual properties – whilst the Partnership cannot influence the property market, the Investment Manager completes both macro economic and real estate research with focuses on the specific micro level areas of the real estate market to support the robustness of the investment decision The investment strategy is based on acquiring real estate, real estate related opportunities and asset rich companies where active corporate, asset and financial management is expected to enhance both income and capital returns thereby minimising the exposure to adverse market movements

(iv) The operating risk of the hotel portfolio - the partnership, through a corporate structure operates 24 hotels The Partnership has appointed Accor, the second largest hotel operator in Europe, to manage the hotels on its behalf The Asset Manager, in conjunction with Accor, has identified a number of capital expenditure and maintenance projects to ensure the portfolio maintains its focus on quality and standards The portfolio is diversified across the UK and operates in a variety of markets including corporate, leisure, conference and functions

The financial risks and the way in which the Partnership manages them are listed below

(i) **Interest Rate Risk**
The Partnership finances its operations through a mixture of interest free loans from Limited Partners and bank borrowings The Partnership then uses interest rate derivatives to manage its exposure to interest rate fluctuations At the year end approximately 75% of the Partnership's bank borrowings were at fixed rates after taking in to account interest rate swaps (see note 11 to the financial statements)

(ii) **Debt Financing**
The bank borrowings are secured by fixed and floating charges over the assets of the Partnerships The principal covenants relating to these borrowings are an interest cover ratio, a loan to value ratio and a loan to undrawn Partner Commitments ratio

Statement of the General Partner's responsibilities

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Limited partnership law in the United Kingdom requires the General Partner to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the limited partnership and of the profit or loss of the limited partnership for that period In preparing those financial statements, the General Partner is 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 have been followed, 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 Partnership will continue in business

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the limited partnership and enable it to ensure that the financial statements comply with the Partnerships and Unlimited Companies (Accounts) Regulations 1993 The General Partner is also responsible for safeguarding the assets of the limited partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The General Partner is required by the Limited Partnership Agreement to provide information indicating any differences that would have arisen had such accounts been prepared in accordance with either US GAAP or IFRS

Disclosure of information to auditors

At the date of making this report the each director of the General Partner confirms the following

- so far as each director is aware, there is no relevant information needed by the Partnership's auditors in connection with preparing their report of which the Partnership's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the Partnership's auditors in connection with preparing their report and to establish that the Partnership's auditors are aware of that information

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton Robson Rhodes resigned as auditors on 31 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton Grant Thornton is willing to continue in office

Approval

Signed on 28 April 2008

G Sidwell
For Moorfield Real Estate Fund GP Limited
General Partner

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF MOORFIELD REAL ESTATE FUND "B" LIMITED PARTNERSHIP

We have audited the financial statements on pages 7 to 19 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Partners, as a body, in accordance with section 235 of the Companies Act 1985 as applied by the Partnerships and Unlimited Companies (Accounts) Regulations 1993 Our audit work has been undertaken so that we might state to the Partners 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 Partnership and the partners as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of partners and auditors

The General Partner's Responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the General Partner's Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 as applied by the Partnerships and Unlimited Companies (Accounts) Regulations 1993, Regulation 4 We also report to you if, in our opinion, the Report of the General Partner is consistent with the financial statements In addition, we report to you if, in our opinion, the Partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit

We read the Report of the General Partner and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership'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, which exclude any provision for any liability to taxation on the individual partners

Opinion

In our opinion the

- financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the partnership as at 31 December 2007 and of its loss for the period then ended,
- financial statements have been properly prepared in accordance with the Limited Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993, and
- the information given in the Report of the General Partner is consistent with the financial statements

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
London, England
29 April 2008

