Registered number: 6312634

Moorfield Real Estate Fund II GP Limited

Annual Report and Financial Statements

for the year ended 31 December 2009

8.9.10 011

Moorfield Real Estate Fund II GP Limited

Annual report and financial statements for the year ended 31 December 2009

	Pages
Directors and advisers	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 10

Moorfield Real Estate Fund II GP Limited

Directors and advisers

Directors

Marc Gilbard
Graham Stanley
Graham Sidwell
Nicholas Edwards

Company secretary

Timothy Sanderson

Registered office

Nightingale House
65 Curzon Street
London
W1J 8PE

Bankers

HBOS Plc
London Chief Office
P O Box 54873
London
SW1Y 5WX

Statutory auditors

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

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

Principal activities

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 £225,000 (2008 profit £56,000)

Directors

The directors who held office during the year are given below

Marc Gilbard
Graham Stanley
Graham Sidwell
Nicholas Edwards (Appointed 19 November 2009)

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,
- 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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

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

Moorfield Real Estate Fund II GP Limited

Directors' report for the year ended 31 December 2009 (continued)

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

Auditors

PricewaterhouseCoopers LLP were appointed as auditors during the year and 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

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 2009 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 in the Directors' Report, 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 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 2009 and of 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 requirements of 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

Jonathan Hook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 July 2010

Moorfield Real Estate Fund II GP Limited

Profit and loss account for year ended 31 December 2009

	Notes	**Year ended 31 December 2009 £'000**	Period ended 31 December 2008 £'000
Turnover	2	**5,832**	5,838
Administrative expenses		**(5,782)**	(5,782)
Operating profit	3	**50**	56
Interest receivable and similar income	6	**12**	20
Profit on ordinary activities before taxation		**62**	76
Tax on profit on ordinary activities	7	**(287)**	(20)
(Loss)/profit for the financial year	12	**(225)**	56

All activities are continuing activities

There were no recognised gains or losses other than those shown above

Moorfield Real Estate Fund II GP Limited

Balance sheet as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Current assets			
Debtors	9	**457**	395
Total assets less current liabilities		**457**	395
Provisions for liabilities	10	**(626)**	(339)
Net liabilities		**(169)**	56
Capital and reserves			
Called up share capital	11	**0**	0
Profit and loss account	12	**(169)**	56
Total shareholders' deficit	13	**(169)**	56

The financial statements have been prepared in accordance with the small companies' regime of the Companies Act 2006 and with the Financial Reporting Standards for Smaller Entities (effective April 2008)

The financial statements on pages 6 to 10 were approved by the board of directors on 30 July 2010 and were signed on its behalf by

Graham Sidwell
Director

Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies

Basis of accounting

These financial statements have been prepared on the going concern basis under the historical cost convention 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

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business The Directors confirm that the company has the ongoing financial support of the ultimate parent company who will provide financial support if required

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with the Companies Act 2006, is not required to produce, and has not published consolidated accounts

Cash flow statement

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

Income

Income mainly relates to profit share receivable from Moorfield Real Estate Fund II "A" Limited Partnership and from Moorfield Real Estate Fund II "B" Limited Partnership in the normal course of business

Deferred taxation

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

2 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 a related undertaking in both years

4 Employee information

There were no employees during either year

5 Directors' emoluments

The directors received no emoluments during either year There were no retirement benefits accruing to the directors for either year

Notes to the financial statements for the year ended 31 December 2009

6 Interest receivable and similar income

	Year ended 31 December 2009 £'000	Period ended 31 December 2008 £'000
Interest receivable and similar income	12	20

7 Tax on profit on ordinary activities

	Year ended 31 December 2009 £'000	Period ended 31 December 2008 £'000
Current tax:		
UK Corporation tax on profits for the year at 28% (2008 28 5%)	0	20
Total current tax	0	20
Deferred tax:		
Origination and reversal of timing differences	287	0
Total deferred tax (note 10)	287	0
Tax on profit on ordinary activities	287	20

The tax assessed for the period differs from the standard rate of Corporation Tax in the UK of 28% (2008 28 5%) The differences are explained below

	Year ended 31 December 2009 £'000	Period ended 31 December 2008 £'000
Profit on ordinary activities before tax	62	76
Profit on ordinary activities multiplied by standard rate in the UK 28% (2008 28 5%)	17	21
Effects of		
Other short term timing differences	(606)	(1)
Group relief surrendered and not paid for	589	0
Current tax charge for the year	0	20

8 Dividends

There were no dividends paid during either year

9 Debtors

	2009 £'000	2008 £'000
Amounts owed by group undertakings	457	395

Notes to the financial statements for the year ended 31 December 2009

10 Provisions for liabilities

	Deferred taxation £'000
At 1 January 2009	339
Charged to the profit and loss account	287
At 31 December 2009	**626**

11 Called up share capital

	2009 £	2008 £
Authorised		
100 ordinary shares of £1 each	**100**	100
Allotted and fully paid		
2 (2008 2) ordinary shares of £1 each	**2**	2

12 Reserves

	Profit and loss account £'000
At 1 January 2009	56
Loss for the financial year	(225)
At 31 December 2009	**(169)**

13 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
(Loss)/profit for the financial year	**(225)**	56
Opening shareholders' funds	**56**	0
Closing shareholders' deficit	**(169)**	56

14 Capital commitments and contingent liabilities

As at 31 December 2009 there were no capital commitments or contingent liabilities (2008 £nil)

15 Related party transactions

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

16 Ultimate parent undertaking

The ultimate parent company is Stessa Trading Limited, which is registered in England and Wales
Group accounts are available to the public on payment of the appropriate fee from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

Registered number: LP 012496

Moorfield Real Estate Fund II "A" Limited Partnership Annual Report for the year ended 31 December 2009

THESE PARTNERSHIP ACCOUNTS FORM PART OF THE ACCOUNTS OF COMPANY 06312634

LD4 02/09/2010 145
COMPANIES HOUSE

Moorfield Real Estate Fund II "A" Limited

Annual report for the year ended 31 December 2009

	Pages
Partnership information	1 - 2
General Partner's report	3 - 5
Independent auditors' report	6
Profit and loss account	7
Statement of recognised gains and losses	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 19
Unaudited comparison to US GAAP and IFRS	19 - 20

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

6312634

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

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

HBOS plc (now part of Lloyds Banking Group)
London Chief Office
PO Box 54873
London
SW1Y 5WX

Statutory auditors

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

Report of the General Partner for the year ended 31 December 2009

The General Partner presents its report on the affairs of the Partnership, together with the accounts and auditors' report, for the year ended 31 December 2009

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 2009 are shown on page 7 The loss on ordinary activities for the year was £1,130,000 (2008 £1,371,000) The consolidated loss on activities for the year per the proportionate profit and loss account was £3,065,000 (2008 £2,394,000)

Business review

The Partnership has £212,532,000 (2008 £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 (2008 £388,833,000) Investments are made by the combined parallel partnerships During the year £21,098,000 (2008 nil) was drawn from Partners leaving commitments of £191,434,000 (2008 £212,532,000) outstanding

In March 2009 the Partnership, and its parallel fund, replaced the HBOS equity bridge facility with a new 364 day £60 million equity bridge facility from Bank of America (BOA) 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 At the date of signing these financial statements terms had been agreed with BOA to extend this facility for a further two years

