

Registered number: 6312634

Moorfield Real Estate Fund II GP Limited
Annual Report and Financial Statements
for the year ended 31 December 2010

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Moorfield Real Estate Fund II GP Limited

Annual report and financial statements for the year ended 31 December 2010

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Directors and advisers

Directors

Marc Gilbard
Graham Stanley
Graham Sidwell
Nick Edwards

Company secretary

Timothy Sanderson

Registered office

Nightingale House
65 Curzon Street
London
W1J 8PE

Bankers

Lloyds Banking Group Plc
London Chief Office
P O Box 54873
London
SW1Y 5WX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Directors' Report for the year ended 31 December 2010

The directors present their report and the audited financial statements of Moorfield Real Estate Fund II GP Limited ("the company") for the year ended 31 December 2010

Principal activity

The principal activity of the company is the general partner of Moorfield Real Estate Fund II "A" Limited Partnership and Moorfield Real Estate Fund II "B" Limited Partnership

Results

The company's loss for the financial year is £1,387,000 (2009 £225,000)

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below

Marc Gilbard
Graham Stanley
Graham Sidwell
Nick Edwards

Qualifying third party and pension scheme indemnity provision

There are no qualifying third party provisions in place for the benefit of the directors either at the year end or subsequently

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Stessa Trading Ltd. The directors have received confirmation that Stessa Trading Ltd intends to support the company for at least 12 months from the date these financial statements are approved

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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, and
- make judgements and accounting estimates that are reasonable and prudent

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' report for the year ended 31 December 2010 (continued)

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware

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

Small companies' exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Timothy Sanderson
Company secretary
Date

22/9/2011

Independent auditors' report to the members of Moorfield Real Estate Fund II GP Limited

We have audited the financial statements of Moorfield Real Estate Fund II GP Limited for the year ended 31 December 2010 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006


In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Moorfield Real Estate Fund II GP Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report



Jonathan Hook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date 27/9/11

Profit and loss account for year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	5,833	5,832
Administrative expenses		(5,783)	(5,782)
Operating profit	3	50	50
Interest receivable and similar income		15	12
Profit on ordinary activities before taxation		65	62
Tax on profit on ordinary activities	6	(1,452)	(287)
Loss for the financial year	10	(1,387)	(225)

All amounts above relate to continuing operations of the company

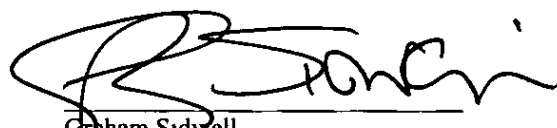
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Current assets			
Debtors	7	522	457
Total assets less current liabilities		522	457
Provisions for liabilities	8	(2,078)	(626)
Net assets		(1,556)	(169)
Capital and reserves			
Called up share capital	9	0	0
Profit and loss account	10	(1,556)	(169)
Total shareholders' deficit	11	(1,556)	(169)

The financial statements on pages 6 to 11 were approved by the board of directors on 20/11 and were signed on its behalf by


Graham Sidwell
Director

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Stessa Trading Ltd. The directors have received confirmation that Stessa Trading Ltd intends to support the company for at least 12 months from the date these financial statements are approved.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 "Cash flow statements" from the requirement to present a cash flow statement in the financial statements on the grounds that it is a small company.

Turnover

Income relates to profit share receivable from Moorfield Real Estate Fund II Limited Partnership. Turnover is recognised upon receipt.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

2 Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

3 Operating profit

Audit fees were borne by related undertakings in both years.

4 Employee information

There were no employees during the year (2009 nil).

Notes to the financial statements for the year ended 31 December 2010

5 Directors' emoluments

There were no emoluments paid to the directors by the company during the year (2009 £nil) There were no retirement benefits accruing to the directors (2009 £nil)

6 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax:		
UK Corporation Tax on profits for the year at 28% (2009 28%)	0	0
Total current tax	0	0
Deferred tax:		
Origination and reversal of timing differences	1,666	287
Effect of rate change	(16)	
Adjustment in respect of previous periods	(198)	0
Total deferred tax (note 8)	1,452	287
Tax on profit on ordinary activities	1,452	287

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK of 28% (2009 28%)
The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	65	62
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK 28% (2009 28%)	18	17
Effects of		
Other short term timing differences	(1,642)	(606)
Group relief claimed and not paid for	1,624	589
Current tax charge for the year	0	0

Factors affecting future tax charges:

The Finance (No 2) Act 2010 reduced the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011 On 23 March 2011, the Chancellor announced a further reduction of 1 per cent to 26 per cent in the rate of corporation tax from 1 April 2011 and legislation is included in the Finance Bill 2011 to reduce the main rate of corporation tax to 25 per cent from 1 April 2012 Further reductions in the rate by 1 per cent per annum to 23 per cent by 1 April 2014 have also been announced Other than the reduction to 27 per cent, the changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

If the changes to be included in Finance Bill 2011 had been enacted at the balance sheet date, the effect would be to reduce the deferred tax liability provided at 31 December 2010 by approximately £153,904 Of this £153,904 decrease in the deferred tax liability, £76,952 would be due to the reduction in the corporation tax rate from 27 per cent to 26 per cent with effect from 1 April 2011, and £76,952 would be due to the reduction in the corporation tax rate from 26 per cent to 25 per cent with effect from 1 April 2012

Notes to the financial statements for the year ended 31 December 2010

7 Debtors

	2010	2009
	£'000	£'000
Amounts owed by group undertakings	522	457

Amounts owed by group undertakings are unsecured and repayable on demand

8 Provisions for liabilities

	Deferred taxation £'000
At 1 January 2010	626
Charged to the profit and loss account	1,452
At 31 December 2010	2,078

Deferred tax comprises:

	2010	2009
	£'000	£'000
Liability arising due to timing differences	2,078	626

9 Called up share capital

	2010	2009
	£'000	£'000
Allotted and fully paid		
2 ordinary shares of £1 each	0	0

10 Profit and loss account

	£'000
At 1 January 2010	(169)
Profit for the financial year	(1,387)
At 31 December 2010	(1,556)

Notes to the financial statements for the year ended 31 December 2010
11 Reconciliation of movements in shareholders' deficit

	2010	2009
	£'000	£'000
Profit/(loss) for the financial year	(1,387)	(225)
Opening shareholders' (deficit)/funds	(169)	56
Closing shareholders' deficit	(1,556)	(169)

12 Related party transactions

The company has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" not to disclose transactions with related parties as all of the voting rights of the company are controlled within the group

13 Ultimate parent undertaking

The company's immediate parent undertaking is Moorfield Group Limited, a company incorporated in England and Wales

The company's ultimate parent undertaking and controlling party is Stessa Trading Limited, a company incorporated in England and Wales

The smallest group and largest group of undertakings for which group accounts are drawn up and of which the company is a member is Stessa Trading Limited, a company incorporated in England and Wales. Copies of the group financial statements are available to the public on payment of the appropriate fee from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ

The Attached Accounts
Form part of the
Accounts of -
Co. No. 63/2634

Moorfield Real Estate Fund II "A"
Limited Partnership
Annual Report and Financial Statements
for the year ended 31 December 2010

Moorfield Real Estate Fund II “A” Limited Partnership

Annual report and financial statements for the year ended 31 December 2010

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Moorfield Real Estate Fund II "A" Limited Partnership

Partnership information

Limited partners

John D and Catherine T MacArthur Foundation
140 South Dearborn Street, Suite 1100
Chicago, IL 60603-5285, USA

The Regents of the University of Michigan
Investment Office
101 North Main Street, Suite 525
Ann Arbor, MI 48104 5517, USA

Northwestern University
Investment Department, 1800 Sherman Avenue
Suite 400, Evanston, IL 60201, USA

The Trustees of Princeton University
c/o Princeton University Investment Company
22 Chambers Street, Suite 400
Princeton, NJ 08542, USA

The Rockefeller Foundation
420 Fifth Avenue, New York, NY 10018, USA

Rensselaer Polytechnic Institute
110 8th Street
Troy,
NY 12180-3590, USA

The Board of Trustees of the Leland Stanford
Junior University
2770 Sand Hill Road
Menlo Park, CA 94025, USA

The William and Flora Hewlett Foundation
2121 Sand Hill Road
Menlo Park, CA 94025, USA

TIFF Real Estate Partners II, LLC
200 Barr Harbor Drive, Suite 100
W Conshohocken, PA 19428, USA

The Vanderbilt University
2100 West End Avenue, Suite 900
Nashville, TN 37203, USA

The University of Chicago
Office of Investments
401 N Michigan Avenue, Suite 900
Chicago, IL 60611, USA

Mayo Clinic
c/o Treasury Services,
200 First Street SW
Rochester, MN 55905, USA

Mayo Clinic Master Retirement Trust
c/o Treasury Services, 200 First Street SW
Rochester, MN 55905, USA

The Andrew W Mellon Foundation
140 East 62nd Street
New York, NY 10021, USA

Metropolitan Real Estate Partners International II, LP
C/o MREPIntl2, LLC
535 Madison Avenue, 26th Floor
New York, NY 10022, USA

General partner

Moorfield Real Estate Fund II GP Limited
Nightingale House
65 Curzon Street
London
W1J 8PE

Carried interest partner

Moorfield Real Estate Fund II CIP Limited
Nightingale House
65 Curzon Street
London
W1J 8PE

Moorfield Real Estate Fund II “A” Limited Partnership

Partnership information (continued)

Investment manager

Moorfield Investment Management Limited (authorised by the Financial Services Authority)
Nightingale House
65 Curzon Street
London
W1J 8PE

Asset manager

Moorfield Group Limited
Nightingale House
65 Curzon Street
London
W1J 8PE

Registered office

Nightingale House
65 Curzon Street
London
W1J 8PE

Registered number

LP 012496

Bankers

Lloyds Banking Group
London Chief Office
PO Box 54873
London
SW1Y 5WX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Moorfield Real Estate Fund II “A” Limited Partnership

Report of the General Partner for the year ended 31 December 2010

The General Partner presents its report and audited financial statements of the Partnership, together with the accounts and auditors' report, for the year ended 31 December 2010

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 2010 are shown on page 9. The loss on ordinary activities for the year was £566,000 (2009 £1,130,000). The consolidated loss on activities for the year per the proportionate profit and loss account was £3,266,000 (2009 £3,065,000).

Business review

The Partnership has £212,532,000 (2009 £212,532,000) of commitments, which when combined with its parallel fund, the Moorfield Real Estate Fund II “B” Limited Partnership, totals £388,833,000 (2009 £388,833,000). Investments are made by the combined parallel partnerships. During the year £5,466,000 (2009 £21,098,000) was drawn from partners leaving commitments of £185,966,000 (2009 £191,434,000) outstanding.

On 29 January 2010 the Partnership, and its parallel fund, as a result of an unsolicited offer completed the sale of the headquarters building of Mitchells & Butlers in Birmingham for £39,107,000 (the partnership's share was £21,375,000) realising a profit of £9.8 million (the Partnership's share was £5.3 million).

In March 2010 the Partnership, and its parallel fund, extended the £60 million equity bridge facility from Bank of America (BOA) for a further two years to 26 April 2012 and reduced the margin to 2.5%. In August 2010, the facility was increased to £150 million with the inclusion of WestLB as joint lender. The primary purpose of this facility is to provide access to capital quickly, and for amounts that might be below an efficient threshold for drawing from investors.

The Partnership, and its parallel fund, has entered into a joint venture arrangement with Hines to acquire a 40% stake in the mixed use development, Brindleyplace in Birmingham, in July 2010. The joint venture acquired the headlease of the development and 5 office buildings comprising approximately 500,000 sq ft for £186.7 million. The equity required was £74 million, of which £30.2 million was contributed by the Partnership and its parallel fund. A 5 year non-recourse facility of £121 million from Eurohypo was obtained.

The Partnership, and its parallel fund, acquired £10 million of preference share capital in MREF Hotels Ltd (the Partnership's share was £5.47 million), a hotel portfolio owned by the Moorfield Real Estate Fund A LP and Moorfield Real Estate Fund B LP and managed by Accor. The Partnership has a commitment to provide a further £5.47 million of equity to provide working capital for capital expenditure projects at the hotels.

In October 2010 the Partnership, and its parallel fund, established a 50/50 joint venture with Grainger plc, (one of the largest UK residential property managers) and acquired the share capital of Sovereign Reversions Limited for £18.7 million. Sovereign Reversions Limited owns and manages a significant portfolio of equity release plans (Lifetime Mortgages, Shared Equity Loans and Home Reversion Schemes) on its own behalf and on behalf of third parties.

In November 2010 the Partnership, and its parallel partnership, acquired Skypark Unit Trust, a Jersey property unit trust that holds the long leasehold interest in Skypark, a business park in Glasgow, for £53.75 million. The equity required was £25.9 million of which the Partnership contributed £14.2 million. The acquisition was partly funded with a 5 year senior debt facility of £29.9 million from Eurohypo.