INCOME STATEMENT
for the year ended 31 December 2007

	Note	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate share of income and expenditure[1] Year ended 31 December 2007 £'000s	Proportionate share of income and expenditure[1] Year ended 31 December 2006 £'000s
Turnover		-	-	48,528	8,050
Cost of sales		-	-	(29,277)	(669)
Net rental income		-	-	19,250	7,381
Administrative expenses		(85)	(72)	(4,300)	(454)
Operating (loss) / profit	2	(85)	(72)	14,950	6,927
Income from participating interests		1,494	2,232	-	-
Interest payable	3	(489)	(4,121)	(23,283)	(8,414)
Interest receivable		23	29	2,457	146
Profit / (loss) on ordinary activities before taxation		943	(1,932)	(5,876)	(1,343)
Taxation			-		-
Profit / (loss) on ordinary activities for the period		943	(1,932)	(5,876)	(1,343)

[1] Proportionate share of income and expenditure of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

All activities are continuing The notes on pages 10 to 19 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2007

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate share of gains and losses[1] Year ended 31 December 2007 £'000s	Proportionate share of gains and losses[1] Year ended 31 December 2006 £'000s
Profit / (loss) for the year	943	(1,932)	(5,876)	(1,343)
Unrealised surplus on revaluation of fixed assets	(14,815)	14,240	(7,996)	13,650
Total recognised gains and losses for the year	(13,872)	12,308	(13,872)	12,307

[1] Proportionate share of gains and losses of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

BALANCE SHEET
at 31 December 2007

	Note	Partnership 2007 £'000s	Partnership 2006 £'000s	Proportionate share of assets and liabilities[1] 2007 £'000s	Proportionate share of assets and liabilities[1] 2006 £'000s
FIXED ASSETS					
Intangible fixed assets	6	-	-	(199)	(254)
Tangible fixed assets					
Other tangible fixed assets	7	-	-	198,204	-
Investment in real estate	8	-	-	206,339	205,473
Other fixed asset investments	5	95,812	46,044	9	9
Total fixed assets		95,812	46,044	404,552	205,482
Current assets					
Stock	9	-	-	287	-
Debtors	10	5,185	4,118	10,925	4,384
Cash at bank and in hand		21	307	7,501	9,371
		5,206	4,425	18,713	13,755
Creditors Amounts falling due within one year	11	(5,150)	(3,715)	(43,147)	(21,324)
Net current assets / (liabilities)		56	710	(24,434)	(7,569)
Total assets less current liabilities		95,868	46,754	379,919	197,659
Creditors Amounts falling due after more than one year	12	-	-	284,051	(150,905)
Net assets / (liabilities)		95,868	46,754	95,868	46,754
Represented by Partners' capital accounts					
Capital contribution accounts	13	2	2	2	2
Partner loan accounts	13	98,000	35,014	98,000	35,014
Revaluation reserve	13	147	14,962	5,654	13,650
Income account	13	(2,281)	(3,224)	(7,788)	(1,912)
		95,868	46,754	95,868	46,754

[1] Proportionate share of assets and liabilities of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

The notes on pages 10 to 19 form part of these financial statements

The financial statements were approved by the General Partner on 29 April 2008 and signed on behalf of the General Partner by

G Sidwell
For Moorfield Real Estate Fund GP Limited
General Partner

CASH FLOW STATEMENT

for the year ended 31 December 2007

		Partnership		Proportionate share of cash flows[1]	
	Note	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Net cash (outflow)/ inflow from operating activities	17	1,114	(1,221)	21,705	7,443
Advance profit share paid to General Partner		(1,800)	(1,800)	(1,800)	(1,800)
Distributions from fixed asset investments		1,494	2,232	-	-
Returns on investment and servicing of finance					
Interest received		24	30	630	142
Interest and finance fees paid		(234)	(4,637)	(20,302)	(7,955)
Net cash (outflow)/ inflow from returns and servicing of finance		(210)	(4,607)	(19,672)	(7,812)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		-	-	(197,745)	-
Purchase of investments in real estate		-	-	(13,233)	(87,236)
Purchase of fixed asset investments		(67,123)	(54,593)		-
Redemption of fixed asset investments		-	126,292		-
Net cash inflow/ (outflow) from capital expenditure and financial investment		(67,123)	71,699	(210,978)	(87,236)
Cash inflow/ (outflow) before financing		(66,525)	66,303	(210,745)	(89,406)
Financing					
Capital introduced		-	-	-	-
Bank loans advanced in the period		3,253	(102,541)	145,890	61,362
Partner loans advanced in the period		62,986	34,152	62,986	34,152
Net cash inflow from financing		66,239	(68,389)	208,876	95,514
(Decrease)/ increase in cash in the year/ period	18, 19	(286)	(2,086)	(1,869)	6,108