On 30th January 2009 the Partnership, and its parallel fund, completed the acquisition and leaseback of the headquarters building of Mitchells & Butlers in Birmingham for £30,302,000 (the partnership's share was £16,562,000) The freehold included an office building and a 120 bedroom hotel The acquisition was initially financed with a 5 year senior debt facility from Santander (formally Abbey) and the HBOS equity bridge facility On 29th January 2010 the Partnership, and its parallel fund, sold the investment as a result of an unsolicited offer for £39,841,000 and the proceeds were used to repay the equity bridge facility

In November 2009 the Partnership, and its parallel fund, refinanced the 3 hotels leased to Shearings with a new 5 year senior debt facility from Coutts

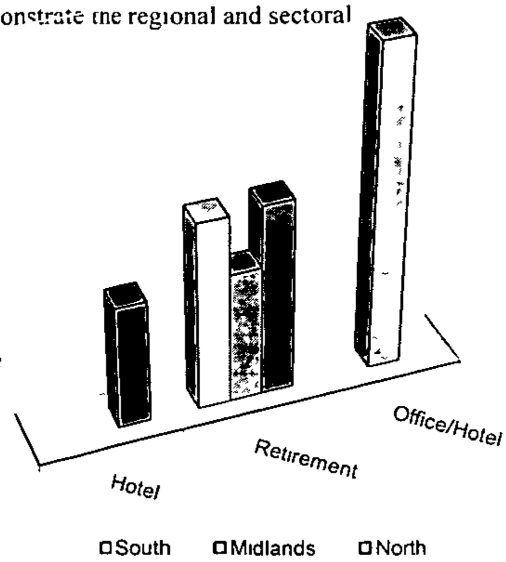
Key performance indicators

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

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

	Hotels	Retirement	Office/ Hotel	Total
South	-	723	-	723
Midlands	-	501	1,234	1,735
North	472	733	-	1,205
Total	472	1,957	1,234	3,663

Turnover includes sales from the Audley Court portfolio and rental income

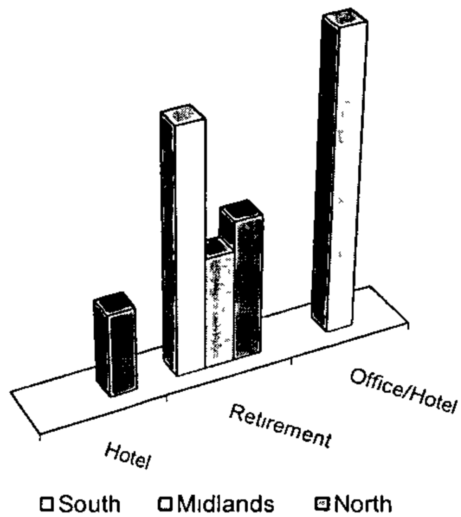


Report of the General Partner for the year ended 31 December 2009 (continued)

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

	Hotels	Retirement	Office/ Hotel	Total
South	-	17,976	-	17,976
Midlands	-	8,230	21,864	30,094
North	6,184	10,357	-	16,541
Total	6,184	36,563	21,864	64,611

Capital values includes development land held as work in progress at Audley Court



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 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

(iii) The operating risk of the Audley Court portfolio - the Partnership, through a corporate structure develops, sells and operates village-style retirement schemes Audley Court mitigates the risks by having a number of schemes at different stages of development throughout the UK Whilst the management team cannot influence the real estate residential market they mitigate the risk of selling units by completing detailed research into the local demographics and an ongoing marketing strategy

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

(i) **Interest Rate Risk**
The Partnership finances its operations through a mixture of interest free loans from Limited Partners, and bank borrowings The Partnership then uses interest rate derivatives to manage its exposure to interest rate fluctuations At the period end approximately 45 6% 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

(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

Report of the General Partner for the year ended 31 December 2009 (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

Limited Partnership law requires the General Partner to prepare financial statements for each financial year Under that law the General Partner has 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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 each of the directors of 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

- 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 Partnership's auditors are aware of that information

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 of the General Partner

Approval
Signed on 16 April 2010

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

Independent auditors' report to the Partners 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 2009 which comprise the Partnership and proportionate consolidated Profit and Loss account, the Partnership and proportionate consolidated Balance Sheets, the Partnership and proportionate consolidated Statement of Total Recognised Gains and Losses, proportionate consolidated and Partnership Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of general partners and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Partners of the qualifying partnership in accordance with the Companies Act 2006, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") and for no other purpose We do not in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006, as applied to qualifying partnerships

In addition we report to you if, in our opinion, the qualifying partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements The other information comprises only the General Partner's report and all of the other information listed on the contents page We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the proportionate consolidated and the partnership's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the partnership's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended, and
- have been properly prepared in accordance with the Companies Act 2006, as applied to qualifying partnerships by the Regulations

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

16 April 2010

Profit and loss account for the year ended 31 December 2009

	Notes	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate share of income and expenditure[1] 2009 £'000	Proportionate share of income and expenditure[1] 2008 £'000
Turnover	2	**120**	0	**3,663**	734
Cost of sales		**0**	0	**(2,145)**	(600)
Gross profit		**120**	0	**1,518**	134
Administrative expenses		**(31)**	(676)	**(1,246)**	(1,242)
Operating profit/(loss)	3	**89**	(676)	**272**	(1,108)
Interest payable and similar charges	5	**(1,225)**	(708)	**(3,167)**	(1,301)
Interest receivable and similar income		**6**	13	**10**	18
Loss on ordinary activities before tax		**(1,130)**	(1,371)	**(2,885)**	(2,391)
Tax on loss on ordinary activities		**0**	0	**(180)**	(6)
Loss on ordinary activities for the financial year		**(1,130)**	(1,371)	**(3,065)**	(2,397)
Minority interest		**0**	0	**0**	3
Net loss		**(1,130)**	(1,371)	**(3,065)**	(2,394)

[1] Proportionate share of income and expenditure of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

All activities are continuing

Statement of total recognised gains and losses for the year ended 31 December 2009

	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate share of gains and losses[1] 2009 £'000	Proportionate share of gains and losses[1] 2008 £'000
Loss for the financial year	**(1,130)**	(1,371)	**(3,065)**	(2,394)
Movement on unrealised revaluation surplus	**2,568**	(333)	**4,503**	690
Total recognised gains/(losses) relating to the year	**1,438**	(1,704)	**1,438**	(1,704)

[1] Proportionate share of gains and losses of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

Balance sheet as at 31 December 2009

	Notes	Partnership		Proportionate share of assets and liabilities[1]	
		2009	2008	**2009**	2008
		£'000	£'000	**£'000**	£'000
Fixed assets					
Intangible assets	7	**0**	0	**4,275**	4,297
Tangible fixed assets	8	**0**	0	**7,188**	6,031
Investment in real estate	9	**0**	0	**28,013**	6,887
Other fixed asset investments	6	**19,816**	10,140	**0**	0
		19,816	10,140	**39,476**	17,215
Current assets					
Stock	10	**0**	0	**29,409**	25,583
Debtors	11	**15,443**	3,957	**8,189**	4,787
Cash at bank and in hand		**242**	33	**1,081**	548
		15,685	3,990	**38,679**	30,918
Creditors: amounts falling due within one year	12	**(14,666)**	(15,831)	**(24,738)**	(31,258)
Net current assets/(liabilities)		**1,019**	(11,841)	**13,941**	(340)
Total assets less current liabilities		**20,835**	(1,701)	**53,417**	16,875
Creditors: amounts falling due after more than one year	13	**0**	0	**(32,582)**	(18,576)
Net assets/(liabilities)		**20,835**	(1,701)	**20,835**	(1,701)
Represented:					
Capital contribution accounts	14	**3**	3	**3**	3
Partner loan accounts	14	**21,098**	0	**21,098**	0
Revaluation reserve	14	**2,234**	(333)	**5,194**	690
Profit and loss account	14	**(2,500)**	(1,371)	**(5,460)**	(2,394)
		20,835	(1,701)	**20,835**	(1,701)