During the year the Partnership, and its parallel fund, acquired shares in Capital Pub Company PLC, a company listed on the UK Alternative Investment Market (AIM). At the year end the Partnership, and its parallel fund, had acquired 11.3% of the share capital by buying shares on the open market and by subscribing through share placings at a cost to the Partnership of £1.6 million.

Moorfield Real Estate Fund II "A" Limited Partnership

Report of the General Partner for the year ended 31 December 2010 (continued)

Business review (continued)

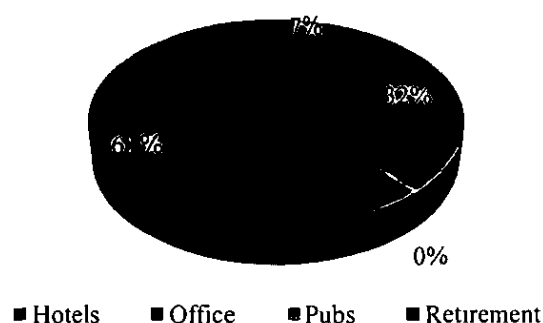
Subsequent to year end, in February 2011, the Partnership, and its parallel partnership, acquired West Riding House, a 19 storey mixed use building in the centre of Leeds for £46.2 million. The equity required was £23.2 million of which the Partnership contributed £12.7 million. The acquisition was partly financed with a 5 year senior debt facility of £25.9 million from Santander.

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 sectoral analysis of the Partnership's current investment portfolio.

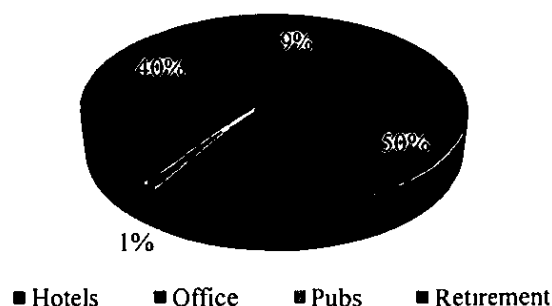
1 Turnover by sector (£'000)

	2010 £'000	2009 £'000
Hotels	486	472
Offices	2,305	1,234
Pubs	16	-
Retirement	4,469	1,957
	<u>7,277</u>	<u>3,663</u>



2 Capital values by sector (£'000)

	2010 £'000	2009 £'000
Hotels	12,283	36,563
Office	72,574	35
Pubs	1,560	21,864
Retirement	57,691	6,149
	<u>144,108</u>	<u>64,611</u>



The above table includes all tangible fixed asset and stock but excludes goodwill and negative goodwill arising on acquisition.

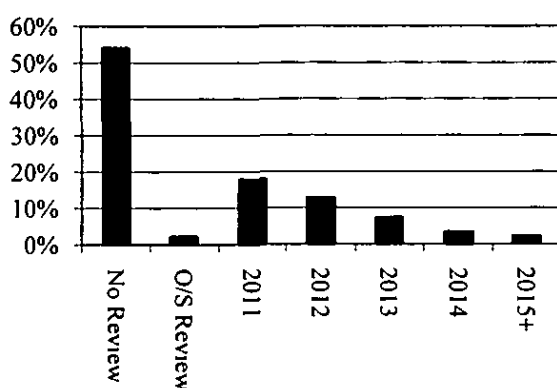


Fig 1 Percentage of Rent due for Review per Year

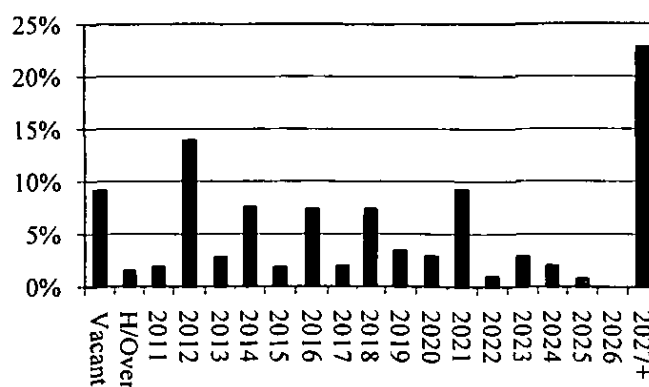


Fig 2 Percentage of Leases Expiring per Year by £

The chart (Fig 1) above excludes the reviews of the 3 Shearings Hotels which are 25 year leases with annual RPI rent uplifts. Both charts exclude Audley and Sovereign Reversions, for which operating profit rather than rental income is generated.

Moorfield Real Estate Fund II “A” Limited Partnership

Report of the General Partner for the year ended 31 December 2010 (continued)

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 becoming vacant – this risk is managed by the Asset Manager on behalf of the General Partner. The Asset Manager oversees this process and directs a team of leading real estate professionals to manage this process in a timely and effective manner,
- (iii) The impact of a general downturn in the real estate market negatively impacting on the valuation of individual real estate assets. 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 reducing the exposure to adverse market movements
- (iv) The operating risk of the Audley Court portfolio - the Partnership, through a corporate structure develops, sells and operates village-style retirement schemes. Whilst the management team cannot influence the real estate residential market they mitigate risk by completing detailed research into the local demographics before acquiring sites, and the product is targeted at the upper end of the market

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

- (i) **Interest rate risk**
The Partnership finances its investments through a mixture of interest free loans from limited partners, and bank borrowings. The Partnership uses interest rate derivatives to manage its exposure to interest rate fluctuations. At the period end approximately 57% of the Partnership’s bank borrowings were at fixed or capped rates after taking in to account interest rate swaps (see note 13 to the financial statements). The Partnership does not fix the interest cost of the equity bridge facility because of its short term nature
- (ii) **Debt financing**
Each investment is held in a separate corporate structure which is wholly-owned by the combined parallel partnerships. The bank borrowings are secured by fixed and floating charges over the assets of the Partnership and are not cross-collateralised. The principal covenants relating to these borrowings are an interest cover ratio, a loan to value ratio and, in respect of the equity bridge facility, a loan to undrawn partner commitments ratio

Moorfield Real Estate Fund II "A" Limited Partnership

Report of the General Partner for the year ended 31 December 2010 (continued)

Statement of General Partner's responsibilities

The General Partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the Partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 Partnership will continue in business

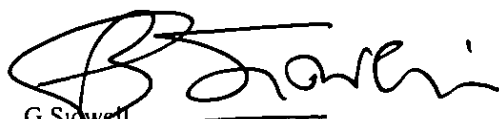
The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as the General Partner in office at the date of approval of these financial statements is aware

- there is no relevant audit information of which the Partnership's auditors are unaware, and
- it has taken all the steps that it ought to have taken as General Partner in order to make itself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information

On behalf of the Partnership



G Sidwell
For Moorfield Real Estate Fund II GP Limited
General Partner

21 April 2011

Moorfield Real Estate Fund II “A” Limited Partnership

Independent auditors’ report to the Members of Moorfield Real Estate Fund II “A” Limited Partnership

We have audited the financial statements of Moorfield Real Estate Fund II “A” Limited Partnership for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of members and auditors

As explained more fully in the General Partner’s Responsibilities Statement set out on page 6, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the members of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the qualifying partnership’s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the qualifying Partnership’s affairs as at 31 December 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008

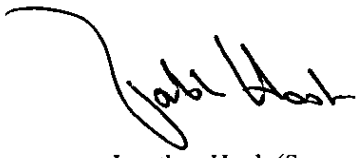
Moorfield Real Estate Fund II "A" Limited Partnership

Independent auditors' report to the Members of Moorfield Real Estate Fund II "A" Limited Partnership (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 April 2011

Moorfield Real Estate Fund II “A” Limited Partnership

Profit and loss account for the year ended 31 December 2010

	Notes	Partnership		Proportionate share of income and expenditure ¹	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Turnover	2	0	120	7,277	3,663
Cost of sales		0	0	(4,174)	(2,145)
Gross profit		0	120	3,103	1,518
Administrative expenses		(97)	(31)	(3,002)	(1,246)
Operating (loss)/profit	3	(97)	89	101	272
Investment income		781	0	0	0
Interest payable and similar charges	5	(1,258)	(1,225)	(3,245)	(3,167)
Interest receivable and similar income		8	6	13	10
Loss on ordinary activities before tax		(566)	(1,130)	(3,131)	(2,885)
Tax on loss on ordinary activities		0	0	(135)	(180)
Loss on ordinary activities for the financial year		(566)	(1,130)	(3,266)	(3,065)

¹ Proportionate share of income and expenditure of the fixed asset investments (note 9) is provided in addition to the partnership's own financial statements to give a fuller understanding of the impact of these investments on the partnership accounts

All amounts above relate to continuing operations of the Limited Partnership

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 December 2010

	Partnership		Proportionate share of gains and losses ¹	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Loss for the financial year	(566)	(1,130)	(3,266)	(3,065)
Priority Profit Share allocation distributed to General Partner (Note 15)	(2,277)	0	(2,277)	0
Movement on unrealised revaluation surplus	(2,184)	2,566	516	4,503
Total recognised (losses)/gains relating to the year	(5,027)	1,438	(5,027)	1,438

¹ Proportionate share of gains and losses of the fixed asset investments (note 9) is provided in addition to the Partnership's own financial statements to give a fuller understanding of the impact of these investments on the partnership accounts

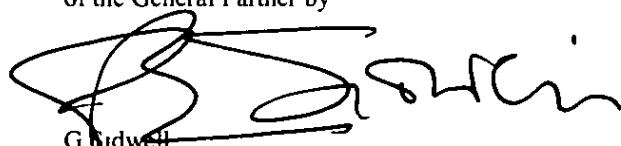
Moorfield Real Estate Fund II "A" Limited Partnership

Balance sheet as at 31 December 2010

		Partnership		Proportionate share of assets and liabilities ¹	
	Notes	2010	2009	2010	2009
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	6	0	0	3,300	4,275
Tangible fixed assets	7	0	0	8,884	7,188
Investment in real estate	8	0	0	78,239	28,013
Other fixed asset investments	9	55,278	19,816	7,026	0
		55,278	19,816	97,449	39,476
Current assets					
Stock	10	0	0	49,959	29,409
Debtors	11	23,286	15,443	9,785	8,189
Cash at bank and in hand		142	242	4,699	1,081
		23,428	15,685	64,443	38,679
Creditors: amounts falling due within one year	12	(57,432)	(14,666)	(90,228)	(24,738)
Net current (liabilities)/assets		(34,004)	1,019	(25,785)	13,941
Total assets less current liabilities		21,274	20,835	71,664	53,417
Creditors: amounts falling due after one year	13	0	0	(50,390)	(32,582)
Net assets		21,274	20,835	21,274	20,835
Represented:					
Capital contribution accounts	14	3	3	3	3
Partner loan accounts	14	26,564	21,098	26,564	21,098
Revaluation reserve	14	(5,293)	2,234	766	5,194
Profit and loss account	14	0	(2,500)	(6,059)	(5,460)
		21,274	20,835	21,274	20,835

¹ Proportionate share of assets and liabilities of the fixed asset investments (note 9) is provided in addition to the partnership's own financial statements, to give a fuller understanding of the impact of these investments on the partnership accounts

The financial statements on pages 9 - 28 were approved by the General Partner on 21 April 2011 and signed on behalf of the General Partner by



G Bidwell
For Moorfield Real Estate Fund II GP Limited
General Partner

Moorfield Real Estate Fund II “A” Limited Partnership

Cash flow statement for the year ended 31 December 2010

	Notes	Partnership		Proportionate share of cash flows ¹	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Net cash (outflow)/inflow from operating activities	18	(6,716)	(8,036)	260	(3,576)
Advance profit share paid to General Partner		(3,188)	(3,188)	(3,188)	(3,188)
Returns on investment and servicing of finance					
Dividend income		154	0	0	0
Interest received		8	6	13	10
Interest paid		12	(180)	(1,732)	(1,974)
Finance fees paid		(699)	(69)	(1,263)	(395)
		(525)	(243)	(2,982)	(2,359)
Taxation					
Corporation tax paid		0	0	(51)	0
Capital expenditure and financial investment					
Purchase of tangible fixed assets		0	0	(71)	(1,186)
Purchase of investments in real estate		(42,866)	0	(73,819)	(17,634)
		(42,866)	0	(73,890)	(18,820)
Acquisitions					
Purchase of investment in undertakings		0	0	(17,231)	0
Purchase of subsidiary		0	(7,128)	0	(224)
Proceeds of sale of subsidiary undertaking		5,363	0	21,395	0
		5,363	(7,128)	4,164	(224)
Net cash outflow before financing		(47,932)	(18,595)	(75,687)	(28,167)
Financing					
Bank loans advanced in the year		42,366	(2,296)	73,008	7,600
Partner loan advanced in the year		5,466	21,098	5,466	21,098
Partner capital advanced in the year		0	2	0	2
		47,832	18,804	78,474	28,700
(Decrease)/increase in cash in the year	19, 20	(100)	209	2,787	533

¹ Proportionate share of cash flows of the fixed asset investments (note 9) is provided in addition to the partnership's own financial statements to give a fuller understanding of the impact of these investments on the partnership accounts

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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, fixed asset investments and other tangible fixed assets. The financial statements are prepared in accordance with applicable accounting standards, including SSAP 19, which unlike the Companies Act 2006 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 real estate investments accounting policy below.