[1] Proportionate share of cash flows of the fixed asset investments (note 5) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

The notes of pages 10 to 19 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting
The financial statements are prepared in accordance with UK GAAP under the historical cost convention as modified by the revaluation of investment properties The financial statements are prepared in accordance with applicable accounting standards, including SSAP 19, which unlike the detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties The lack of depreciation for investment real estate is necessary to give a true and fair view for the reason explained in the investment in real estate accounting policy below

Gross rental income
Gross rental income represents investment income from properties, receivable net of VAT, and is accounted for on an accruals basis

Fixed asset investments
The Partnership invests in a number of undertakings along with its parallel fund, Moorfield Real Estate Fund B Limited Partnership as detailed in note 5 In the individual financial statements of Moorfield Real Estate Fund A Limited Partnership and Moorfield Real Estate Fund B Partnership the fixed asset investments are accounted for as investments in joint ventures To satisfy the requirements of FRS 9 the fixed asset investments have been accounted for under the equity accounting method The directors of the General Partner have adopted the alternative accounting policy of carrying the fixed asset investments at a valuation reflecting the fair value of their assets and liabilities which approximate the book values This treatment provides a fairer indication of the value of the investments made by the Partnership Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve Where a permanent diminution in value of an asset occurs, the excess will be charged to the Income Statement to the extent it is not covered by a revaluation surplus

The Partnership has also presented its proportionate share of income, expenditure, assets, liabilities and cash flows to provide further information on the Partnership's investments

Investment in real estate
In accordance with SSAP19 investment in real estate is included in the balance sheet at open market value The surplus or deficit of such value over cost is transferred to the revaluation reserve Investments in real estate in the course of construction are included in the balance sheet at cost, and 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 unless it represents a reversal of prior upward valuations in which case the charge is made to the revaluation reserve

Other tangible fixed assets

Other tangible fixed assets comprise freehold and long leasehold land and buildings within the Mercure Hotels portfolio No depreciation is provided on these freehold or long leasehold land and buildings It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long, and residual values are so high, that their depreciation is not material Whilst the initial costs incurred on extensive repair and refurbishment programmes are capitalised, those in respect of items subsequently replaced are written off to the profit and loss account as incurred In accordance with FRS 15 "Tangible Fixed Assets", the directors perform an annual impairment review Any deficits noted are charged to the profit and loss account, except where the asset has been revalued when the deficit is charged to the revaluation reserve

For loose plant and equipment, depreciation is provided to write off the cost less the residual value of tangible fixed assets over their estimated useful economic lives Loose plant and equipment are depreciated on a reducing balance basis at a rate of 10% per annum

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

Taxation
The Partnership as a transparent entity is not subject to pay UK tax Any tax liabilities arising from the results of the Partnership are dealt with in the financial statements of the investing partners

Where the Partnership has an investment in corporate entities which are subject to UK tax, the proportionate share of taxation expense is shown

General Partner's annual share of profits
The General Partner is entitled to receive an annual priority share of profits during the investment period in respect of it's management activities as defined by the Limited Partnership Agreement The priority profit share is payable quarterly in advance

In the event that the income and capital gains of the Partnership, in any accounting year are less than the amount to be allocated, any deficiency not already drawn by the General Partner may, at the discretion of the Manager, be advanced to the General Partner as an interest free loan net of any fees This deficiency will then be carried forward until satisfied by the future allocations of net income and capital gains