[1] Proportionate share of assets and liabilities of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

The financial statements on pages 7-19 were approved by the General Partner on 16 April 2010 and signed on behalf of the General Partner by

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

Cash flow statement for the year ended 31 December 2009

		Partnership		Proportionate share of cash flows[1]	
	Notes	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Net cash outflow from operating activities	17	**(8,036)**	(850)	**(3,576)**	(2,827)
Advance profit share paid to General Partner		**(3,188)**	(3,773)	**(3,188)**	(3,773)
Returns on investment and servicing of finance					
Interest received		**6**	12	**10**	19
Interest paid		**(180)**	0	**(1,974)**	(547)
Finance fees paid		**(69)**	(478)	**(395)**	(500)
Net cash outflow from returns and servicing of finance		**(243)**	(466)	**(2,359)**	(1,028)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**0**	0	**(1,186)**	(1,106)
Purchase of investments in real estate		**0**	0	**(17,634)**	(4,926)
Net cash outflow from capital expenditure and financial investment		**0**	0	**(18,820)**	(6,032)
Acquisitions					
Purchase of subsidiary		**(7,128)**	(10,448)	**(224)**	(8,515)
Cash outflow before financing		**(18,595)**	(15,537)	**(28,167)**	(22,175)
Financing					
Bank loans advanced in the year		**(2,296)**	15,570	**7,600**	22,655
Partner loan advanced in the year		**21,098**	0	**21,098**	0
Partner capital advanced in the year		**2**	0	**2**	0
Net cash inflow from financing		**18,804**	15,570	**28,700**	22,655
Increase in cash in the year	18, 19	**209**	33	**533**	480

[1] Proportionate share of cash flows of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, 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 detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties The lack of depreciation for investment real estate is necessary to give a true and fair view for the reason explained in the investment in real estate accounting policy below

Gross rental income

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

Fixed asset investments

The Partnership invests in a number of undertakings along with its parallel fund, Moorfield Real Estate Fund II "B" Limited Partnership as detailed in note 6 In the individual financial statements of Moorfield Real Estate Fund II "A" Limited Partnership and Moorfield Real Estate Fund II "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 directors of the General Partner have adopted the alternative accounting policy of carrying the fixed asset investments at a valuation reflecting the fair value of their assets and liabilities which approximate the book values This treatment provides a fairer indication of the value of the investments made by the Partnership Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the revaluation reserve Where a permanent diminution in value of an asset occurs, the excess will be charged to the Profit and Loss Account to the extent it is not covered by a revaluation surplus

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

Investment in real estate

In accordance with SSAP19 investment in real estate is included in the balance sheet at open market value Investments in real estate in the course of construction are included in the balance sheet at cost, and are not depreciated Depreciation is only one of many factors reflected in the annual valuation and the amount which otherwise would have been shown cannot be separately identified or quantified Where there is permanent impairment in the value of real estate, a charge is made to the Profit and Loss account unless it represents a reversal of prior upward valuations in which case the charge is made to the revaluation reserve Where an impairment is considered by the General Partner to be temporary the charge is made to the revaluation reserve

Other tangible fixed assets

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

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.

Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies (continued)

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

Stock

Stock, comprising real estate held for development, 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

Borrowings

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

Interest rate swaps

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

Taxation

The Partnership, as a transparent entity, is not subject to pay UK income tax Any tax liabilities arising from the results of the Partnership are dealt with in the financial statements of the investing partners Where the Partnership has an investment in corporate entities which are subject to UK tax, the proportionate share of taxation expense is shown

General Partner's annual share of profits

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

In the event that the income and capital gains of the Partnership, in any accounting period 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

Notes to the financial statements for the year ended 31 December 2009

2 Turnover

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

3 Operating profit/(loss)

	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate 2009 £'000	Proportionate 2008 £'000
Administration expenses include				
Fees payable to the Partnership's auditor for the audit of the annual financial statements	**9**	4	**35**	33
Fees payable to the Partnership's auditor and its associates for other services	**23**	9	**63**	18
Depreciation	**0**	0	**28**	7
Amortisation	**0**	0	**246**	36

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 2009 £'000	Partnership 2008 £'000	Proportionate 2009 £'000	Proportionate 2008 £'000
Fees payable to the Partnership's auditors and its associate for other services	**0**	26	97	41

4 Employee information

	Proportionate 2009	Proportionate 2008
The average monthly number of persons employed by the Partnership during the year was:		
Employees	**70**	52
	£'000	£'000
Staff costs		
Wages and salaries	**1,421**	297
Social security costs	**136**	33
	1,557	330

The Partnership itself does not have any employees (2008 nil) Audley Court as a proportionate investment does include employee numbers and costs

5 Interest payable

	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate 2009 £'000	Proportionate 2008 £'000
Interest payable on bank loans	**779**	306	**2,681**	466
Other interest payable	**0**	0	**1**	417
Financing fees	**446**	402	**485**	418
	1,225	708	**3,167**	1,301

Notes to the financial statements for the year ended 31 December 2009

6 Other fixed asset investments partnership

Partnership

	At 1 January 2009 £'000	Net additions £'000	Revaluations £'000	At 31 December 2009 £'000
Investment in				
George Chollerford Ltd	196	0	(64)	**132**
Eden Arms Rushyford Ltd	(183)	0	(45)	**(228)**
St George Harrogate Ltd	718	0	(450)	**268**
Jewel II Property Company Ltd	(11)	0	(31)	**(42)**
MREF II AC Holdings Sarl	0	10	(10)	**0**
MREF II AC Holdings Sarl – Loan Stock	1,968	7,064	0	**9,032**
AC Holdings Sarl - Loan Stock	7,452	9	(2,641)	**4,820**
MREF II (Birmingham) Holdings Ltd	0	19	5,809	**5,828**
MREF II Investments Ltd	0	2	0	**2**
MREF II Violet Ltd	0	2	0	**2**
MREF II Indigo Ltd	0	2	0	**2**
Total	10,140	7,108	2,568	**19,816**

7 Intangible fixed assets

	Proportionate goodwill £'000
Cost	
At 1 January 2009	4,333
Acquisitions	224
At 31 December 2009	**4,557**
Accumulated amortisation	
At 1 January 2009	36
Charge for the year	246
At 31 December 2009	**282**
Net book value	
At 31 December 2009	**4,275**
At 31 December 2008	4,297

In 2008 the Partnership, and its parallel fund the Moorfield Real Estate Fund II "B" Limited Partnership, acquired 75% of the share capital in Audley Court Limited for £15m. After adjusting for acquisition costs the resulting combination gave rise to goodwill of £4 3m. This goodwill is being amortised over a 20 year period