Turnover

Turnover represents income from investment properties, net of value added tax, and is accounted for on an accruals basis. Income from participating interest relates to distributions from fixed asset investments and is recognised when declared and approved. The proportionate share of turnover includes income of the underlying operating entities, excluding value added tax, and is accounted for on an accruals basis.

Fixed Asset Investment

The Partnership invests in a number of undertakings along with its parallel fund, Moorfield Real Estate Fund "B" Limited Partnership as detailed in note 9. In the individual financial statements of Moorfield Real Estate Fund "A" Limited Partnership and Moorfield Real Estate Fund "B" Limited 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 General Partner has 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 Profit and Loss Account to the extent it is not covered by a revaluation surplus. Where an impairment is considered by the General Partner to be temporary the charge is made to the revaluation reserve.

Real estate investments

Real estate investments are stated at open market value. In accordance with SSAP 19 Investment Properties are not depreciated. This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets, however, these properties are not held for consumption but for investment and the General Partner considers that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition. Freehold and long leasehold land and buildings are within the MREF Hotels portfolio. No depreciation is provided on these freehold or long leasehold land and buildings. It is the Partnership'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 General Partner consider that based on the lives of these assets, and residual values, 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 General Partner performs an annual impairment review. Any deficits noted are charged to the profit and loss account, except where the asset has been revalued and when the deficit is considered temporary, are 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.

Assets under construction

The carrying value of tangible fixed assets under construction is their purchase cost together with any incidental cost of acquisition. Upon completion the asset will be transferred to freehold land and buildings and depreciation will be charged.

Borrowings

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

Interest rate swaps

The Partnership uses interest rate swaps to hedge its risks associated with interest rate fluctuation risk. The interest rate swaps are disclosed at their fair value in notes 13 of the financial statements.

Stock

Stock, comprising real estate held for development or sale, is stated at the lower of cost and net realisable value. Net realisable value is defined as estimated selling price less all further costs of development and estimated selling expenses. Provision is made for slow moving and obsolete stock.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

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.

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

General Partner’s annual share of profits

The General Partner is entitled to receive an annual priority share of profits in respect of its 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.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Goodwill is capitalised, classified as an asset on the Balance Sheet and amortised on a straight line basis over 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill

In October 2010, the Partnership, together with its parallel fund the Moorfield Real Estate Fund II “B” Limited Partnership, established a 50/50 joint venture with Grainger plc and acquired the share capital of Sovereign Reversions Limited. As a result of this transaction the Partnership acquired an excess of net assets over cost. The resultant negative goodwill in the proportionate share of assets and liabilities is being amortised over a 20 year period.

2 Turnover

Turnover relates to the Partnership’s main activity which is carried out in the United Kingdom.

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

3 Operating profit

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Administration expenses include				
Staff costs (Note 4)	0	0	1,797	1,557
Fees payable to the partnership's auditor for the audit of the annual financial statements	35	9	86	35
Fees payable to the partnership's auditor and its associates for other services	25	23	45	63
Depreciation	0	0	341	28
Amortisation	0	0	121	246

In addition to the fees paid to the Partnership's auditors included in the operating profit/(loss) above, the following fees were capitalised in the balance sheet

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Fees payable to the Partnership's auditors and its associate for other services	0	0	156	97

4 Employee information

	Proportionate	
	2010	2009
	£'000	£'000
Staff costs:		
Wages and salaries	1,649	1,421
Social security costs	148	136
	1,797	1,557
	2010	2009
	Number	Number
The average monthly number of persons employed during the year was:		
Employees	101	70

The Partnership has no employees (2009 nil) The above are employees of Audley Court and Sovereign Reversions

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

5 Interest payable and similar charges

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Interest payable on bank loans	820	779	2,722	2,681
Other interest payable	0	0	0	1
Financing fees	438	446	523	485
	1,258	1,225	3,245	3,167

6 Intangible fixed assets

	Proportionate goodwill	Proportionate negative goodwill
	£'000	£'000
Cost		
At 1 January 2010	4,557	0
Additions	571	(1,374)
At 31 December 2010	5,128	(1,374)
Accumulated amortisation		
At 1 January 2010	282	0
Charge for the year	187	(15)
At 31 December 2010	469	(15)
Net book value		
At 31 December 2010	4,659	(1,359)
At 31 December 2009	4,275	0

See the General Partners' report and Note 9 for further information

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

7 Other tangible fixed assets

	Proportionate Freehold land and buildings £'000	Proportionate Assets under construction £'000	Proportionate Property improvement works £'000	Proportionate Other fixed assets £'000	Proportionate Total £'000
Cost					
At 1 January 2010	2,386	4,712	0	124	7,222
Additions	349	488	1,413	128	2,378
At 31 December 2010	2,735	5,200	1,413	252	9,600
Accumulated depreciation					
At 1 January 2010	0	0	0	34	34
Charge for the year	281	0	262	139	682
At 31 December 2010	281	0	262	173	716
Net book amount					
At 31 December 2010	2,454	5,200	1,151	79	8,884
At 31 December 2009	2,386	4,712	0	90	7,188

8 Investments

	Proportionate share of investment in real estate £'000
Cost or valuation	
At 1 January 2010	28
Additions	71
Disposals	(21)
Revaluation	
At 31 December 2010	78

The General Partner believes that the carrying value of the investments is supported by their underlying net assets

On 29 January 2010 the Partnership, together with its parallel fund the Moorfield Real Estate Fund B II LP, sold its investment in the headquarters building of Mitchells and Butlers in Birmingham for £39.2 million

The historical cost to the Partnership of its underlying investments in real estate as at 31 December 2010 was £77.4 million (2009 £22.8 million)

Valuations of the Partnership's proportionate share of fully operational investment real estate were undertaken either on acquisition or at the year end by the General Partner and other external professionally qualified valuers. The resulting valuation of the Partnership's proportionate share of investment real estate was £78.2 million (2009 £28.0 million)

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

9 Other fixed asset investments

Partnership

	At 1 January 2010 £'000	Net additions £'000	Revaluations £'000	Disposals £'000	31 December 2010 £'000
Investment in					
George Chollerford Ltd	132	0	214	0	346
Eden Arms Rushyford Ltd	(228)	0	94	0	(134)
St George Harrogate Ltd	268	0	511	0	779
Jewel II Property Company Ltd	(42)	0	129	0	87
MREF II AC Holdings Sarl – Loan Stock	9,032	6,818	0	0	15,850
AC Holdings Sarl - Loan Stock	4,820	0	(2,855)	0	1,965
MREF II (Birmingham) Holdings Ltd	5,828	0	(484)	(5,344)	0
MREF II MH Sarl	0	16,507	310	0	16,817
MREF Hotels Ltd	0	5,466	0	0	5,466
MREF II Skypark 1 LP + MREF II Skypark 2 LP	0	14,198	54	0	14,252
MREF II Investments Ltd	2	0	11	0	13
MREF II Equity Release Ltd (previously MREF II Violet Ltd)	2	0	(165)	0	(163)
MREF II Indigo Ltd	2	0	(2)	0	0
Total	19,816	42,989	(2,183)	(5,344)	55,278

On 29 January 2010 the Partnership, together with its parallel fund the Moorfield Real Estate Fund B II LP, sold the entire share capital in MREF II (Birmingham) Holdings Limited, the holding entity for the combined Partnerships' investment in the Mitchells & Butlers head office. The disposal is summarised below:

	Total £000s	Partnership's Share £000s
Net sales proceeds	39,107	21,375
Repayment of bank loans	(29,331)	(16,032)
Gain on sale of investment	9,776	5,344
Dividend income received	281	153
Total gain	10,057	5,497

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

9 Other fixed asset investments (continued)

During the year the Partnership, together with its parallel fund, made the following acquisitions

- i An interest in investment real estate at Brindleyplace in Birmingham, through the establishment of a joint venture vehicle with Hines. The Partnership, together with its parallel fund, established MREF II MH Sarl, a company registered in Luxembourg, to hold its 40% interest in the joint venture. The real estate at Brindleyplace was acquired by the joint venture for £186.2 million and the acquisition was financed with a 5 year senior debt facility from Eurohypo for £121 million, the balance was provided by MREF II and Hines. The Partnership's cost of investment, including acquisition fees, is £16.5 million and was initially financed using the BOA equity bridge facility.
- ii The Partnership, and its parallel fund, acquired £10,000,000 of equity in MREF Hotels Ltd (the Partnership's share was £5,466,000), a hotel portfolio owned by the Moorfield Real Estate Fund A LP and Moorfield Real Estate Fund B LP and managed by Accor. The Partnership has a commitment to provide a further £5,466,000 of equity to provide working capital for capital expenditure projects at the hotels. The new equity has been structured as preference shares with a maximum IRR on redemption of 17.5% and also participates in a profit share on exit.
- iii MREF II Equity Release Ltd, a wholly owned subsidiary of the combined partnerships, acquired 50% of the share capital in Sovereign Reversions plc. The Partnership has included its share of the assets and liabilities of the Sovereign Reversions within its Proportionate results for the year. At acquisition the assets and liabilities of Sovereign Reversions were fair valued which gave rise to a negative goodwill adjustment. A summary of the opening position is given below.

	Sovereign Reversions on Acquisition £'000	50% share £'000	Consistency of accounting policy £'000	Fair value 50% share on acquisition £'000	Proportionate share £'000
Fixed Assets	413	207	0	207	114
Current Assets					
Real estate held for sale at fair value	67,392	33,696	0	33,696	18,418
Debtors	483	241	0	241	132
Cash	3,086	1,543	0	1,543	843
Bank loans	(28,218)	(14,109)	0	(14,109)	(7,712)
Creditors	(785)	(393)	0	(393)	(215)
Provision for deferred tax	(3,761)	(1,881)	1,881	0	0
NAV on acquisition	38,610	19,304	1,881	21,185	11,580
Negative goodwill on acquisition (note 6)				(2,513)	(1,374)
Consideration paid				18,672	10,206

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

9 Other fixed asset investments (continued)

- iv The Partnership, and its parallel fund, established two limited partnerships registered in Jersey to acquire all of the units in the Skypark Unit Trust. The Jersey limited partnerships entered into a joint 5 year senior debt facility with Eurohypo for £29,888,000 (the Partnership's proportionate share is £16,337,000) which is secured over the real estate and units of Skypark Unit Trust. The balance of funding of £14,197,000 was provided by the Partnership, using the BOA equity bridge facility.

At acquisition the assets and liabilities of the Skypark Unit Trust were fair valued and the resulting consolidation gave rise to a goodwill adjustment in the Proportionate balance sheet. A summary of the opening position is given below:

	Fair value on acquisition £'000	Proportionate share £'000
Real estate investment	53,750	29,379
Current Assets		
Debtors	213	116
Cash	287	157
Creditors	(638)	(349)
NAV on acquisition	53,612	29,304
Goodwill on acquisition	981	536
Consideration paid	54,593	29,840

Proportionate	At 1 January 2010 £'000	Net additions £'000	Revaluations £'000	At 31 December 2010 £'000
Investment in:				
MREF Hotels Limited	0	5,466	0	5,466
MREF II Investments Limited	0	1,560	0	1,560
	0	7,026	0	7,026

MREF II Investments Limited acquired shares in the Capital Pub Company plc during the year. At 31 December 2010, the Company held 11.3% of the entire share capital of Capital Pub Company plc. See General Partner's report.

10 Stock

	Partnership		Proportionate	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Real estate held for development	0	0	31,687	29,407
Real estate held for sale	0	0	18,230	0
Other trade stock	0	0	2	2
	0	0	49,959	29,409

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

11 Debtors

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade debtors	0	0	705	176
Amounts owed by General Partner (see below)	7,872	6,961	7,872	6,961
Amounts owed by fellow group undertakings	14,793	8,368	0	0
Other debtors	132	114	600	920
Prepayments and accrued income	489	0	608	132
	23,286	15,443	9,785	8,189

Amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand

Amounts owed by the General Partner represent an interest free advance of the Priority Profit Share allocation

12 Creditors: amounts falling due within one year

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans - amounts drawn down	57,567	14,517	85,458	22,263
Bank loan - unamortised finance fees	(448)	(100)	(447)	(100)
Trade creditors	0	9	1,677	624
Amounts owed to group undertakings	4	160	0	0
Other taxes and social security	2	0	271	286
Other creditors	0	0	174	253
Accruals and deferred income	307	80	3,095	1,412
	57,432	14,666	90,228	24,738

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

Bank loans comprise of a 364 day bridge facility from Bank of America provided to the Partnership and its parallel fund, the Moorfield Real Estate Fund II “B” Limited Partnership, for financing the acquisition of investments and working capital. The underlying investments also include a number of development facilities at Audley Court and two facilities in Sovereign Reversions that were repaid in January 2011 as a result of the change of control (further detail is given in note 13.)