Carried Interest Partner
As detailed in the Limited Partnership Agreement, the Carried Interest Partner is entitled to receive a share of the profits of the partnership which is known as carried interest Carried interest is recognised in the accounts on an accruals basis when the entitlement arises

Negative Goodwill
In December 2006 the Partnership, together with its parallel fund the Moorfield Real Estate Fund "B" LP, acquired all the shares in two companies holding the title to the Cornmill Shopping Centre in Darlington As a result of this transaction the Partnership acquired an excess of net assets over cost The resultant negative goodwill is being amortised over a 5 year period

2. OPERATING PROFIT

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
Administration expenses include				
Fees payable to the Partnership's auditor for the audit of the annual financial statements	4	3	97	23
Fees payable to the Partnership's auditor and its associates for other services	17	6	370	195

3. INTEREST PAYABLE

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
Interest payable on loan - bank	214	3,554	22,465	7,741
Other interest payable	199	-	251	-
Financing fees	76	567	567	673
	489	4,121	23,283	8,414

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

4. EMPLOYEES

	Proportionate Share for the period 26 Jan to 31 Dec 2007
Average monthly number of employees	
Employees	1,100

Staff costs	Proportionate Share for the period 26 Jan to 31 Dec 2007 £ '000
Wages and salaries	10,485
Social Security costs	793
Other pension costs	32
	11,310

The Partnership itself does not have any employees, MREF Hotels as a proportionate investment does include employee numbers and costs

5. FIXED ASSET INVESTMENTS PARTNERSHIP

PARTNERSHIP

	At 1 January 2007 £ '000	Net Additions £ '000	Revaluations £'000	At 31 December 2007 £ '000
Investment in				
Cardiff Unit Trust	17,216	272	(5,693)	11,795
Ridings Unit Trust	14,151	272	(2,250)	12,173
Domain Baxtergate LP Limited	1,608	223	(10)	1,821
Jewel Hotels Unit Trust I	10,378	1,633	437	12,448
Jewel Hotels Unit Trust II	2,693	135	(139)	2,689
Moorfield Jewel Hotels LP	-	-	-	-
Moorfield Dover Street LP	(7)	11,747	(2,568)	9,172
Domain Queens Road LP Limited	(4)	1,843	34	1,873
MREF Hotels group	-	48,458	(4,626)	43,832
MREF Luxembourg Finance SARL	9	-	-	9
Total	46,044	64,583	(14,815)	95,812

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

6. INTANGIBLE FIXED ASSETS

	Proportionate Negative Goodwill £'000s
Cost	
At 1 January 2007	(254)
Additions	(6)
At 31 December 2007	(260)
Amortisation	
At 1 January 2007	-
Charge for the year	61
At 31 December 2007	61
Net Book Value	
At 1 January 2007	(254)
At 31 December 2007	(199)

7. OTHER TANGIBLE FIXED ASSETS

The Partnership does not hold other tangible fixed assets

	Proportionate Freehold and long leasehold land & buildings £'000s	Proportionate Loose plant & equipment £'000s	Proportionate Total £'000s
Cost			
At 1 January 2007	-	-	-
Additions on acquisition	187,324	10,119	197,443
Additions	280	13	293
Revaluations	1,381	-	1,381
At 31 December 2007	188,985	10,132	199,117
Depreciation			
At 1 January 2007	-	-	-
Charge for the year	-	913	913
At 31 December 2007	-	913	913
Net book value			
At 31 December 2007	188,985	9,219	198,204
At 31 December 2006	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

On 26 January 2007, the Partnership, acting with its parallel fund, Moorfield Real Estate Fund B Limited Partnership, acquired a portfolio of hotels from Macdonald Hotels The aggregate consideration (including transaction costs and net assets acquired) was £436 7 million - the proportionate share relating to Moorfield Real Estate Fund B Limited Partnership was £197 8 million

Valuations of the Partnership's proportionate share of the hotel properties were undertaken at 31 December 2007 by external professionally qualified valuers The resulting valuation of the Partnership's proportionate share of hotel properties was £198 2 million