Notes to the financial statements for the year ended 31 December 2009

8 Other tangible fixed assets

	Proportionate Freehold land and buildings £'000	Proportionate Assets under construction £'000	Proportionate Other fixed Assets £'000	Proportionate Total £'000
Cost				
At 1 January 2009	2,386	3,592	60	6,038
Additions	0	1,120	64	1,184
At 31 December 2009	2,386	4,712	124	7,222
Accumulated depreciation				
At 1 January 2009	0	0	7	7
Charge for the year	0	0	27	27
At 31 December 2009	0	0	34	34
Net book amount				
At 31 December 2009	**2,386**	**4,712**	**90**	**7,188**
At 31 December 2008	2,386	3,592	53	6,031

9 Investments

	Proportionate share of investment in real estate £'000
Cost or valuation	
At 1 January 2009	6,887
Additions	16,623
Disposals	0
Revaluation	4,503
At 31 December 2009	**28,013**

On the 30th January 2009 the Partnership, together with its parallel fund the Moorfield Real Estate Fund II B LP, completed the purchase and leaseback of the headquarters building of Mitchells & Butlers in Birmingham for £30 3 million The Partnership's proportionate share of the acquisition was £16 56 million On the 29th January 2010 the Partnership, together with its parallel fund the Moorfield Real Estate Fund B II LP, sold the underlying holding entity for this investment for £39 8 million

The historical cost to the Partnership of its underlying investments in real estate as at 31 December 2009 was £22 8 million (2008 £6 20 million)

Valuations of the Partnership's proportionate share of fully operational investment real estate were undertaken on acquisition in July 2008 by external professionally qualified valuers The resulting valuation of the Partnership's proportionate share of fully operational investment real estate was £28m (2008 £6 89m)

10 Stock

	Partnership		Proportionate	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Real estate held for development	**0**	0	**29,407**	25,582
Other trade stock	**0**	0	**2**	1
	0	0	**29,409**	25,583

Notes to the financial statements for the year ended 31 December 2009

11 Debtors

	Partnership		Proportionate	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade debtors	**0**	0	**176**	135
Amounts owed by General Partner (see below)	**6,961**	3,773	**6,961**	3,773
Amounts owed by fellow group undertakings	**8,368**	104	**0**	0
Other debtors and prepayments	**114**	80	**1,052**	879
	15,443	3,957	**8,189**	4,787

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

12 Creditors: amounts falling due within one year

	Partnership		Proportionate	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank loans – amounts drawn down	14,517	15,811	22,263	27,965
Bank loan - unamortised finance fees	(100)	(76)	(100)	(81)
Trade creditors	9	0	624	769
Other taxes and social security	0	0	286	103
Amounts owed to group undertakings	160	0	0	0
Other creditors and accruals	80	96	1,665	2,502
	14,666	15,831	24,738	31,258

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, and a number of development facilities at Audley Court Further detail is given in note 13

13 Creditors: amounts falling due after one year

	Partnership		Proportionate	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank loans – amounts drawn down	**0**	0	**32,718**	18,576
Bank loans – unamortised finance fees	**0**	0	**(298)**	0
Other creditors	**0**	0	**162**	0
	0	0	**32,582**	18,576

Notes to the financial statements for the year ended 31 December 2009

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

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	14,517	14,517	0	Libor	3 00%	06/05/2010
Santander (formerly Abbey)	Investment	10,420	0	10,420	Libor	2 20%	30/01/2014
Coutts	Investment	3,382	0	3,382	Libor	2 00%	30/10/2014
Clydesdale	Investment	2,116	50	2,066	Libor	1 00%	01/09/2011
Clydesdale	Development	6,479	2,699	3,780	Libor	2 00%	30/12/2010
HBOS	Development	9,068	2,763	6,305	Libor	2 25%	27/03/2012
Bank of Ireland	Development	2,084	0	2,084	Base rate	2 50%	26/11/2011
Bank of Ireland	Development	6,829	2,148	4,681	Base rate	2 00%	30/10/2010
Northern Bank	Investment	86	86	0	Base rate	5 95%	15/06/2014
		54,981	22,263	32,718			

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, entered in to an agreement with Bank of America to provide a 364 day equity bridge facility for £60 million, this facility is in the process of being extended for a further two years, to March 2012, at a new margin of 2 50%

In January 2010, the Partnership sold its shares MREF II (Birmingham) Holdings Ltd, as a consequence the underlying facility from Santander (formerlyAbbey) and the corresponding swap agreement have been disposed of as part of the transaction

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
Santander (formerly Abbey)	Swap	10,420	2 99%	30/01/2014	(19)
Coutts	Cap	3,382	5 00%	30/10/2014	68
Clydesdale	Swap	2,199	6 31%	30/09/2011	(183)
Clydesdale	Swap	3,826	5 54%	28/05/2011	(79)
HBOS	Swap	5,247	5 33%	30/01/2011	(172)

Notes to the financial statements for the year ended 31 December 2009

14 Partners' accounts

Partnership

	Partner Loans £	Capital Contributions £	Revaluation Reserve £	Profit and loss account £	Balance at 31 December 2009 £
Limited Partners					
John D and Catherine T MacArthur Foundation	992,714	100	105,103	(117,642)	980,275
The Regents of the University of Michigan	1,489,072	150	157,656	(176,463)	1,470,414
Northwestern University	1,290,529	130	136,634	(152,935)	1,274,358
The Trustees of Princeton University	4,467,215	450	472,965	(529,389)	4,411,241
The Rockefeller Foundation	1,091,986	110	115,614	(129,406)	1,078,304
Rensselaer Polytechnic Institute	337,522	34	35,735	(39,998)	333,293
The Board of Trustees of the Leland Stanford Junior University	4,963,572	500	525,517	(588,210)	4,901,379
TIFF Realty and Resources III, LLC	496,357	50	52,552	(58,821)	490,138
The Vanderbilt University	496,357	50	52,552	(58,521)	490,138
The University of Chicago	1,489,072	150	157,655	(176,463)	1,470,414
Mayo Clinic	347,450	35	36,786	(41,175)	343,096
Mayo Clinic Master Retirement Trust	397,086	40	42,041	(47,057)	392,110
The Andrew W Mellon Foundation	1,461,583	147	154,745	(173,206)	1,443,269
Metropolitan Real Estate Partners International II, LP	288,761	29	30,572	(34,220)	285,142
The William and Flora Hewlett Foundation	1,489,072	150	157,655	(176,463)	1,470,414
	21,098,348	2,125	2,233,782	(2,500,269)	20,833,986
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Limited	0	531	0	0	531
	21,098,348	2,656	2,233,782	(2,500,269)	20,834,516

Notes to the financial statements for the year ended 31 December 2009

14 Partners' accounts (continued)

Proportionate share of reserves

	Partner Loans £	Capital Contributions £	Revaluation Reserve £	Profit and loss account £	Balance at 31 December 2009 £
Limited Partners					
John D and Catherine T MacArthur Foundation	992,714	100	244,370	(256,909)	980,275
The Regents of the University of Michigan	1,489,072	150	366,555	(385,363)	1,470,414
Northwestern University	1,290,529	130	317,681	(333,982)	1,274,358
The Trustees of Princeton University	4,467,215	450	1,099,664	(1,156,088)	4,411,241
The Rockefeller Foundation	1,091,986	110	268,807	(282,599)	1,078,304
Rensselaer Polytechnic Institute	337,522	34	83,086	(87,349)	333,293
The Board of Trustees of the Leland Stanford Junior University	4,963,572	500	1,221,849	(1,284,542)	4,901,379
TIFF Realty and Resources III, LLC	496,357	50	122,185	(128,454)	490,138
The Vanderbilt University	496,357	50	122,185	(128,454)	490,138
The University of Chicago	1,489,072	150	366,555	(385,363)	1,470,414
Mayo Clinic	347,450	35	85,529	(89,918)	343,096
Mayo Clinic Master Retirement Trust	397,086	40	97,748	(102,764)	392,110
The Andrew W Mellon Foundation	1,461,583	147	359,788	(378,249)	1,443,262
Metropolitan Real Estate Partners International II, LP	288,761	29	71,082	(74,730)	285,142
The William and Flora Hewlett Foundation	1,489,072	150	366,555	(385,363)	1,470,414
	21,098,348	2,125	5,193,639	(5,460,127)	20,833,985
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Limited	0	531	0	0	531
	21,098,348	2,656	5,193,639	(5,460,127)	20,833,516