Moorfield Real Estate Fund II “A” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

13 Creditors: amounts falling due after one year

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans – amounts drawn down	0	0	50,927	32,718
Bank loans – unamortised finance fees	0	0	(664)	(298)
Other creditors	0	0	127	162
	0	0	50,390	32,582

Proportionate Share of Bank Loans

Bank	Description	Total	Due in		Rate	Margin	Expiry
		Drawn	<1 yr	>1 yr			
		£'000	£'000	£'000			
BOA	Equity Bridge	57,567	57,567	0	Libor	3.00%	26/04/2012
Coutts	Senior debt	3,382	0	3,382	Libor	2.00%	30/10/2014
Clydesdale	Investment	2,063	2,063	0	Libor	1.00%	01/09/2011
Clydesdale	Development	5,985	1,246	4,739	Libor	2.41%	30/12/2016
Lloyds Banking Group	Development	8,813	8,813	0	Libor	2.25%	27/03/2012
Bank of Ireland	Development	2,084	2,084	0	Base rate	2.50%	26/09/2011
Bank of Ireland	Development	6,117	6,117	0	Base rate	2.00%	30/10/2010
Northern Bank	Investment	68	68	0	Base rate	5.95%	15/06/2014
Eurohypo	Senior debt	26,469	0	26,469	Libor	1.60%	07/07/2015
Eurohypo	Senior debt	16,337	0	16,337	Libor	2.30%	29/10/2015
AIB	Senior debt	3,965	3,965	0	Libor	3.5%	31/01/2011
Lloyds Banking Group	Senior debt	3,535	3,535	0	Libor	2.47%	31/01/2011
		136,385	85,458	50,927			

These borrowings are secured by fixed charges over the real estate and floating charges on certain other assets. The Partnership, together with its parallel fund the Moorfield Real Estate Fund II “B” Limited Partnership, has extended its facility with Bank of America for the 364 day equity bridge facility for two years to 26 April 2011 and increased the facility to £150 million.

The Sovereign Reversions facilities with AIB and Lloyds Banking Group were in breach of their facility agreements due to the change of control. Both lenders agreed to extend the facilities to the 31 January 2011 when they were repaid in full. The Partnership, and its parallel partnership, together with Grainger plc have provided short term funding whilst a new facility is negotiated.

At 31 December 2010, two of the Audley development facilities, with Lloyds Banking Group and Bank of Ireland, were in breach of certain terms of their facility agreements. Since the year end both of these facilities have been renegotiated to increase the size of the facility and extend the term of each facility.

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

13 Creditors: amounts falling due after one year (continued)

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

Hedging counterparty		Amount Hedged £'000	Fixed Rate %	Expiry	Fair value £'000
Coutts	Cap	3,382	5.00%	30/10/2014	20
Clydesdale	Swap	2,199	6.31%	30/09/2011	(96)
HBOS	Swap	1,530	5.33%	30/01/2011	(6)
Eurohypo	Swap	19,852	2.29%	07/07/2015	(62)
Eurohypo	Swap	14,703	2.02%	29/10/2015	201
Lloyds Banking Group	Swap	3,416	5.88%	31/05/2011	(35)
Lloyds Banking Group	Collar	273	5.0-6.25%	27/08/2011	(9)

14 Partners' accounts

Partnership

	Partner loans £	Capital Contributions £	Revaluation Reserve £	Profit and loss account £	Balance at 31 December 2010 £
Limited Partners					
John D and Catherine T MacArthur Foundation	1,249,894	100	(249,029)	-	1,000,965
The Regents of the University of Michigan	1,874,842	150	(373,543)	-	1,501,449
Northwestern University	1,624,863	130	(323,738)	-	1,301,255
The Trustees of Princeton University	5,624,524	450	(1,120,630)	-	4,504,344
The Rockefeller Foundation	1,374,884	110	(273,932)	-	1,101,062
Rensselaer Polytechnic Institute	424,963	34	(84,670)	-	340,327
The Board of Trustees of the Leland Stanford Junior University	6,249,471	500	(1,245,145)	-	5,004,826
TIFF Realty and Resources III, LLC	624,947	50	(124,514)	-	500,483
The Vanderbilt University	624,947	50	(124,514)	-	500,483
The University of Chicago	1,874,842	150	(373,543)	-	1,501,449
Mayo Clinic	437,463	35	(87,160)	-	350,338
Mayo Clinic Master Retirement Trust	499,958	40	(99,612)	-	400,386
The Andrew W Mellon Foundation	1,840,231	147	(366,648)	-	1,473,730
Metropolitan Real Estate Partners International II, LP	363,569	29	(72,438)	-	291,160
The William and Flora Hewlett Foundation	1,874,842	150	(373,543)	-	1,501,449
	26,564,240	2,125	(5,292,659)	-	21,273,706
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Ltd	-	531	-	-	531
	26,564,240	2,656	(5,292,659)	-	21,274,237

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

14 Partners' accounts (continued)

Proportionate share of reserves

	Partner loans £	Capital Contributions £	Revaluatio n Reserve £	Profit and loss account £	Balance at 31 December 2010 £
Limited Partners					
John D and Catherine T MacArthur Foundation	1,249,894	100	36,045	(285,074)	1,000,965
The Regents of the University of Michigan	1,874,842	150	54,068	(427,611)	1,501,449
Northwestern University	1,624,863	130	46,858	(370,596)	1,301,255
The Trustees of Princeton University	5,624,524	450	162,203	(1,282,833)	4,504,344
The Rockefeller Foundation	1,374,884	110	39,649	(313,581)	1,101,062
Rensselaer Polytechnic Institute	424,963	34	12,255	(96,925)	340,327
The Board of Trustees of the Leland Stanford Junior University	6,249,471	500	180,225	(1,425,370)	5,004,826
TIFF Realty and Resources III, LLC	624,947	50	18,023	(142,537)	500,483
The Vanderbilt University	624,947	50	18,023	(142,537)	500,483
The University of Chicago	1,874,842	150	54,068	(427,611)	1,501,449
Mayo Clinic	437,463	35	12,616	(99,776)	350,338
Mayo Clinic Master Retirement Trust	499,958	40	14,418	(114,030)	400,386
The Andrew W Mellon Foundation	1,840,231	147	53,069	(419,717)	1,473,730
Metropolitan Real Estate Partners International II, LP	363,569	29	10,484	(82,922)	291,160
The William and Flora Hewlett Foundation	1,874,842	150	54,068	(427,611)	1,501,449
	26,564,240	2,125	766,072	(6,058,731)	21,273,706
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Ltd	0	531	0	0	531
	26,564,240	2,656	766,072	(6,058,731)	21,274,237

Partner loans accrue no interest

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

15 Reconciliation of movement in partners' accounts

Partnership	Capital contributions £'000	Partner loans £'000	Revaluation reserve £'000	Income account £'000
At 1 January 2010	3	21,098	2,234	(2,500)
Loss for the year	-	-	-	(566)
Drawdown of partner loans	-	5,466	-	-
Revaluation for the year	-	-	(2,183)	-
Transfer between reserves	-	-	(5,344)	5,344
Priority Profit Share allocation distributed to General Partner	-	-	-	(2,278)
At 31 December 2010	3	26,564	(5,293)	0

Proportionate	Capital contributions £'000	Partner loans £'000	Revaluation reserve £'000	Income account £'000
At 1 January 2010	3	21,098	5,194	(5,460)
Loss for the year	-	-	-	(3,266)
Drawdown of partner loans	-	5,466	-	-
Revaluation for the year	-	-	517	-
Transfer between reserves	-	-	(4,946)	4,946
Priority Profit Share allocation distributed to General Partner	-	-	-	(2,278)
At 31 December 2010	3	26,564	765	(6,058)

The transfer between reserves relates to the realisation of profits on the sale of the Mitchells & Butlers headquarters in Birmingham, as discussed in note 8

The priority profit share allocation distributed to the General Partner is offset against the advance profit share previously received by the General Partner. The balance of the advance profit share is included in Debtors (Note 12)

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

16 Related party transactions

The Partnership is operated in conjunction with the Moorfield Real Estate Fund II "B" Limited Partnership, its parallel fund. The two partnerships, with respect to any investment in property, invest and divest on economic and non-economic terms that are the same. The respective interests of the two partnerships in any investment in property are in proportion to the commitments of each of the Partnerships and they share pro-rata in any related investment expenses (Moorfield Real Estate Fund II "A" Limited Partnership 54.7%, Moorfield Real Estate Fund II "B" Limited Partnership 45.3%). Similarly the partnership's 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 II 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 £3,188,000 (2009 £3,188,000) from the Partnership.

Moorfield Group Limited is the asset manager for the Partnership and received £95,000 (2009 £120,000) of asset management fees from the Partnership and its underlying investments. Moorfield Group also received a further £109,000 (2009 £55,000) for the due diligence and advisory services in relation to the disposal of the Mitchells & Butlers headquarters building.

17 Capital commitments and contingent liabilities

As at 31 December 2010 there were no capital commitments or contingent liabilities (2009 £nil).

18 Reconciliation of operating profit to cash inflow/(outflow) from operating activities

	Partnership		Proportionate	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating (loss)/profit	(97)	89	101	272
Depreciation/amortisation	0	0	462	274
Working capital movements				
Debtors	(6,412)	(8,235)	(415)	(151)
Creditors	(207)	110	2,243	(144)
Stocks	0	0	(2,131)	(3,827)
Net cash (outflow)/inflow from operating activities	(6,716)	(8,036)	260	(3,576)

Moorfield Real Estate Fund II "A" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

19 Reconciliation of net cash flow to net movement in debt

	Partnership		Proportionate	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
(Decrease)/increase in cash	(100)	209	2,787	533
Cash (outflow)/inflow from debt	(41,667)	2,366	(71,745)	(7,205)
Non-cash changes	(1,048)	(1,048)	(1,127)	(918)
Net movement in debt	(42,815)	1,527	(70,085)	(7,590)
Net cash inflow on acquisition and disposal of undertakings	0	0	831	0
Net debt outflow on acquisition and disposal of undertakings	0	0	(7,818)	0
Net debt at start of the year	(14,174)	(15,701)	(53,502)	(45,912)
Net debt at end of the year	(56,989)	(14,174)	130,574	(53,502)

20 Analysis of net debt

Partnership	1 January 2010 £'000	Cash flow in year £'000	Non-cash changes £'000	31 December 2010 £'000
Cash in hand and at bank	242	(100)	0	142
Bank loans due within one year	(14,416)	(41,667)	(1,048)	(57,131)
Net debt	(14,174)	(41,767)	(1,048)	(56,989)

Proportionate	1 January 2010 £'000	Cash flow in period £'000	Non-cash changes £'000	On Acquisition or disposal	31 December 2010 £'000
Cash in hand and at bank	1,081	2,787	0	831	4,699
Bank loans due within one year	(22,163)	(39,917)	(15,219)	(7,712)	(85,011)
Bank loans due after one year	(32,420)	(31,828)	14,092	(106)	(50,262)
Net debt	(53,502)	(68,958)	(1,127)	(6,987)	(130,574)

Further detail on bank loans is given in note 13

Moorfield Real Estate Fund II "A" Limited Partnership

Unaudited comparison to US GAAP and IFRS

The financial statements presented on pages 9 to 28 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 valuation and are revalued annually. The change in real estate valuation is recorded directly to the revaluation reserve, a component of shareholders' equity. Impairment provisions are charged to the profit and loss account earnings when a decrease in value is considered permanent. Under US GAAP investments are marked to fair value each year end and any increases or decreases in real estate values are recorded directly in the profit and loss account.

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.

Under US GAAP, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments have been fair valued and the movement in the fair value reported in the earnings in the current period. The financial instruments were last valued at 31 December 2010 at a gain of £13,000 (2009: loss £385,000).

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 year to 31 December 2010, the General Partner's share paid has been recognised as an interest free loan to the General Partner.

For US GAAP purposes, management consider that the General Partner's share for the year to 31 December 2010, amounting to £5,832,000 (2009: £5,832,000) (MREF II A share = £3,188,000, MREF II B share = £2,644,000), should be recognised as an operating expense in the period.

Goodwill

The excess of cost over the fair value of the acquired net assets. Under UK GAAP, FRS 10 requires that goodwill be amortised over the period of its economic life, in this case 20 years. Goodwill of £186,000 (2009: £246,000) was amortised in the year.

US GAAP requires that goodwill is allocated to the acquired long-lived assets, where this cannot be specifically recognised it is disclosed as an intangible asset, and subject to an annual impairment review.

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. 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. £272,000 has been recognised in the income statement in the current year.