8. INVESTMENT IN REAL ESTATE

	Proportionate Share of investment in real estate £'000s
Cost or valuation	
At 1 January 2007	205,473
Additions	10,243
Revaluation	(9,377)
At 31 December 2007	206,339

The historical cost to the Partnership of its underlying investments in real estate as at 31 December 2007 was £202 1 million (2006 £191,million)

Valuations of the Partnership's proportionate share of fully operational investment properties were undertaken at 31 December 2007 by external professionally qualified valuers The resulting valuation of the Partnership's proportionate share of fully operational investment properties was £206 3 million

9. STOCK

	Partnership 31 December 2007 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Goods and consumables	-	-	287	-

10. DEBTORS

	Partnership 31 December 2007 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Trade debtors	-	-	560	930
Amounts due from General Partner (see below)	4,574	2,774	4,574	2,774
Amounts due from fellow group undertakings	446	1,128	-	-
Other debtors and prepayments	165	1,344	5,791	680
	5,185	4,118	10,925	4,384

The amount due from the General Partner represents an interest free advance paid in lieu of the Priority Profit Share allocation

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Partnership 31 December 2007 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Bank loan	3,253	-	23,359	11,725
Accounts Payable	8	23	1,457	122
Other taxes and social security	-	-	1,827	396
Other creditors and accruals	1,889	3,692	16,504	9,082
	5,150	3,715	43,147	21,324

The bank loan is a 364 day bridge facility from Bank of Scotland provided to the Partnership and its parallel fund, the Moorfield Real Estate Fund "A" LP, for financing the acquisition of investments and working capital It comprises of an equity tranche and a senior tranche, the proportionate share of the Partnership is as follows

Tranche	Amount	Rate	Margin
Equity Bridge	£3,253,000	Base rate	80 basis points
Senior Bridge	nil		
	£3,253,000		

These borrowings are secured by fixed charges over the properties and floating charges on certain other assets On the 14th March 2007 the facility was extended and is repayable in full in April 2008 Bank of Scotland has given approval to extend the equity tranche of the facility until December 2009

12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Partnership 31 December 2006 £'000s	Partnership 31 December 2006 £'000s	Proportionate 31 December 2007 £'000s	Proportionate 31 December 2006 £'000s
Bank loans - amounts drawn down	-	-	286,433	152,178
Bank loans - amortised finance fees	-	-	(2,382)	(1,273)
Bank loans	-	-	(284,051)	(150,905)

Bank Loans	Amount	Expiry	Rate	Margin %
Hypo Real Estate Bank	£111,312,000	23/04/2013	Libor	0 755
Bank of Scotland	£43,483,000	22/12/2011	Libor	1 00
Bank of Scotland	£131,638,000	31/3/2014	Libor	1 40

In accordance with the terms of the borrowing arrangements, the underlying investments have jointly entered into interest rate swap agreements The purpose is to manage the interest rate risks arising from the Partnership's sources of finance The Partnership's proportionate share is as follows

Hedging		Amount	Strike date	Expiry	Fixed Rate %
Hypo Real Estate Bank	Swap	£67,925,000	-	23/07/2013	4 725
Hypo Real Estate Bank	Swap	£28,075,000	-	23/04/2013	5 435
Bank of Scotland	Swap	£27,170,000	-	20/04/2011	5 25
Bank of Scotland	Swap	£13,585,000	-	20/04/2011	5 710
Bank of Scotland	Swap	£101,887,000	-	31/03/2014	5 39
Bank of Scotland	Swap	£29,434,000	-	31/03/2014	5 618
Bank of Scotland	Swap Option	£15,849,000	31/3/2008	31/03/2014	5 549