Partner loans accrue no interest

15 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 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 £3,188,000 (2008 £3,773,000) from the Partnership

Moorfield Group Limited is the Asset Manager for the Partnership and received £120,000 (2008 £9,000) of asset management fees from the Partnership and its underlying investments Moorfield Group also received a further £55,000 (2008. £159,000) for the introduction, due diligence and advisory services in relation to the acquisition of the Mitchells & Butlers headquarters building

Notes to the financial statements for the year ended 31 December 2009

16 Capital commitments and contingent liabilities

As at 31 December 2009 there were no capital commitments or contingent liabilities (2008 £nil)

17 Reconciliation of operating loss to cash outflow from operating activities

	Partnership		Proportionate	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Operating profit/(loss)	89	(676)	272	(1,108)
Depreciation/Amortisation	0	0	274	43
Working capital movements				
Debtors	(8,235)	(181)	(151)	(430)
Creditors	110	7	(144)	(104)
Stocks	0	0	(3,827)	(1,228)
Net cash flow from operating activities	(8,036)	(850)	(3,576)	(2,827)

18 Reconciliation of net cash flow to net movement in debt

	Partnership		Proportionate	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Increase in cash	209	33	533	480
Cash inflow from debt	2,366	(15,091)	(7,205)	(22,156)
Non-cash changes	(1,048)	(643)	(918)	(672)
Net movement in debt	1,527	(15,701)	(7,590)	(22,348)
Cash acquired on acquisition of subsidiary	0	0	0	68
Bank loans acquired on acquisition of subsidiary	0	0	0	(23,632)
Net debt at start of the year	(15,701)	0	(45,912)	-
Net debt at end of the year	(14,174)	(15,701)	(53,502)	(45,912)

19 Analysis of net debt

Partnership

	1 January 2009 £'000	Cash flow in year £'000	Non-cash changes £'000	31 December 2009 £'000
Cash in hand and at bank	33	209	0	242
Bank loans due within one year	(15,734)	2,366	(1,048)	(14,416)
Net debt	(15,701)	2,575	(1,048)	(14,174)

Proportionate

	1 January 2009 £'000	Cash flow in period £'000	Non-cash changes £'000	31 December 2009 £'000
Cash in hand and at bank	548	533	0	1,081
Bank loans due within one year	(27,884)	6,776	(1,055)	(22,163)
Bank loans due after one year	(18,576)	(13,981)	137	(32,420)
Net debt	(45,912)	(6,672)	(918)	(53,502)

Further detail on bank loans is given in note 13

Unaudited comparison to US GAAP and IFRS

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

US GAAP

Investment in real estate

Under UK GAAP, investments in real estate are stated at 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 earnings when a decrease in value is considered permanent Under US GAAP investments are marked to fair value each period 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

For the purposes of US GAAP, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments are fair valued and the movement in the fair value reported in the profit and loss account in the current period The financial instruments were last valued at 31 December 2009 at a cost of £385,000 (2008 £778,000)

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 2009, 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 2009, amounting to £5,832,000 (2008 £6,903,000) (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 £246,000 (2008 £36,000) 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

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 2009	(3,065)	1,953	(1,112)
Net assets at 31 December 2009	20,835	(7,065)	13,770

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 £4,503,000 (2008 £690,000) 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 2009 at a cost of £385,000 (2008 £778,000)

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 £246,000 (2008 £36,000) 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

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)/profit for the year to 31 December 2009	(3,065)	5,142	2,076
Net assets at 31 December 2009	20,835	(104)	20,731

Registered number: LP 012497

Moorfield Real Estate Fund II "B" Limited Partnership

Annual Report

for the year ended 31 December 2009

Moorfield Real Estate Fund II “B” Limited

Annual report for the year ended 31 December 2009

	Pages
Partnership information	1 - 2
General Partner’s report	3 - 5
Independent auditors’ report	6
Profit and loss account	7
Statement of recognised gains and losses	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 19
Unaudited comparison to US GAAP and IFRS	20 - 21

Moorfield Real Estate Fund II "B" Limited

Partnership information

Limited partners

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

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

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

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

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

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

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

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

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

General Partner 6312634

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 "B" Limited

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 012497

Bankers

HBOS plc (now part of Lloyds Banking Group)
London Chief Office
PO Box 54873
London
SW1Y 5WX

Statutory auditors

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

Moorfield Real Estate Fund II "B" Limited

Report of the General Partner for the year ended 31 December 2009

The General Partner presents its report on the affairs of the Partnership, together with the accounts and auditors' report, for the year ended 31 December 2009

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 2009 are shown on page 7 The loss on ordinary activities for the year was £937,000 (2008 £1,137,000) The consolidated loss on activities for the year per the proportionate Profit and Loss Account was £2,543,000 (2008 £1,986,000)

Business review

The Partnership has £176,301,000 (2008 £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 (2008 £388,833,000) Investments are made by the combined parallel partnerships During the year £17,502,000 (2008 nil) was drawn from Partners leaving commitments of £158,799,000 (2008 £176,301,000) outstanding

In March 2009 the Partnership, and its parallel fund, replaced the HBOS equity bridge facility with a new 364 day £60 million equity bridge facility from Bank of America (BOA) 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 At the date of signing these financial statements terms had been agreed with BOA to extend this facility for a further two years

On 30th January 2009 the Partnership, and its parallel fund, completed the acquisition and leaseback of the headquarters building of Mitchells and Butlers in Birmingham for £30,302,000 (the Partnership's share was £13,739,000) The freehold included an office building and a 120 bedroom hotel The acquisition was initially financed with a 5 year senior debt facility from Santander (formerly Abbey) and the HBOS equity bridge facility On 29th January 2010 the Partnership, and its parallel fund, sold the investment as a result of an unsolicited offer for £39,841,000, the proceeds were used to repay the equity bridge facility

In November 2009 the Partnership, and its parallel fund, refinanced the 3 hotels leased to Shearings with a new 5 year senior debt facility from Coutts bank

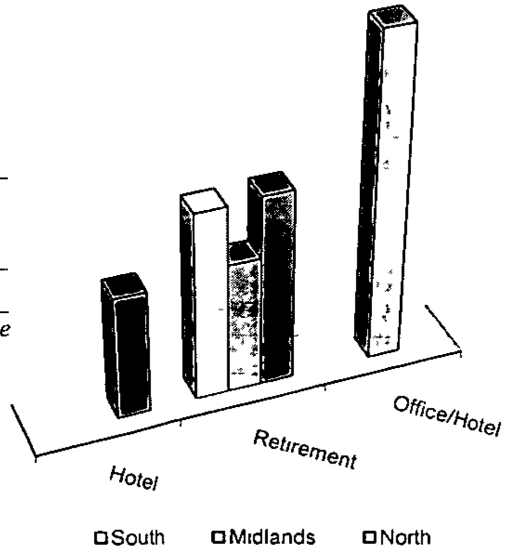
Key performance indicators

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

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

	Hotels	Retirement	Office/ Hotel	Total
South	-	723	-	723
Midlands	-	501	1,234	1,735
North	472	733	-	1,205
Total	472	1,957	1,234	3,663