Moorfield Real Estate Fund II “A” Limited Partnership

Unaudited comparison to US GAAP and IFRS (continued)

US GAAP (continued)

Deferred tax

For UK GAAP deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. At the 31 December 2010 MREF II was not required to make any provisions for deferred tax. Deferred income tax is calculated after taking account of any indexation allowances and capital losses. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is calculated using rates enacted or substantially enacted at the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred income tax assets and liabilities are only offset if there is a legally enforceable right of set off. At 31 December 2010 MREF II had included a provision for deferred tax of £1,887,000 (MREF II A £1,031,000 and MREF II B £856,000).

Turnover - Tenant Incentives

UK GAAP requires that all incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net payment agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. A lessee recognises the aggregate benefit of incentives as a reduction of rental expense. The benefit is allocated over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rental will be payable. [UITF 28 13- IFRS requires that the aggregate benefit of incentives is recognised as an adjustment of rental expense over the full lease term (market rent reviews are ignored) on a straight-line basis unless another systematic basis is representative of the time pattern of the benefit of the leased asset. [SIC 15 3-15 5]

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

	UK GAAP £'000	Net Adjustments £'000	US GAAP £'000
Net loss for the year to 31 December 2010	(3,266)	(1,550)	(4,816)
Net assets at 31 December 2010	20,361	(5,941)	14,420

Moorfield Real Estate Fund II "A" Limited Partnership

Unaudited comparison to US GAAP and IFRS (continued)

IFRS

Investment in real estate

Under UK GAAP, investments in real estate are stated at fair value and are revalued annually. The change in real estate valuation is recorded directly to the revaluation reserve, a component of shareholders' equity. Impairment provisions are charged to the profit and loss account when a decrease in value is considered permanent.

Under IFRS, investments in real estate are stated at fair value and are revalued annually. Gains and losses arising from changes in the fair value of investment properties are included in other operating income in the Profit and Loss account of the year which they arise. Accordingly, the increase in value of £517,000 (2009: £4,503,000) in the current year would have been recorded in the profit and loss account.

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 Profit and Loss account in the current year. The financial instruments were last valued at 31 December 2010 at a gain of £13,000 (2009: loss £385,000).

Goodwill

The excess of cost over the fair value of the acquired net assets. Under UK GAAP, FRS 10 requires that goodwill be amortised over the period of its economic life, in this case 20 years. Goodwill of £186,000 (2009: £246,000) was amortised in the year.

Under IFRS, where goodwill arises the measurement of the purchase consideration and the fair value assessment of all identifiable assets and liabilities should be reassessed. If goodwill remains after this reassessment of cost and fair values, the goodwill is recognised and subsequently accounted for in accordance with IFRS 3 and IAS 36 Impairment of Assets, which requires an allocation of goodwill to cash generating units, and impairment testing at least annually.

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. 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. £272,000 has been recognised in the income statement in the current year.

Deferred tax

For UK GAAP deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. At the 31 December 2010 MREF II was not required to make any provisions for deferred tax. Deferred income tax is calculated after taking account of any indexation allowances and capital losses. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is calculated using rates enacted or substantially enacted at the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred income tax assets and liabilities are only offset if there is a legally enforceable right of set off. At 31 December 2010 MREF II had included a provision for deferred tax of £1,887,000 (MREF II A: £1,031,000 and MREF II B: £856,000).

Moorfield Real Estate Fund II “A” Limited Partnership

Unaudited comparison to US GAAP and IFRS (continued)

IFRS (continued)

Turnover - Tenant Incentives

UK GAAP requires that all incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net payment agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. A lessee recognises the aggregate benefit of incentives as a reduction of rental expense. The benefit is allocated over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rental will be payable [UITF 28 13- IFRS requires that the aggregate benefit of incentives is recognised as an adjustment of rental expense over the full lease term (market rent reviews are ignored) on a straight-line basis unless another systematic basis is representative of the time pattern of the benefit of the leased asset [SIC 15 3-15 5]

The effect of the adjustments referred to above are shown in the following table for the proportionate share

	UK GAAP £'000s	Net adjustments £'000s	IFRS £'000s
Net loss for the year to 31 December 2010	(3,266)	724	(2,542)
Net assets at 31 December 2010	20,361	1,931	22,292

These Accounts form
Part of the Accounts
for Co No 63/2634

Moorfield Real Estate Fund II "B"
Limited Partnership
Annual Report and Financial Statements
for the year ended 31 December 2010

Moorfield Real Estate Fund II “B” Limited Partnership

Annual report and financial statements for the year ended 31 December 2010

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Moorfield Real Estate Fund II “B” Limited Partnership

Partnership information

Limited partners

Makena Capital Holdings Red LLC
2755 Sand Hill Road Ste 200
Menlo Park
CA 94025, USA

Stichting Pensioenfonds Van De Metalelektro
P O Box 5210
2280 HE Rijswijk
Netherlands

Uberior (Moorfield) Limited
Level 4, New Uberior House
11 Earl Grey Street
Edinburgh EH3 9BN

Moorfield Real Estate Fund II LP Limited
Nightingale House
65 Curzon Street
London W1J 8PE

Metropolitan Real Estate Partners International II-N, LP
535 Madison Avenue, 26th Floor
New York, NY 10022, USA

Varma Mutual Pension Insurance Company
Alternative Investments, Annankatu 18
P O Box 4, 00098 Helsinki
Finland

Composition Capital Europe Fund II C V
World Trade Center, Amsterdam
Zuidplein 36, Tower H, 4th Floor
1077 XV Amsterdam
The Netherlands

Industriens Pensionsforsikring A/S
Nørre Farimagsgade 3
1364 Copenhagen K
Denmark

Metropolitan Real Estate Partners International II-T, LP
535 Madison Avenue, 26th Floor
New York, NY 10022, USA

General Partner

Moorfield Real Estate Fund II GP Limited
Nightingale House
65 Curzon Street
London
W1J 8PE

Carried interest partner

Moorfield Real Estate Fund II CIP Limited
Nightingale House
65 Curzon Street
London
W1J 8PE

Investment manager

Moorfield Investment Management Limited (authorised by the Financial Services Authority)
Nightingale House
65 Curzon Street
London
W1J 8PE

Moorfield Real Estate Fund II “B” Limited Partnership

Asset manager

Moorfield Group Limited
Nightingale House
65 Curzon Street
London
W1J 8PE

Registered office

Nightingale House
65 Curzon Street
London
W1J 8PE

Registered number

LP 012497

Bankers

Lloyds Banking Group
London Chief Office
PO Box 54873
London
SW1Y 5WX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Moorfield Real Estate Fund II “B” Limited Partnership

Report of the General Partner for the year ended 31 December 2010

The General Partner presents its report and audited financial statements of the Partnership, together with the accounts and auditors' report, for the year ended 31 December 2010

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 2010 are shown on page 7. The loss on ordinary activities for the year was £470,000 (2009 £937,000). The consolidated loss on activities for the year per the proportionate Profit and Loss Account was £2,709,000 (2009 £1,137,000).

Business review

The Partnership has £176,301,000 (2009 £176,301,000) of commitments, which when combined with its parallel fund, the Moorfield Real Estate Fund II “A” Limited Partnership, totals £388,833,000 (2009 £388,833,000). Investments are made by the combined parallel partnerships. During the year £4,534,000 (2009 £17,502,000) was drawn from Partners leaving commitments of £154,265,000 (2009 £158,799,000) outstanding.

On 29 January 2010 the Partnership, and its parallel fund, as a result of an unsolicited offer completed the sale of the headquarters building of Mitchells & Butlers in Birmingham for £39,107,000 (the partnership's share was £17,732,000) realising a profit of £9.8 million (the Partnership's share was £4.4 million).

In March 2010 the Partnership, and its parallel fund, extended the £60 million equity bridge facility from Bank of America (BOA) for a further two years to 26 April 2012 and reduced the margin to 2.5%. In August 2010, the facility was increased to £150 million with the inclusion of WestLB as joint lender. The primary purpose of this facility is to provide access to capital quickly, and for amounts that might be below an efficient threshold for drawing from investors.

The Partnership, and its parallel fund, has entered into a joint venture arrangement with Hines to acquire a 40% stake in the mixed use development, Brindleyplace in Birmingham, in July 2010. The joint venture acquired the headlease of the development and 5 office buildings comprising approximately 500,000 sq ft for £186.7 million. The equity required was £74 million, of which £30.2 million was contributed by the Partnership and its parallel fund. A 5 year non-recourse facility of £121 million from Eurohypo was obtained.

The Partnership, and its parallel fund, acquired £10 million of preference share capital in MREF Hotels Ltd (the partnership's share was £4.53 million), a hotel portfolio owned by the Moorfield Real Estate Fund A LP and Moorfield Real Estate Fund B LP and managed by Accor. The Partnership has a commitment to provide a further £4.53 million of equity to provide working capital for capital expenditure projects at the hotels.

In October 2010 the Partnership, and its parallel fund, established a 50/50 joint venture with Grainger plc, (one of the largest UK residential property managers) and acquired the share capital of Sovereign Reversions Limited for £18.7 million. Sovereign Reversions Limited owns and manages a significant portfolio of equity release plans (Lifetime Mortgages, Shared Equity Loans and Home Reversion Schemes) on its own behalf and on behalf of third parties.

In November 2010 the Partnership, and its parallel partnership, acquired Skypark Unit Trust, a Jersey property unit trust that holds the long leasehold interest in Skypark, a business park in Glasgow, for £53.75 million. The equity required was £25.9 million of which the partnership contributed £11.8 million. The acquisition was partly funded with a 5 year senior debt facility of £29.9 million from Eurohypo.

During the year the Partnership, and its parallel fund, acquired shares in Capital Pub Company PLC, a company listed on the UK Alternative Investment Market (AIM). At the year end the Partnership, and its parallel fund, had acquired 11.3% of the share capital by buying shares on the open market and by subscribing through share placings at a cost to the Partnership of £1.3 million.

Moorfield Real Estate Fund II "B" Limited Partnership

Report of the General Partner for the year ended 31 December 2010 (continued)

Business review

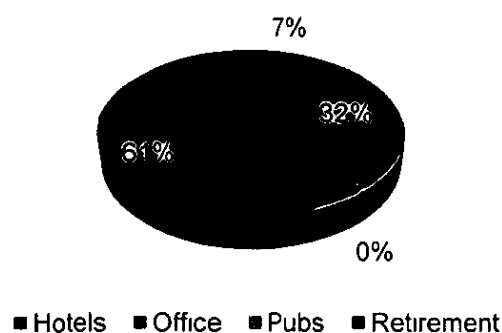
Subsequent to year end, in February 2011, the Partnership, and its parallel partnership, acquired West Riding House, a 19 storey mixed use building in the centre of Leeds for £46.2 million. The equity required was £23.2 million of which the Partnership contributed £10.5 million. The acquisition was partly financed with a 5 year senior debt facility of £25.9 million from Santander.

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 sectoral analysis of the Partnership's current investment portfolio.

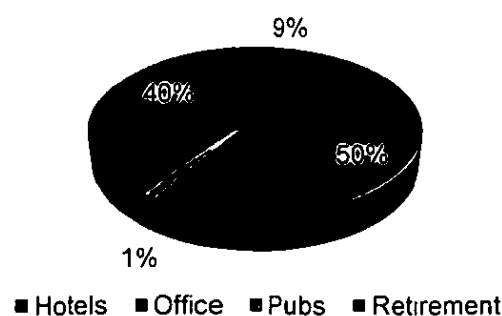
1 Turnover by sector (£'000)

	2010	2009
	£'000	£'000
Hotels	404	392
Office	1,912	1,023
Pubs	13	0
Retirement	3,708	1,623
	<u>6,037</u>	<u>3,038</u>



2 Capital values by sector (£'000)

	2010	2009
	£'000	£'000
Hotels	10,189	5,101
Office	60,202	18,137
Pubs	1,294	29
Retirement	47,857	30,330
	<u>119,542</u>	<u>53,597</u>



The above table includes all tangible fixed asset and stock but excludes goodwill and negative goodwill arising on acquisition.