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

13. PARTNERS' ACCOUNTS

PARTNERSHIP

	Partners Loans	Capital Contrib-utions	Revaluation Reserve	Income Account	Total 31 December 2007
	£	£	£	£	£
Limited Partners					
Composition Capital Europe Fund C V	16,333,344	200	24,599	(380,201)	15,977,942
Moorfield Real Estate Fund LP Limited	10,208,339	125	15,375	(237,626)	9,986,213
Uberior (Moorfield) Limited	10,208,339	125	15,375	(237,626)	9,986,213
PSPIB – SDL Inc	24,500,016	300	36,899	(570,302)	23,966,913
Stichting Pensioenfonds Metaal en Techniek	24,500,016	300	36,899	(570,302)	23,966,913
Varma Mutual Pension Insurance Company	12,250,008	150	18,450	(285,149)	11,983,459
Carried Interest Partner	98,000,062	1,200	147,597	(2,281,206)	95,867,653
Moorfield Real Estate Fund CIP Limited	-	300	-	-	300
	98,000,062	1,500	147,597	(2,281,206)	95,867,953

PROPORTIONATE SHARE OF RESERVES

	Partners Loans	Capital Contrib-utions	Revaluation Reserve	Income Account	Total 31 December 2007
	£	£	£	£	£
Limited Partners					
Composition Capital Europe Fund C V	16,333,344	200	942,435	(1,298,036)	15,977,943
Moorfield Real Estate Fund LP Limited	10,208,339	125	589,022	(811,273)	9,986,213
Uberior (Moorfield) Limited	10,208,339	125	589,022	(811,273)	9,986,213
PSPIB – SDL Inc	24,500,016	300	1,413,652	(1,947,055)	23,966,913
Stichting Pensioenfonds Metaal en Techniek	24,500,016	300	1,413,652	(1,947,055)	23,966,913
Varma Mutual Pension Insurance Company	12,250,008	150	706,826	(973,526)	11,983,458
Carried Interest Partner	98,000,062	1,200	5,654,609	(7,788,218)	95,867,653
Moorfield Real Estate Fund CIP Limited	-	300	-	-	300
	98,000,062	1,500	5,654,609	(7,788,218)	95,867,953

Partner loans accrue no interest

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

14. RECONCILIATION OF MOVEMENT IN PARTNERS' ACCOUNTS

PARTNERSHIP

	2007 £'000	2006 £'000
Profit / (Loss) for year	943	(1,932)
Drawdown of Partner capital	-	-
Drawdown of Partner loans	62,986	34,152
Movement on revaluation reserve	(14,815)	14,239
Net addition to Partners' accounts	49,114	46,459
Opening Partners' accounts	46,754	295
Closing Partners' accounts	95,868	46,754

PROPORTIONATE SHARE

	2007 £'000	2006 £'000
Profit / (Loss) for year	(5,876)	(1,343)
Drawdown of Partner capital	-	-
Drawdown of Partner loans	62,986	34,152
Movement on revaluation reserve	(7,996)	13,650
Net addition to Partners' accounts	49,114	46,459
Opening Partners' accounts	46,754	295
Closing Partners' accounts	95,868	46,754

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

15. RELATED PARTY TRANSACTIONS

The Partnership is operated in conjunction with the Moorfield Real Estate Fund A LP, its parallel fund The two partnerships, with respect to any investment in real estate, invest and divest on economic and non-economic terms that are the same The respective interests of the two partnerships in any investment in real estate are in proportion to the un-drawn loan commitments of each of the Partnerships and they share in the same fashion any related investment expenses (Moorfield Real Estate Fund "A" Limited Partnership 54 7%, Moorfield Real Estate Fund "B" Limited Partnership 45 3%) Similarly the partnerships bear any operating expenses on a pro rata basis (except to the extent that such expenses are specifically allocable to a particular partnership)

The Limited Partnership Agreement provides that Moorfield Real Estate Fund GP Limited shall act as the General Partner of the Partnership The Limited Partnership Agreement also provides that the General Partner is entitled to a Priority Profit Share for the year of £1,800,000 from the Partnership