Turnover includes sales from the Audley Court portfolio and rental income



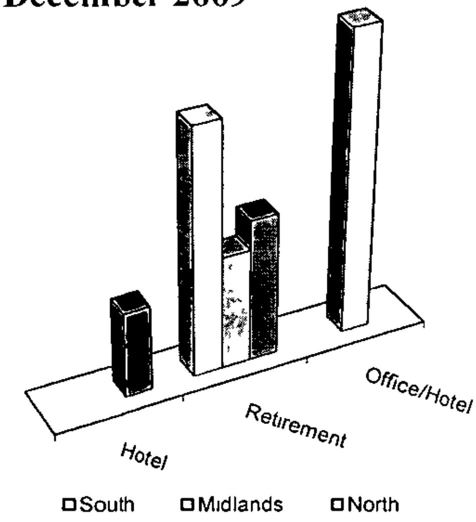
Moorfield Real Estate Fund II "B" Limited

Report of the General Partner for the year ended 31 December 2009 (continued)

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

	Hotels	Retirement	Office/ Hotel	Total
South	-	17,976	-	17,976
Midlands	-	8,230	21,864	30,094
North	6,184	10,357	-	16,541
Total	6,184	36,563	21,864	64,611

Capital values includes development land held as work in progress at Audley Court



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 impact of a general downturn in the real estate market negatively impacting on the valuation of individual properties 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,

(iii) The operating risk of the Audley Court portfolio - the Partnership, through a corporate structure develops, sells and operates village style retirement schemes Audley Court mitigates the risks by having a number of schemes at different stages of development throughout the UK Whilst the management team cannot influence the real estate residential market they mitigate the risk of selling units by completing detailed research into the local demographics and an ongoing marketing strategy

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

(i) **Interest Rate Risk**
The Partnership finances its operations through a mixture of interest free loans from Limited Partners, and bank borrowings The Partnership then uses interest rate derivatives to manage its exposure to interest rate fluctuations At the period end approximately 45 6% 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

(ii) **Debt Financing**
Each investment is held in a separate corporate structure which is wholly-owned by the combined parallel Partnership 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

Report of the General Partner for the year ended 31 December 2009 (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

Limited Partnership law requires the General Partner to prepare financial statements for each financial year Under that law the General Partner has 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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 each of the directors of 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

- 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 Partnership's auditors are aware of that information

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 of the General Partner

Approval
Signed on 16 April 2010

G Sidwell
For Moorfield Real ~~Estate Fund II GP~~ Ltd
General ~~Partner~~

Moorfield Real Estate Fund II "B" Limited

Independent auditors' report to the Partners 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 2009 which comprise the Partnership and proportionate consolidated Profit and Loss account, the Partnership and proportionate consolidated Balance Sheets, the Partnership and proportionate consolidated Statement of Total Recognised Gains and Losses, proportionate consolidated and Partnership Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of general partners and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the partners of the qualifying partnership in accordance with the Companies Act 2006, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") and for no other purpose We do not in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006, as applied to qualifying partnerships

In addition we report to you if, in our opinion, the qualifying partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements The other information comprises only the General Partner's report and all of the other information listed on the contents page We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the proportionate consolidated and the partnership's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the partnership's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended, and
- have been properly prepared in accordance with the Companies Act 2006, as applied to qualifying partnerships by the Regulations

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

16 April 2010

Moorfield Real Estate Fund II "B" Limited

Profit and loss account for the year ended 31 December 2009

		Partnership		Proportionate share of income and expenditure[1]	
	Notes	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Turnover	2	**100**	0	**3,038**	609
Cost of sales		**0**	0	**(1,779)**	(498)
Gross profit		**100**	0	**1,259**	111
Administrative expenses		**(26)**	(560)	**(1,034)**	(1,029)
Operating profit/(loss)	3	**74**	(560)	**225**	(918)
Interest payable and similar charges	5	**(1,016)**	(587)	**(2,628)**	(1,079)
Interest receivable and similar income		**5**	10	**9**	15
Loss on ordinary activities before tax		**(937)**	(1,137)	**(2,394)**	(1,982)
Tax on loss on ordinary activities		**0**	0	**(149)**	(6)
Loss for the financial year		**(937)**	(1,137)	**(2,543)**	(1,988)
Minority interest		**0**	0	**0**	2
Loss for the financial year		**(937)**	(1,137)	**(2,543)**	(1,986)

[1] Proportionate share of income and expenditure of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

All activities are continuing

Statement of total recognised gains and losses for the year ended 31 December 2009

	Partnership		Proportionate share of gains and losses[1]	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Loss for the financial year	**(937)**	(1,137)	**(2,543)**	(1,986)
Movement on unrealised valuation surplus	**2,129**	(276)	**3,735**	573
Total recognised gains/(losses) for the year	**1,192**	(1,413)	**1,192**	(1,413)

[1] Proportionate share of gains and losses of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

Moorfield Real Estate Fund II "B" Limited

Balance sheet as at 31 December 2009

		Partnership		Proportionate share of assets and liabilities[1]	
		2009	2008	2009	2008
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7	0	0	3,546	3,564
Tangible fixed assets	8	0	0	5,964	5,003
Investment in real estate	9	0	0	23,237	5,713
Other fixed asset investments	6	16,438	8,412	0	0
		16,438	8,412	32,747	14,280
Current assets					
Stock	10	0	0	24,396	21,222
Debtors	11	12,810	3,282	6,792	3,971
Cash at bank and in hand		201	28	897	454
		13,011	3,310	32,085	25,647
Creditors: amounts falling due within one year	12	(12,166)	(13,133)	(20,521)	(25,929)
Net current assets/(liabilities)		845	(9,823)	11,564	(282)
Total assets less current liabilities		17,283	(1,411)	44,311	13,998
Creditors: amounts falling due after more than one year	13	0	0	(27,028)	(15,409)
Net assets/(liabilities)		17,283	(1,411)	17,283	(1,411)
Represented by:					
Capital contribution accounts	14	2	2	2	2
Partner loan accounts	14	17,502	0	17,502	0
Revaluation reserve	14	1,853	(276)	4,308	573
Profit and loss account	14	(2,074)	(1,137)	(4,529)	(1,986)
		17,283	(1,411)	17,283	(1,411)

[1] Proportionate share of assets and liabilities of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

The financial statements on pages 7-19 were approved by the General Partner on 16 April 2010 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