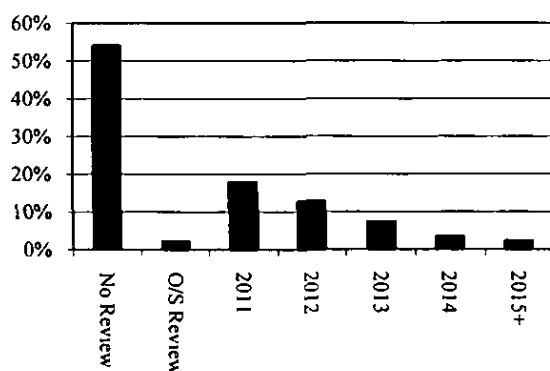


Fig 1 Percentage of Rent due for Review per Year

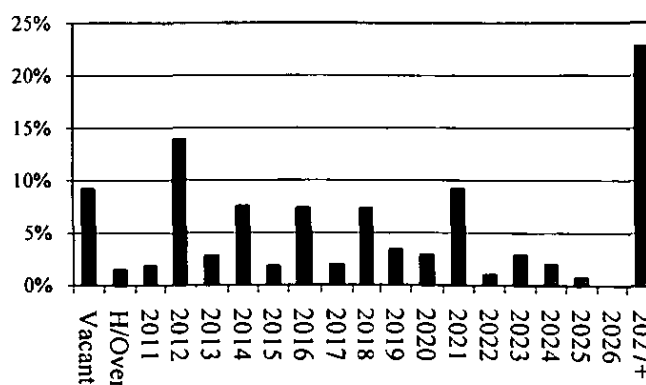


Fig 2 Percentage of Leases Expiring per Year by Year

The chart (Fig 1) above excludes the reviews of the 3 Shearings Hotels which are 25 year leases with annual RPI rent uplifts. Both charts exclude Audley and Sovereign Reversions, for which operating profit rather than rental income is generated.

Moorfield Real Estate Fund II “B” Limited Partnership

Report of the General Partner for the year ended 31 December 2010 (continued)

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 becoming vacant – this risk is managed by the Asset Manager on behalf of the General Partner. The Asset Manager oversees this process and directs a team of leading real estate professionals to manage this process in a timely and effective manner,
- (iii) The impact of a general downturn in the real estate market negatively impacting on the valuation of individual real estate assets. 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 reducing the exposure to adverse market movements
- (iv) The operating risk of the Audley Court portfolio - the Partnership, through a corporate structure develops, sells and operates village-style retirement schemes. Whilst the management team cannot influence the real estate residential market they mitigate risk by completing detailed research into the local demographics before acquiring sites, and the product is targeted at the upper end of the market

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

- (i) **Interest rate risk**
The Partnership finances its investments through a mixture of interest free loans from limited partners, and bank borrowings. The Partnership uses interest rate derivatives to manage its exposure to interest rate fluctuations. At the period end approximately 57% of the Partnership’s bank borrowings were at fixed or capped rates after taking in to account interest rate swaps (see note 13 to the financial statements). The Partnership does not fix the interest cost of the equity bridge facility because of its short term nature
- (ii) **Debt financing**
Each investment is held in a separate corporate structure which is wholly-owned by the combined parallel partnerships. The bank borrowings are secured by fixed and floating charges over the assets of the Partnership and are not cross-collateralised. The principal covenants relating to these borrowings are an interest cover ratio, a loan to value ratio and, in respect of the equity bridge facility, a loan to undrawn partner commitments ratio

Moorfield Real Estate Fund II "B" Limited Partnership

Report of the General Partner for the year ended 31 December 2010 (continued)

Statement of General Partner's responsibilities

The General Partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the Partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 Partnership will continue in business.

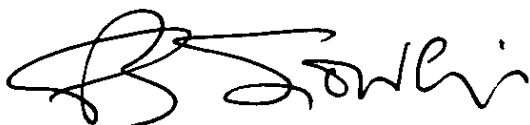
The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as the General Partner in office at the date of approval of these financial statements is aware

- there is no relevant audit information of which the Partnership's auditors are unaware, and
- it has taken all the steps that it ought to have taken as General Partner in order to make itself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

On behalf of the Partnership



G Sidwell
For Moorfield Real Estate Fund II GP Limited
General Partner
21 April 2011

Moorfield Real Estate Fund II “B” Limited Partnership

Independent auditors’ report to the Members of Moorfield Real Estate Fund II “B” Limited Partnership

We have audited the financial statements of Moorfield Real Estate Fund II ‘B’ Limited Partnership for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of members and auditors

As explained more fully in the Statement of General Partner’s Responsibilities set out on page 6, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the members of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the qualifying partnership’s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the qualifying Partnership’s affairs as at 31 December 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

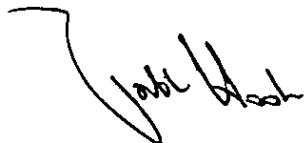
Moorfield Real Estate Fund II "B" Limited Partnership

Independent auditors' report to the Members of Moorfield Real Estate Fund II "B" Limited Partnership (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 April 2011

Moorfield Real Estate Fund II “B” Limited Partnership

Profit and loss account for the year ended 31 December 2010

	Notes	Partnership		Proportionate share of income and expenditure ¹	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Turnover	2	0	100	6,037	3,038
Cost of sales		0	0	(3,463)	(1,779)
Gross profit		0	100	2,574	1,259
Administrative expenses		(80)	(26)	(2,490)	(1,034)
Operating (loss)/profit	3	(80)	74	84	225
Investment income		648	0	0	0
Interest payable and similar charges	5	(1,044)	(1,016)	(2,692)	(2,628)
Interest receivable and similar income		6	5	11	9
Loss on ordinary activities before tax		(470)	(937)	(2,597)	(2,394)
Tax on loss on ordinary activities		0	0	(112)	(149)
Loss on ordinary activities for the financial year		(470)	(937)	(2,709)	(2,543)

¹ Proportionate share of income and expenditure of the fixed asset investments (note 9) is provided in addition to the partnership's own financial statements to give a fuller understanding of the impact of these investments on the partnership accounts

All amounts above relate to continuing operations of the Limited Partnership

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 December 2010

	Partnership		Proportionate share of gains and losses ¹	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Loss for the financial year	(470)	(937)	(2,709)	(2,543)
Priority Profit Share allocation distributed to General Partner (Note 15)	(1,889)	0	(1,889)	0
Movement on unrealised revaluation surplus	(1,811)	2,129	428	3,735
Total recognised (losses)/gains relating to the year	(4,170)	1,192	(4,170)	1,192

¹ Proportionate share of gains and losses of the fixed asset investments (note 9) is provided in addition to the Partnership's own financial statements to give a fuller understanding of the impact of these investments on the partnership accounts

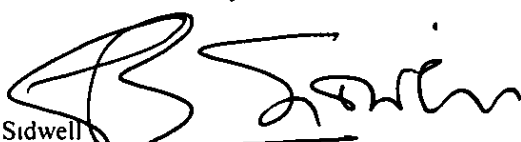
Moorfield Real Estate Fund II "B" Limited Partnership

Balance sheet as at 31 December 2010

		Partnership		Proportionate share of assets and liabilities ¹	
	Notes	2010	2009	2010	2009
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	6	0	0	2,737	3,546
Tangible fixed assets	7	0	0	7,370	5,964
Investment in real estate	8	0	0	64,902	23,237
Other fixed asset investments	9	45,855	16,438	5,828	0
		45,855	16,438	80,837	32,747
Current assets					
Stock	10	0	0	41,442	24,396
Debtors	11	19,315	12,810	8,117	6,792
Cash at bank and in hand		118	201	3,898	897
		19,433	13,011	53,457	32,085
Creditors: amounts falling due within one year	12	(47,641)	(12,166)	(74,847)	(20,521)
Net current (liabilities)/assets		(28,208)	845	(21,390)	11,564
Total assets less current liabilities		17,647	17,283	59,447	44,311
Creditors: amounts falling due after one year	13	0	0	(41,800)	(27,028)
Net assets		17,647	17,283	17,647	17,283
Represented					
Capital contribution accounts	14	2	2	2	2
Partner loan accounts	14	22,036	17,502	22,036	17,502
Revaluation reserve	14	(4,389)	1,853	635	4,308
Profit and loss account	14	0	(2,074)	(5,026)	(4,529)
		17,647	17,283	17,647	17,283

¹ Proportionate share of assets and liabilities of the fixed asset investments (note 9) is provided in addition to the partnership's own financial statements, to give a fuller understanding of the impact of these investments on the partnership accounts

The financial statements on pages 9 - 28 were approved by the General Partner on 21 April 2011 and signed on behalf of the General Partner by


 G Sidwell
 For Moorfield Real Estate Fund II GP Limited
 General Partner

Moorfield Real Estate Fund II “B” Limited Partnership

Cash flow statement for the year ended 31 December 2010

	Notes	Partnership		Proportionate share of cash flows ¹	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Net cash (outflow)/inflow from operating activities	18	(5,571)	(6,666)	216	(2,966)
Advance profit share paid to General Partner		(2,645)	(2,645)	(2,645)	(2,645)
Returns on investment and servicing of finance					
Dividend income		127	0	0	0
Interest received		7	5	11	9
Interest paid		10	(150)	(1,437)	(1,638)
Finance fees paid		(580)	(58)	(1,048)	(328)
		(436)	(203)	(2,474)	(1,957)
Taxation					
Corporation tax paid		0	0	(42)	0
Capital expenditure and financial investment					
Purchase of tangible fixed assets		0	0	(59)	(984)
Purchase of investments in real estate		(35,559)	0	(61,235)	(14,628)
		(35,559)	0	(61,294)	(15,612)
Acquisitions					
Purchase of investment in undertakings		0	0	(14,293)	0
Purchase of subsidiary		0	(5,913)	0	(186)
Proceeds of sale of subsidiary undertaking		4,450	0	17,748	0
		4,450	(5,913)	3,455	(186)
Net cash outflow before financing		(39,761)	(15,427)	(62,784)	(23,366)
Financing					
Bank loans advanced in the year		35,144	(1,905)	60,562	6,305
Partner loan advanced in the year		4,534	17,502	4,534	17,502
Partner capital advanced in the year		0	2	0	2
		39,678	15,599	65,096	23,809
(Decrease)/increase in cash in the year	19, 20	(83)	172	2,312	443

¹ Proportionate share of cash flows of the fixed asset investments (note 9) is provided in addition to the partnership's own financial statements to give a fuller understanding of the impact of these investments on the partnership accounts

Moorfield Real Estate Fund II "B" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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, fixed asset investments and other tangible fixed assets. The financial statements are prepared in accordance with applicable accounting standards, including SSAP 19, which unlike the Companies Act 2006 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 real estate investments accounting policy below.

Turnover

Turnover represents income from investment properties, net of value added tax, and is accounted for on an accruals basis. Income from participating interest relates to distributions from fixed asset investments and is recognised when declared and approved. The proportionate share of turnover includes income of the underlying operating entities, excluding value added tax, and is accounted for on an accruals basis.

Fixed Asset Investment

The Partnership invests in a number of undertakings along with its parallel fund, Moorfield Real Estate Fund "A" Limited Partnership as detailed in note 9. In the individual financial statements of Moorfield Real Estate Fund "B" Limited Partnership and Moorfield Real Estate Fund "A" Limited 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 General Partner has 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 Profit and Loss Account to the extent it is not covered by a revaluation surplus. Where an impairment is considered by the General Partner to be temporary the charge is made to the revaluation reserve.

Real estate investments

Real estate investments are stated at open market value. In accordance with SSAP 19 Investment Properties are not depreciated. This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets, however, these properties are not held for consumption but for investment and the General Partner considers that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition. Freehold and long leasehold land and buildings are within the MREF Hotels portfolio. No depreciation is provided on these freehold or long leasehold land and buildings. It is the Partnership'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 General Partner consider that based on the lives of these assets, and residual values, 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 General Partner performs an annual impairment review. Any deficits noted are charged to the profit and loss account, except where the asset has been revalued and when the deficit is considered temporary, are 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.

Assets under construction

The carrying value of tangible fixed assets under construction is their purchase cost together with any incidental cost of acquisition. Upon completion the asset will be transferred to freehold land and buildings and depreciation will be charged.

Borrowings

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

Interest rate swaps

The Partnership uses interest rate swaps to hedge its risks associated with interest rate fluctuation risk. The interest rate swaps are disclosed at their fair value in notes 13 of the financial statements.

Stock

Stock, comprising real estate held for development or sale, is stated at the lower of cost and net realisable value. Cost is determined using the first in first out method. Net realisable value is defined as estimated selling price less all further costs of development and estimated selling expenses. Provision is made for slow moving and obsolete stock.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

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.

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

General Partner’s annual share of profits

The General Partner is entitled to receive an annual priority share of profits in respect of its 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.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Goodwill is capitalised, classified as an asset on the Balance Sheet and amortised on a straight line basis over 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill

In October 2010, the Partnership, together with its parallel fund the Moorfield Real Estate Fund II “A” Limited Partnership, established a 50/50 joint venture with Grainger plc and acquired the share capital of Sovereign Reversions Limited. As a result of this transaction the Partnership acquired an excess of net assets over cost. The resultant negative goodwill in the proportionate share of assets and liabilities is being amortised over a 20 year period.

2 Turnover

Turnover relates to the Partnership’s main activity which is carried out in the United Kingdom.