Moorfield Group Limited is the Asset Manager for the Partnership and received £912,000 of asset management fees from the Partnership and its underlying investments Moorfield Group also received a further £979,000 for the introduction, due diligence and advisory services in relation to the acquisition of the Macdonald Hotels portfolio

Moorfield Car Park I Limited is a subsidiary of Moorfield Real Estate Fund GP Ltd Moorfield Car Park I Ltd has entered into a lease for the car park at the Capitol Shopping Centre in Cardiff at a base rent of £900,000 per annum together with a turnover rent adjustment At the 31 December 2006 the Partnership's proportionate share had included rental income of £408,000 receivable from Moorfield Car Park I Ltd In addition Moorfield Car Park I Ltd has been charged a property management fee of £122,000

Moorfield Car Park II Limited is a subsidiary of Moorfield Real Estate Fund GP Ltd Moorfield Car Park II Ltd has entered into a lease for the car park at the Ridings Shopping Centre in Wakefield at a base rent of £500,000 per annum together with a turnover rent adjustment At the 31 December 2006 the Partnership's proportionate share had included rental income of £226,000 receivable from Moorfield Car Park II Ltd In addition, Moorfield Car Park II has been charged a property management fee of £69,000

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2007 there were no capital commitments or contingent liabilities

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

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
Operating (loss)/ profit	(85)	(73)	14,950	6,927
Depreciation / Amortisation	-	-	852	-
Working capital movements				
Debtors	661	(1,115)	(4,399)	(644)
Creditors	538	(33)	10,302	1,160
Net cash flow from operating activities	1,114	(1,221)	21,705	7,443

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

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

	Partnership Year ended 31 December 2007 £'000s	Partnership Year ended 31 December 2006 £'000s	Proportionate Year ended 31 December 2007 £'000s	Proportionate Year ended 31 December 2006 £'000s
(Decrease)/ increase in cash	(286)	(2,086)	(1,869)	6,108
Cash (inflow)/outflow from debt	(3,253)	102,541	(145,890)	(61,362)
Non-cash changes	-	(502)	1,109	771
Net movement in debt	(3,539)	99,953	(146,650)	(54,483)
Net debt at start of the period	307	(99,646)	(153,259)	(98,776)
Net debt at end of the period	(3,232)	307	(299,909)	(153,259)

19. ANALYSIS OF NET DEBT

PARTNERSHIP

	1 January 2007 £'000s	Cash flow in year £'000s	Non-cash changes £'000s	31 December 2007 £'000s
Cash in hand and at bank	307	(286)-	-	21
Bank loans due within one year	-	(3,253)	-	(3,253)
Changes in debt and net debt	307	(3,539)	-	(3,232)

PROPORTIONATE

	1 January 2007 £'000s	Cash flow in year £'000s	Non-cash changes £'000s	31 December 2007 £'000s
Cash in hand and at bank	9,370	(1,869)	-	7,501
Bank loans due within one year	(11,725)	(11,634)	-	(23,359)
Bank loans due after one year	(150,905)	(134,255)	1,109	(284,051)
Changes in debt and net debt	(153,260)	(147,758)	1,109	(299,909)

UNAUDITED COMPARISON TO US GAAP AND IFRS

The financial statements presented on pages 7 to 19 have been prepared in accordance with the accounting standards generally accepted in the United Kingdom In accordance with the Limited Partnership Agreement the General Partner is required to provide information indicating the differences that would have arisen had such accounts been prepared in accordance with either US GAAP or IFRS The following information demonstrates the differences between the proportionate accounts as prepared under UK GAAP and either US GAAP or IFRS

US GAAP

Investment in real estate

Under UK GAAP, investments in real estate are stated at fair value and are revalued annually The change in the real estate valuation is recorded directly to the revaluation reserve, a component of shareholders' equity Impairment provisions are charged to earnings when a decrease in value is considered permanent At 31 December 2007, the properties were held at market value or the cost of acquisition, this being considered to be equivalent to open market value At the 31 December 2007 the Partnership's proportionate share of the decrease in value credited to the revaluation reserve was £7,996,000 (2006 increase in value of £13,650,000)