Cash flow statement for the year ended 31 December 2009

	Notes	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate share of cash flows[1] 2009 £'000	Proportionate share of cash flows[1] 2008 £'000
Net cash outflow from operating activities	17	**(6,666)**	(705)	**(2,966)**	(2,344)
Advance profit share paid to General Partner		**(2,645)**	(3,130)	**(2,645)**	(3,130)
Returns on investment and servicing of finance					
Interest received		**5**	10	**9**	15
Interest paid		**(150)**	0	**(1,638)**	(454)
Finance fees paid		**(58)**	(397)	**(328)**	(415)
Net cash outflow from returns and servicing of finance		**(203)**	(387)	**(1,957)**	(854)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**0**	0	**(984)**	(917)
Purchase of investments in real estate		**0**	0	**(14,628)**	(4,086)
Net cash outflow from capital expenditure and financial investment		**0**	0	**(15,612)**	(5,003)
Acquisitions					
Purchase of subsidiary		**(5,913)**	(8,666)	**(186)**	(7,064)
Cash outflow before financing		**(15,427)**	(12,888)	**(23,366)**	(18,395)
Financing					
Bank loans advanced in the year		**(1,905)**	12,916	**6,305**	18,793
Partner loan advanced in the year		**17,502**	0	**17,502**	0
Partner capital advanced in the year		**2**	0	**2**	0
Net cash inflow from financing		**15,599**	12,916	**23,809**	18,793
Increase in cash in the year	18, 19	**172**	28	**443**	398

[1] Proportionate share of cash flows of the fixed asset investments (note 6) is provided in addition to the Partnership's own financial statements, as specified by FRS9, to give a fuller understanding of the impact of these investments on the Partnership Accounts

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies

These financial statements have been prepared on the going concern basis under the historical cost convention, 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 detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties The lack of depreciation for investment real estate is necessary to give a true and fair view for the reason explained in the investment in real estate accounting policy below

Gross rental income

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

Fixed asset investments

The Partnership invests in a number of undertakings along with its parallel fund, Moorfield Real Estate Fund II "A" Limited Partnership as detailed in note 6 In the individual financial statements of Moorfield Real Estate Fund II "A" Limited Partnership and Moorfield Real Estate Fund II "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 directors of the General Partner have adopted the alternative accounting policy of carrying the fixed asset investments at a valuation reflecting the fair value of their assets and liabilities which approximate the book values This treatment provides a fairer indication of the value of the investments made by the Partnership Increases/decreases in value arising on the revaluation of Fixed Asset Investments are carried to the Revaluation Reserve Where a permanent diminution in value of an asset occurs, the excess will be charged to the Profit and Loss Account to the extent it is not covered by a revaluation surplus

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

Investment in real estate

In accordance with SSAP19 investment in real estate is included in the balance sheet at open market value Investments in real estate in the course of construction are included in the balance sheet at cost, and are not depreciated Depreciation is only one of many factors reflected in the annual valuation and the amount which otherwise would have been shown cannot be separately identified or quantified. Where there is permanent impairment in the value of real estate, a charge is made to the Profit and Loss account unless it represents a reversal of prior upward valuations in which case the charge is made to the Revaluation Reserve Where an impairment is considered by the General Partner to be temporary the charge is made to the Revaluation Reserve

Other tangible fixed assets

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

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.

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

1 Accounting policies (continued)

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

Stock

Stock, comprising real estate held for development, 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

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 risk The interest rate swaps are disclosed at their fair value in note 13 of the financial statements

Taxation

The Partnership as a transparent entity is not subject to pay UK income tax Any tax liabilities arising from the results of the Partnership are dealt with in the financial statements of the investing partners Where the Partnership has an investment in corporate entities which are subject to UK tax, the proportionate share of taxation expense is shown

General Partner's annual share of profits

The General Partner is entitled to receive an annual priority share of profits during the investment period in respect of 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 period 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

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

2 Turnover

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

3 Operating (loss)/profit

	Partnership 2009 £'000	Partnership 2008 £'000	**Proportionate 2009 £'000**	Proportionate 2008 £'000
Administration expenses include:				
Fees payable to the Partnership's auditor and its associates for the audit of the accounts	**7**	4	**29**	27
Fees payable to the Partnership's auditor and its associates for other services	**19**	7	**53**	15
Depreciation	**0**	0	**23**	6
Amortisation	**0**	0	**204**	30

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 2009 £'000	Partnership 2008 £'000	**Proportionate 2009 £'000**	Proportionate 2008 £'000
Fees payable to the Partnership's auditors and its associate for other services	**0**	21	**81**	34

4 Employee information

	Proportionate 2009	Proportionate 2008
The average monthly number of persons employed by the Partnership during the year was:		
Employees	**58**	43
	£'000	£'000
Staff costs		
Wages and salaries	**1,179**	247
Social security costs	**113**	47
	1,292	274

The Partnership itself does not have any employees (2008 nil) Audley Court as a proportionate investment does include employee numbers and costs

5 Interest payable

	Partnership 2009 £'000	Partnership 2008 £'000	**Proportionate 2009 £'000**	Proportionate 2008 £'000
Interest payable on bank loans	**646**	253	**1,705**	387
Other interest payable	**0**	-	**922**	345
Financing fees	**370**	334	**1**	347
	1,016	587	**2,628**	1,079

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

6 Other fixed asset investments partnership

Partnership

	At 1 January 2009 £'000	Net additions £'000	Revaluations £'000	At 31 December 2009 £'000
Investment in				
George Chollerford Ltd	163	0	(53)	**110**
Eden Arms Rushyford Ltd	(152)	0	(37)	**(189)**
St George Harrogate Ltd	595	0	(373)	**222**
Jewel II Property Company Ltd	(9)	0	(26)	**(35)**
MREF II AC Holdings Sarl	0	8	(8)	**0**
MREF II AC Holdings Sarl – Loan Stock	1,632	5,860	0	**7,492**
AC Holdings Sarl - Loan Stock	6,183	6	(2,191)	**3,998**
MREF II (Birmingham) Holdings Ltd	0	16	4,818	**4,834**
MREF II Investments Ltd	0	2	0	**2**
MREF II Violet Ltd	0	2	0	**2**
MREF II Indigo Ltd	0	2	0	**2**
Total	8,412	5,897	2,129	**16,438**

7 Intangible fixed assets

	Proportionate goodwill £'000
Cost	
At 1 January 2009	3,594
Acquisitions	186
At 31 December 2009	**3,780**
Accumulated amortisation	
At 1 January 2009	30
Charge for the year	204
At 31 December 2009	**234**
Net book value	
At 31 December 2009	**3,546**
At 31 December 2008	3,564

In 2008 the Partnership, and its parallel fund the Moorfield Real Estate Fund II "A" Limited Partnership, acquired 75% of the share capital in Audley Court Limited for £15m After adjusting for acquisition costs the resulting combination gave rise to goodwill of £4 3m. This goodwill is being amortised over a 20 year period.