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

3 Operating profit

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Administration expenses include				
Staff costs (Note 4)	0	0	1,491	1,292
Fees payable to the partnership's auditor for the audit of the annual financial statements	29	7	71	29
Fees payable to the partnership's auditor and its associates for other services	21	19	37	53
Depreciation	0	0	283	23
Amortisation	0	0	100	204

In addition to the fees paid to the Partnership's auditors included in the operating profit/(loss) above, the following fees were capitalised in the balance sheet

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Fees payable to the Partnership's auditors and its associate for other services	0	0	129	81

4 Employee information

	Proportionate	
	2010	2009
	£'000	£'000
Staff costs:		
Wages and salaries	1,368	1,179
Social security costs	123	113
	1,491	1,292
	2010	2009
	Number	Number
The average monthly number of persons employed during the year was:		
Employees	84	58

The Partnership has no employees (2009 nil) The above are employees of Audley Court and Sovereign Reversions

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

5 Interest payable and similar charges

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Interest payable on bank loans	680	646	2,258	1,705
Other interest payable	0	0	0	922
Financing fees	364	370	434	1
	1,044	1,016	2,692	2,628

6 Intangible fixed assets

	Proportionate goodwill	Proportionate negative goodwill
	£'000	£'000
Cost		
At 1 January 2010	3,780	0
Additions	473	(1,139)
At 31 December 2010	4,253	(1,139)
Accumulated amortisation		
At 1 January 2010	234	0
Charge for the year	155	(12)
At 31 December 2010	389	(12)
Net book value		
At 31 December 2010	3,864	(1,127)
At 31 December 2009	3,546	0

See the General Partner's report and Note 9 for further information

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

7 Other tangible fixed assets

	Proportionate Freehold land and buildings £'000	Proportionate Assets under construction £'000	Proportionate Property improvement works £'000	Proportionate Other fixed assets £'000	Proportionate Total £'000
Cost					
At 1 January 2010	1,979	3,908	0	105	5,992
Additions	290	405	1,172	104	1,971
At 31 December 2010	2,269	4,313	1,172	209	7,963
Accumulated depreciation					
At 1 January 2010	0	0	0	28	28
Charge for the year	233	0	217	115	565
At 31 December 2010	233	0	217	143	593
Net book amount					
At 31 December 2010	2,036	4,313	955	66	7,370
At 31 December 2009	1,979	3,908	0	77	5,964

8 Investments

	Proportionate share of investment in real estate £'000
Cost or valuation	
At 1 January 2010	23,237
Additions	59,374
Disposals	(18,136)
Revaluation	427
At 31 December 2010	64,902

The General Partner believes that the carrying value of the investments is supported by their underlying net assets

On 29 January 2010 the Partnership, together with its parallel fund the Moorfield Real Estate Fund A II LP, sold its investment in the headquarters building of Mitchells and Butlers in Birmingham for £39.2 million

The historical cost to the Partnership of its underlying investments in real estate as at 31 December 2010 was £64.2 million (2009 £18.9 million)

Valuations of the Partnership's proportionate share of fully operational investment real estate were undertaken on acquisition by external professionally qualified valuers. The resulting valuation of the Partnership's proportionate share of investment real estate was £64.9 million (2009 £23.2 million)

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

9 Other fixed asset investments

Partnership	At 1 January 2010 £'000	Net additions £'000	Revaluations £'000	Disposals £'000	At 31 December 2010 £'000
Investment in					
George Chollerford Ltd	110	0	177	0	287
Eden Arms Rushyford Ltd	(189)	0	78	0	(111)
St George Harrogate Ltd	222	0	424	0	646
Jewel II Property Company Ltd	(35)	0	108	0	73
MREF II AC Holdings Sarl – Loan Stock	7,492	5,657	0	0	13,149
AC Holdings Sarl - Loan Stock	3,998	0	(2,369)	0	1,629
MREF II (Birmingham) Holdings Ltd	4,834	0	(402)	(4,432)	0
MREF II MH Sarl	0	13,692	258	0	13,950
MREF Hotels Ltd	0	4,534	0	0	4,534
MREF II Skypark LP + MREF II Skypark 2 LP	0	11,776	46	0	11,822
MREF II Investments Ltd	2	0	9	0	11
MREF II Violet Ltd	2	0	(137)	0	(135)
MREF II Indigo Ltd	2	0	(2)	0	0
Total	16,438	35,659	(1,810)	(4,432)	45,855

On 29 January 2010 the Partnership, together with its parallel fund the Moorfield Real Estate Fund A II LP, sold the entire share capital in MREF II (Birmingham) Holdings Limited, the holding entity for the combined Partnerships' investment in the Mitchells & Butlers head office. The disposal is summarised below:

	Total £000s	Partnership's Share £000s
Net sales proceeds	39,107	17,731
Repayment of bank loans	(29,331)	(13,299)
Gain on sale of investment	9,776	4,432
Dividend income received	281	128
Total gain	10,057	4,560

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

9 Other fixed asset investments (continued)

During the year the Partnership, together with its parallel fund, made the following acquisitions

- i An interest in investment real estate at Brindleyplace in Birmingham, through the establishment of a joint venture vehicle with Hines. The Partnership, together with its parallel fund, established MREF II MH Sarl, a company registered in Luxembourg, to hold its 40% interest in the joint venture. The real estate at Brindleyplace was acquired by the joint venture for £186.2 million and the acquisition was financed with a 5 year senior debt facility from Eurohypo for £121 million, the balance was provided by MREF II and Hines. The Partnership's cost of investment, including acquisition fees, is £13.7 million and was initially financed using the BOA equity bridge facility.
- ii The Partnership, and its parallel fund, acquired £10,000,000 of equity in MREF Hotels Ltd (the partnership's share was £4,534,000), a hotel portfolio owned by the Moorfield Real Estate Fund A LP and Moorfield Real Estate Fund B LP and managed by Accor. The Partnership has a commitment to provide a further £4,534,000 of equity to provide working capital for capital expenditure projects at the hotels. The new equity has been structured as preference shares with a maximum IRR on redemption of 17.5% and also participates in a profit share on exit.
- iii MREF II Equity Release Ltd, a wholly owned subsidiary of the combined partnerships, acquired 50% of the share capital in Sovereign Reversions plc. The Partnership has included its share of the assets and liabilities of the Sovereign Reversions within its Proportionate results for the year. At acquisition the assets and liabilities of Sovereign Reversions were fair valued which gave rise to a negative goodwill adjustment. A summary of the opening position is given below.

	Sovereign Reversions on Acquisition £'000	50% share £'000	Consistency of accounting policy £'000	Fair value 50% share on acquisition £'000	Proportionate share £'000
Fixed Assets	413	207	0	207	93
Current Assets					
Real estate held for sale at fair value	67,392	33,696	0	33,696	15,278
Debtors	483	241	0	241	109
Cash	3,086	1,543	0	1,543	700
Bank loans	(28,218)	(14,109)	0	(14,109)	(6,397)
Creditors	(785)	(393)	0	(393)	(178)
Provision for deferred tax	(3,761)	(1,881)	1,881	0	0
NAV on acquisition	38,610	19,304	1,881	21,185	9,605
Negative goodwill on acquisition (note 6)				(2,513)	(1,139)
Consideration paid				18,672	8,466

Moorfield Real Estate Fund II "B" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

9 Other fixed asset investments (continued)

- iv The Partnership, and its parallel fund, established two limited partnerships registered in Jersey to acquire all of the units in the Skypark Unit Trust. The Jersey Limited Partnerships entered in to a joint 5 year senior debt facility with Eurohypo for £29,888,500 (the Partnership's proportionate share is £13,552,000) which is secured over the real estate and units of Skypark Unit Trust. The balance of funding of £11,776,000 was provided by the Partnership using the BOA equity bridge facility.

At acquisition the assets and liabilities of the Skypark Unit Trust were fair valued and the resulting consolidation gave rise to a goodwill adjustment in the Proportionate balance sheet. A summary of the opening position is given below:

	Fair value on acquisition £'000	Proportionate share £'000
Real estate investment	53,750	24,371
Current Assets		
Debtors	213	97
Cash	287	130
Creditors	- 638	(289)
NAV on acquisition	53,612	24,309
Goodwill on acquisition	981	444
Consideration paid	<u>54,593</u>	<u>24,753</u>

Proportionate

	At 1 January 2010 £'000	Net additions £'000	Revaluations £'000	At 31 December 2010 £'000
Investment in:				
MREF Hotels Limited	0	4,534	0	4,534
MREF II Investments Limited	0	1,294	0	1,294
	<u>0</u>	<u>5,828</u>	<u>0</u>	<u>5,828</u>

MREF II Investments Limited has acquired shares in the Capital Pub Company plc during the year. At 31 December 2010, the Company held 11.3% of the entire share capital of Capital Pub Company Limited. See General Partner's report.

10 Stock

	Partnership		Proportionate	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Real estate held for development	0	0	26,285	24,394
Real estate held for sale	0	0	15,155	0
Other trade stock	0	0	2	2
	<u>0</u>	<u>0</u>	<u>41,442</u>	<u>24,396</u>

Moorfield Real Estate Fund II "B" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

11 Debtors

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade debtors	0	0	585	146
Amounts owed by General Partner (see below)	6,530	5,774	6,530	5,774
Amounts owed by fellow group undertakings	12,271	6,942	0	0
Other debtors	108	94	497	762
Prepayments and accrued income	406	0	505	110
	19,315	12,810	8,117	6,792

Amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand

Amounts owed by the General Partner represent an interest free advance of the Priority Profit Share allocation

12 Creditors: amounts falling due within one year

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans - amounts drawn down	47,753	12,042	70,890	18,468
Bank loan - unamortised finance fees	(371)	(83)	(371)	(83)
Trade creditors	0	7	1,391	518
Amounts owed to group undertakings	4	133	0	0
Other taxes and social security	1	0	225	237
Other creditors	0	0	145	210
Accruals and deferred income	254	67	2,567	1,171
	47,641	12,166	74,847	20,521

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

Bank loans comprise of a 364 day bridge facility from Bank of America provided to the Partnership and its parallel fund, the Moorfield Real Estate Fund II "B" Limited Partnership, for financing the acquisition of investments and working capital. The underlying investments also include a number of development facilities at Audley Court and two facilities in Sovereign Reversions that were repaid in January 2011 as a result of the change of control (Further detail is given in note 13)

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

13 Creditors: amounts falling due after more than one year

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loans – amounts drawn down	0	0	42,245	27,141
Bank loans – unamortised finance fees	0	0	(551)	(247)
Other creditors	0	0	106	134
	0	0	41,800	27,028

Proportionate Share of Bank Loans

Bank	Description	Total Drawn £'000	Due in < 1 yr £'000	Due in > 1 yr £'000	Rate	Margin	Expiry
BOA	Equity Bridge	47,753	47,753	0	Libor	3.00%	26/04/2012
Coutts	Senior debt	2,806	0	2,806	Libor	2.00%	30/10/2014
Clydesdale	Investment	1,711	1,711	0	Libor	1.00%	01/09/2011
Clydesdale	Development	4,965	1,034	3,931	Libor	2.41%	30/12/2016
Lloyds Banking Group	Development	7,310	7,310	0	Libor	2.25%	27/03/2012
Bank of Ireland	Development	1,730	1,730	0	Base rate	2.50%	26/09/2011
Bank of Ireland	Development	5,075	5,075	0	Base rate	2.00%	30/10/2010
Northern Bank	Investment	58	58	0	Base rate	5.95%	15/06/2014
Eurohypo	Senior debt	21,956	0	21,956	Libor	1.60%	07/07/2015
Eurohypo	Senior debt	13,552	0	13,552	Libor	2.30%	29/10/2015
AIB	Senior debt	3,287	3,287	0	Libor	TBC	31/01/2011
HBOS	Senior debt	2,932	2,932	0	Libor	TBC	31/01/2011
		113,135	70,890	42,245			

These borrowings are secured by fixed charges over the real estate and floating charges on certain other assets. The Partnership, together with its parallel fund the Moorfield Real Estate Fund II “A” Limited Partnership, has extended its facility with Bank of America for the 364 day equity bridge facility for two years to 26 April 2011 and increased the facility to £150 million.

The Sovereign Reversions facilities with AIB and Lloyds Banking Group were in breach of their facility agreements due to the change of control. Both lenders agreed to extend the facilities to the 31 January 2011 when they were repaid in full. The Partnership, and its parallel partnership, together with Grainger plc have provided short term funding whilst a new facility is negotiated.

At 31 December 2010, two of the Audley development facilities, with Lloyds Banking Group and Bank of Ireland, were in breach of certain terms of their facility agreements. Since the year end both of these facilities have been renegotiated to increase the size of the facility and extend the term of each facility.