As a result of its investment objectives and the nature of its investments the Moorfield Real Estate Fund is considered to be an investor entity under US GAAP The investment in real estate is therefore carried at fair value under US GAAP and any increase in valuation would be credited directly to the Income Statement

Financial instruments

Under UK GAAP, certain financial instruments established for the purposes of managing interest rate risk, principally interest rate swaps, are recorded on an accruals basis

For the purposes of US GAAP, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments would have been fair valued and the movement in the fair value reported in the earnings in the current period The fair value adjustment at 31 December 2007 would have given rise to a charge of £5,854,000 (2006 income of £2,619,000)

Advanced Profit Share

Under the Limited Partnership Agreement, the General Partner shall be paid an amount equal to 1 5% of "Total Commitments" (as defined in that agreement) The "General Partner's Share" is paid quarterly in advance

The General Partner's Share ranks as a first charge on the net income and capital gains of the Partnership and is recognised as a distribution to the General Partner In the event that the aggregate of the net income and capital gains of the Partnership in any accounting period are less than the General Partner's Share, the deficiency is recognised as an interest free loan to the General Partner rather than as a distribution Accordingly, for the 12 months to 31 December 2007, the General Partner's Share paid has been recognised as an interest free loan to the General Partner

For US GAAP purposes, the General Partner considers that the General Partner's Share for the 12 months to 31 December 2007, amounting to £1,800,000 (2006 - £1,800,000) would be recognised as an operating expense in the period

Negative Goodwill

The excess of acquired net assets over cost Under UK GAAP, FRS 10 requires that negative goodwill is taken to the profit and loss account to match the depreciation or sale of the acquired non-monetary assets At the 31 December the Partnership had amortised £61,000 of negative goodwill during the year

Under US GAAP, SFAS 141 requires that negative goodwill is offset against the acquired long-lived assets with the remainder, if any, recognised in income as an extraordinary gain

UNAUDITED COMPARISON TO US GAAP AND IFRS (CONTINUED)

The effect of the adjustments referred to on the previous page is shown in the following table

	UK GAAP £'000s	Net Adjustments £'000s	US GAAP £'000s
Net loss for the 12 months to 31 December 2007	(5,876)	(15,711)	(21,587)
Net assets at 31 December 2007	95,868	(8,551)	87,317

IFRS

Financial instruments

Under UK GAAP, certain financial instruments established for the purposes of managing interest rate risk, principally interest rate swaps, are recorded on an accruals basis

For the purpose of IFRS, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments would have been fair valued and the movement in the fair value reported in the earnings in the current period The fair value adjustment at 31 December 2007 would have given rise to income of £5,854,000 (2006 income of £2,619,000)

Leasehold investment properties

Under UK GAAP, leasehold investment properties are held at valuation

Under IFRS, where an investment property is subject to a head or ground lease, that head lease is treated as if it were a finance lease This can result in the recognition of a lease liability and a corresponding increase in the carrying value of the Group's properties The General Partner considers that the required adjustment as at 31 December 2006 would be immaterial

Negative Goodwill

The excess of acquired net assets over cost Under UK GAAP, FRS 10 requires that negative goodwill is taken to the profit and loss account to match the depreciation or sale of the acquired non-monetary assets At the 31 December the Partnership had amortised £61,000 of negative goodwill during the year

Under IFRS, where negative goodwill arises the measurement of the purchase consideration and all identifiable assets and liabilities should be reassessed If negative goodwill remains after this reassessment of cost and fair values, the balance is credited to the income statement in the year of acquisition, at 31 December 2007 this would have lead to an adjustment of £199,000 (2006 £254,000)

The effect of the adjustments referred to above is shown in the following table

	UK GAAP £'000s	Net Adjustments £'000s	IFRS £'000s
Net (loss)/income for the period to 31 December 2007	(5,876)	(11,785)	(11,785)
Net assets at 31 December 2007	95,868	(3,717)	92,151