Moorfield Real Estate Fund II "B" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

13 Creditors: amounts falling due after one year (continued)

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

Hedging counterparty		Amount Hedged £'000	Fixed Rate %	Expiry	Fair value £'000
Coutts	Cap	2,806	5.00%	30/10/2014	17
Clydesdale	Swap	1,824	6.31%	30/09/2011	(79)
HBOS	Swap	1,270	5.33%	30/01/2011	(5)
Eurohypo	Swap	16,467	2.29%	07/07/2015	(52)
Eurohypo	Swap	12,197	2.02%	29/10/2015	166
Lloyds Banking Group	Swap	2,834	5.88%	31/05/2011	(29)
Lloyds Banking Group	Collar	227	5.0-6.25%	27/08/2011	(8)

14 Partners' accounts

Partnership

	Partner loans £	Capital contributions £	Revaluation reserve £	Profit and loss account £	Balance at 31 December 2010 £
Limited Partners					
Makena Capital Holdings Red LLC	3,150,983	252	(627,803)	-	2,523,432
Bank of Scotland	4,687,103	375	(933,859)	-	3,753,619
Metropolitan Real Estate Partners International II-N, LP	38,022	3	(7,575)	-	30,450
Composition Capital Partners Europe Fund II C V	624,947	50	(124,514)	-	500,483
Metropolitan Real Estate Partners International II-T, LP	223,356	18	(44,501)	-	178,873
Stichting Pensioenfonds Van De Metalelektro	4,374,629	350	(871,601)	-	3,503,378
Moorfield Real Estate Fund II LP Limited	1,562,368	125	(311,286)	-	1,251,207
Varma Mutual Pension Insurance Company	3,749,682	300	(747,087)	-	3,002,895
Industriens Pensionsforsikring	3,624,693	290	(722,184)	-	2,902,799
	22,035,783	1,763	(4,390,410)	-	17,647,136
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Ltd	-	441	-	-	441
	22,035,783	2,204	(4,390,410)	-	17,647,577

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

14 Partners' accounts (continued)

Proportionate share of reserves

	Partner Loans £	Capital Contributions £	Revaluation Reserve £	Profit and loss account £	Balance at 31 December 2010 £
Limited Partners					
Makena Capital Holdings Red LLC	3,150,983	252	90,869	(718,672)	2,523,432
Bank of Scotland	4,687,103	375	135,169	(1,069,028)	3,753,619
Metropolitan Real Estate Partners International II-N, LP	38,022	3	1,097	(8,672)	30,450
Composition Capital Partners Europe Fund II C V	624,947	50	18,023	(142,537)	500,483
Metropolitan Real Estate Partners International II-T, LP	223,356	18	6,442	(50,943)	178,873
Stichting Pensioenfonds Van De Metalelektro	4,374,629	350	126,158	(997,759)	3,503,378
Moorfield Real Estate Fund II LP Limited	1,562,368	125	45,057	(356,343)	1,251,207
Varma Mutual Pension Insurance Company	3,749,682	300	108,135	(855,222)	3,002,895
Industriens Pensjonsforsikring	3,624,693	290	104,531	(826,715)	2,902,799
	22,035,783	1,763	635,481	(5,025,891)	17,647,136
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Ltd		441			441
	22,035,783	2,204	635,481	(5,025,891)	17,647,577

Partner loans accrue no interest

Moorfield Real Estate Fund II “B” Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

15 Reconciliation of movement in partners' accounts

Partnership	Capital contribution s	Partner loans	Revaluation reserve	Income account
	£'000	£'000	£'000	£'000
At 1 January 2010	2	17,502	1,853	(2,074)
Loss for the year	0	0	0	(470)
Drawdown of partner loans	0	4,534	0	0
Revaluation for the year	0	0	(1,810)	0
Transfer between reserves	0	0	(4,432)	4,432
Priority Profit Share allocation distributed to General Partner	0	0	0	(1,888)
At 31 December 2010	2	22,036	(4,389)	0

Proportionate	Capital contribution s	Partner loans	Revaluation reserve	Income account
	£'000	£'000	£'000	£'000
At 1 January 2010	2	17,502	4,308	(4,529)
Loss for the year	0	0	0	(2,709)
Drawdown of partner loans	0	4,534	0	0
Revaluation for the year	0	0	427	0
Transfer between reserves	0	0	(4,100)	4,100
Priority Profit Share allocation distributed to General Partner	0	0	0	(1,888)
At 31 December 2010	2	22,036	635	(5,026)

The transfer between reserves relates to the realisation of profits on the sale of the Mitchells & Butlers headquarters in Birmingham, as discussed in note 8

The priority profit share allocation distributed to the General Partner is offset against the advance profit share already received by the General Partner. The balance of the advance profit share is included in Debtors (Note 11)

Moorfield Real Estate Fund II "B" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

16 Related party transactions

The Partnership is operated in conjunction with the Moorfield Real Estate Fund II "A" Limited Partnership, its parallel fund. The two partnerships, with respect to any investment in property, invest and divest on economic and non-economic terms that are the same. The respective interests of the two partnerships in any investment in property are in proportion to the commitments of each of the Partnerships and they share pro-rata in any related investment expenses (Moorfield Real Estate Fund II "A" Limited Partnership 54.7%, Moorfield Real Estate Fund II "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 II 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 £2,645,000 (2009 £2,645,000) from the Partnership.

Moorfield Group Limited is the Asset Manager for the Partnership and received £79,000 (2009 £100,000) of asset management fees from the Partnership and its underlying investments. Moorfield Group also received a further £91,000 (2009 £46,000) for the introduction, due diligence and advisory services in relation to the acquisition of the Mitchells & Butlers headquarters building.

17 Capital commitments and contingent liabilities

As at 31 December 2010 there were no capital commitments or contingent liabilities (2009 £nil).

18 Reconciliation of operating profit to cash inflow/(outflow) from operating activities

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Operating (loss)/profit	(80)	74	84	225
Depreciation/amortisation	0	0	384	227
Working capital movements				
Debtors	(5,319)	(6,831)	(344)	(125)
Creditors	(172)	91	1,860	(119)
Stocks	0	0	(1,768)	(3,174)
Net cash (outflow)/inflow from operating activities	(5,571)	(6,666)	216	(2,966)

Moorfield Real Estate Fund II "B" Limited Partnership

Notes to the financial statements for the year ended 31 December 2010

19 Reconciliation of net cash flow to net movement in debt

	Partnership		Proportionate	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
(Decrease)/increase in cash	(83)	172	2,312	443
Cash (outflow)/inflow from debt	(34,564)	1,963	(59,514)	(5,977)
Non-cash changes	(869)	(869)	(935)	(762)
Net movement in debt	(35,516)	1,266	(58,137)	(6,296)
Net cash inflow on acquisition and disposal of undertakings	0	0	689	0
Net debt outflow on acquisition and disposal of undertakings	0	0	(6,484)	0
Net debt at start of the year	(11,757)	(13,023)	(44,381)	(38,085)
Net debt at end of the year	(47,273)	(11,757)	(108,313)	(44,381)

20 Analysis of net debt

	1 January 2010 £'000	Cash flow in year £'000	Non-cash changes £'000	31 December 2010 £'000
Partnership				
Cash in hand and at bank	201	(83)	0	118
Bank loans due within one year	(11,958)	(34,564)	(869)	(47,391)
Net debt	(11,757)	(34,647)	(869)	(47,273)

	1 January 2010 £'000	Cash flow in period £'000	Non-cash changes £'000	On acquisition or disposal	31 December 2010 £'000
Proportionate					
Cash in hand and at bank	897	2,312	0	689	3,898
Bank loans due within one year	(18,385)	(33,113)	(12,624)	(6,397)	(70,519)
Bank loans due after one year	(26,893)	(26,401)	11,689	(87)	(41,692)
Net debt	(44,381)	(57,202)	(935)	(5,795)	(108,313)

Further detail on bank loans is given in note 13

Moorfield Real Estate Fund II "B" Limited Partnership

Unaudited comparison to US GAAP and IFRS

The financial statements presented on pages 9 to 28 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 valuation and are revalued annually. The change in real estate valuation is recorded directly to the revaluation reserve, a component of shareholders' equity. Impairment provisions are charged to the profit and loss account earnings when a decrease in value is considered permanent. Under US GAAP investments are marked to fair value each year end and any increases or decreases in real estate values are recorded directly in the profit and loss account.

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.

Under US GAAP, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments have been fair valued and the movement in the fair value reported in the earnings in the current period. The financial instruments were last valued at 31 December 2010 at a gain of £11,000 (2009 £319,000).

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 year to 31 December 2010, the General Partner's share paid has been recognised as an interest free loan to the General Partner.

For US GAAP purposes, management consider that the General Partner's share for the year to 31 December 2010, amounting to £5,832,000 (2009 £5,832,000) (MREF II A share = £3,188,000, MREF II B share = £2,644,000), should be recognised as an operating expense in the period.

Goodwill

The excess of cost over the fair value of the acquired net assets. Under UK GAAP, FRS 10 requires that goodwill be amortised over the period of its economic life, in this case 20 years. Goodwill of £155,000 (2009 £204,000) was amortised in the year.

US GAAP requires that goodwill is allocated to the acquired long-lived assets, where this cannot be specifically recognised it is disclosed as an intangible asset, and subject to an annual impairment review.

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. 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. £226,000 has been recognised in the income statement in the current year.

Moorfield Real Estate Fund II “B” Limited Partnership

Unaudited comparison to US GAAP and IFRS (continued)

US GAAP (continued)

Deferred tax

For UK GAAP deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. At the 31 December 2010 MREF II was not required to make any provisions for deferred tax. Deferred income tax is calculated after taking account of any indexation allowances and capital losses. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is calculated using rates enacted or substantially enacted at the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred income tax assets and liabilities are only offset if there is a legally enforceable right of set off. At 31 December 2010 MREF II had included a provision for deferred tax of £1,887,000 (MREF II A £1,031,000 and MREF II B £856,000).

Turnover - Tenant Incentives

UK GAAP requires that all incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net payment agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. A lessee recognises the aggregate benefit of incentives as a reduction of rental expense. The benefit is allocated over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rental will be payable. [UITF 28 13- IFRS requires that the aggregate benefit of incentives is recognised as an adjustment of rental expense over the full lease term (market rent reviews are ignored) on a straight-line basis unless another systematic basis is representative of the time pattern of the benefit of the leased asset. [SIC 15 3-15 5]

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

	UK GAAP £'000	Net Adjustments £'000	US GAAP £'000
Net loss for the year to 31 December 2010	(2,709)	(1,286)	(3,995)
Net assets at 31 December 2010	17,648	(5,686)	11,962

Moorfield Real Estate Fund II “B” Limited Partnership

Unaudited comparison to US GAAP and IFRS (continued)

IFRS

Investment in real estate

Under UK GAAP, investments in real estate are stated at fair value and are revalued annually. The change in real estate valuation is recorded directly to the revaluation reserve, a component of shareholders' equity. Impairment provisions are charged to the profit and loss account when a decrease in value is considered permanent.

Under IFRS, investments in real estate are stated at fair value and are revalued annually. Gains and losses arising from changes in the fair value of investment properties are included in other operating income in the Profit and Loss account of the year which they arise. Accordingly, the increase in value of £429,000 (2009: £3,735,000) in the current year would have been recorded in the profit and loss account.

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 Profit and Loss account in the current year. The financial instruments were last valued at 31 December 2010 at a gain of £11,000 (2009: £319,000 loss).

Goodwill

The excess of cost over the fair value of the acquired net assets. Under UK GAAP, FRS 10 requires that goodwill be amortised over the period of its economic life, in this case 20 years. Goodwill of £155,000 (2009: £204,000) was amortised in the year.

Under IFRS, where goodwill arises the measurement of the purchase consideration and the fair value assessment of all identifiable assets and liabilities should be reassessed. If goodwill remains after this reassessment of cost and fair values, the goodwill is recognised and subsequently accounted for in accordance with IFRS 3 and IAS 36 Impairment of Assets, which requires an allocation of goodwill to cash generating units, and impairment testing at least annually.

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. 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. £226,000 has been recognised in the income statement in the current year.

Deferred tax

For UK GAAP deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. At the 31 December 2010 MREF II was not required to make any provisions for deferred tax. Deferred income tax is calculated after taking account of any indexation allowances and capital losses. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is calculated using rates enacted or substantially enacted at the balance sheet date.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred income tax assets and liabilities are only offset if there is a legally enforceable right of set off. At 31 December 2010 MREF II had included a provision for deferred tax of £1,887,000 (MREF II A: £1,031,000 and MREF II B: £856,000).

Moorfield Real Estate Fund II "B" Limited Partnership

Unaudited comparison to US GAAP and IFRS (continued)

IFRS (continued)

Turnover - Tenant Incentives

UK GAAP requires that all incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net payment agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. A lessee recognises the aggregate benefit of incentives as a reduction of rental expense. The benefit is allocated over the shorter of the lease term and a period ending on a date from which it is expected the prevailing market rental will be payable [UITF 28 13- IFRS requires that the aggregate benefit of incentives is recognised as an adjustment of rental expense over the full lease term (market rent reviews are ignored) on a straight-line basis unless another systematic basis is representative of the time pattern of the benefit of the leased asset [SIC 15 3-15 5]

The effect of the adjustments referred to above are shown in the following table for the proportionate share

	UK GAAP £'000s	Net adjustments £'000s	IFRS £'000s
Net loss for the year to 31 December 2010	(2,709)	1,358	(1,351)
Net assets at 31 December 2010	17,648	844	18,492