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

8 Other tangible fixed assets

	Proportionate Freehold land and buildings £'000	Proportionate Assets under construction £'000	Proportionate Other fixed assets £'000	Proportionate Total £'000
Cost				
At 1 January 2009	1,979	2,979	51	5,009
Additions	0	929	54	983
At 31 December 2009	1,979	3,908	105	5,992
Accumulated depreciation				
At 1 January 2009	0	0	6	6
Charge for the year	0	0	22	22
At 31 December 2009	0	0	28	28
Net book amount				
At 31 December 2009	1,979	3,908	77	5,964
At 31 December 2008	1,979	2,979	45	5,003

9 Investments

	Proportionate share of investment in real estate £'000
Cost or valuation	
At 1 January 2009	5,713
Additions	13,789
Disposals	0
Revaluation	3,735
At 31 December 2009	23,237

On the 30th January 2009 the Partnership, together with its parallel fund the Moorfield Real Estate Fund A LP, completed the purchase and leaseback of the headquarters building of Mitchells & Butlers in Birmingham for £30 3 million The Partnership's proportionate share of the acquisition was £13 74 million On the 29th January 2010 the Partnership, together with its parallel fund the Moorfield Real Estate Fund A LP, sold the underlying holding entity for this investment for £39 8 million

The historical cost to the Partnership of its underlying investments in real estate as at 31 December 2009 was £18 9 million (2008 £5 14 million)

Valuations of the Partnership's proportionate share of fully operational investment properties were undertaken on acquisition in July 2008 by external professionally qualified valuers The resulting valuation of the Partnership's proportionate share of fully operational investment properties was £23 2 million (2008 £5 71 million)

10 Stock

	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate 2009 £'000	Proportionate 2008 £'000
Real estate held for development	0	0	24,394	21,221
Other trade stock	0	0	2	1
	0	0	24,396	21,222

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

11 Debtors

	Partnership 31 December 2009 £'000	Partnership 31 December 2008 £'000	**Proportionate 31 December 2009 £'000**	Proportionate 31 December 2008 £'000
Trade debtors	0	0	**146**	112
Amounts owed by General Partner (see below)	5,774	3,130	**5,774**	3,130
Amounts owed by fellow group undertakings	6,942	86	**0**	0
Other debtors and prepayments	94	66	**872**	729
	12,810	3,282	**6,792**	3,971

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

12 Creditors: amounts falling due within one year

	Partnership 31 December 2009 £'000	Partnership 31 December 2008 £'000	**Proportionate 31 December 2009 £'000**	Proportionate 31 December 2008 £'000
Bank loan - amounts drawn down	**12,042**	13,116	**18,468**	23,197
Bank loan - unamortised finance fees	**(83)**	(63)	**(83)**	(68)
Trade creditors	**7**	0	**518**	638
Other tax and social security	**0**	0	**237**	85
Amounts owed to group undertakings	**133**	0	**0**	0
Other creditors and accruals	**67**	80	**1,381**	2,077
	12,166	13,133	**20,521**	25,929

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 "A" Limited Partnership, for financing the acquisition of investments and working capital, and a number of development facilities at Audley Court Further detail is given in note 13

13 Creditors: amounts falling due after one year

	Partnership 2009 £'000	Partnership 2008 £'000	**Proportionate 2009 £'000**	Proportionate 2008 £'000
Bank loans – amounts drawn down	**0**	0	**27,141**	15,409
Bank loans – unamortised finance fees	**0**	0	**(247)**	0
Other creditors	**0**	0	**134**	0
	0	0	**27,028**	15,409

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

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

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	12,042	12,042	0	Libor	3 00%	06/05/2010
Santander (formerly Abbey)	Investment	8,644	0	8,644	Libor	2 20%	30/01/2014
Coutts	Investment	2,806	0	2,806	Libor	2 00%	30/10/2014
Clydesdale	Investment	1,756	42	1,714	Libor	1 00%	01/09/2011
Clydesdale	Development	5,374	2,239	3,135	Libor	2 00%	30/12/2010
HBOS	Development	7,523	2,292	5,231	Libor	2 25%	27/03/2012
Bank of Ireland	Development	1,729	0	1,729	Base rate	2 50%	26/11/2011
Bank of Ireland	Development	5,664	1,781	3,883	Base rate	2 00%	30/10/2010
Northern Bank	Investment	71	71	0	Base rate	5 95%	15/06/2014
		45,609	18,467	27,142			

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, entered in to an agreement with Bank of America to provide a 364 day equity bridge facility for £60 million, this facility is in the process of being extended for a further two years, to March 2012, at a new margin of 2 50%

In January 2010, the Partnership sold its shares MREF II (Birmingham) Holdings Ltd, as a consequence the underlying facility from Santander (formerly Abbey) and the corresponding swap agreement have been disposed of as part of the transaction

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
Santander (formerly Abbey)	Swap	8,644	2 99%	30/01/2014	(16)
Coutts	Cap	2,806	5 00%	30/10/2014	56
Clydesdale	Swap	1,824	6 31%	30/09/2011	(152)
Clydesdale	Swap	3,174	5 54%	28/05/2011	(66)
HBOS	Swap	4,353	5.33%	30/01/2011	(143)

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

14 Partners' accounts

Partnership

	Partner Loans	Capital Contributions	Revaluation Reserve	Profit and loss account	Balance at 31 December 2009
	£	£	£	£	£
Limited Partners					
Makena Capital Holdings Red LLC	2,502,633	252	264,966	(296,575)	**2,471,276**
Uberior (Moorfield) Limited	3,722,679	375	394,138	(441,157)	**3,676,035**
Metropolitan Real Estate Partners International II-N, LP	30,199	3	3,197	(3,579)	**29,820**
Composition Capital Partners Europe Fund II C V	496,357	50	52,552	(58,821)	**490,138**
Metropolitan Real Estate Partners International II-T, LP	177,398	18	18,782	(21,023)	**175,175**
Stichting Pensioenfonds Van De Metalelektro	3,474,500	350	367,862	(411,747)	**3,430,965**
Moorfield Real Estate Fund II LP Limited	1,240,893	125	131,379	(147,052)	**1,225,345**
Varma Mutual Pension Insurance Company	2,978,143	300	315,310	(352,926)	**2,940,827**
Industriens Pensionsforsikring	2,878,872	290	304,800	(341,162)	**2,842,800**
	17,501,674	1,763	1,852,986	(2,074,042)	**17,282,381**
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Limited	0	441	0	0	**441**
	17,501,674	2,204	1,852,986	(2,074,042)	**17,282,822**

Proportionate share of reserves

	Partner Loans	Capital Contributions	Revaluation Reserve	Profit and loss account	Balance at 31 December 2009
	£	£	£	£	£
Limited Partners					
Makena Capital Holdings Red LLC	2,502,633	252	616,056	(647,665)	**2,471,276**
Uberior (Moorfield) Limited	3,722,679	375	916,387	(963,406)	**3,676,035**
Metropolitan Real Estate Partners International II-N, LP	30,199	3	7,434	(7,816)	**29,820**
Composition Capital Partners Europe Fund II C V	496,357	50	122,185	(128,454)	**490,138**
Metropolitan Real Estate Partners International II-T, LP	177,398	18	43,669	(45,910)	**175,175**
Stichting Pensioenfonds Van De Metalelektro	3,474,500	350	855,294	(899,179)	**3,430,965**
Moorfield Real Estate Fund II LP Limited	1,240,893	125	305,462	(321,135)	**1,225,345**
Varma Mutual Pension Insurance Company	2,978,143	300	733,109	(770,723)	**2,940,827**
Industriens Pensionsforsikring	2,878,872	290	708,672	(745,034)	**2,842,800**
	17,501,674	1,763	4,308,268	(4,529,324)	**17,282,381**
Carried Interest Partner					
Moorfield Real Estate Fund II CIP Limited	0	441	0	0	**441**
	17,501,674	2,204	4,308,268	(4,529,324)	**17,282,822**

Partner loans accrue no interest

Moorfield Real Estate Fund II “B” Limited

Notes to the financial statements for the year ended 31 December 2009

15 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 un-drawn loan 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 (2008 £3,130,000) from the Partnership

Moorfield Group Limited is the Asset Manager for the Partnership and received £100,000 (2008 £8,000) of asset management fees from the Partnership and its underlying investments Moorfield Group also received a further £46,000 (2008 £132,000) for the introduction, due diligence and advisory services in relation to the acquisition of the Mitchells & Butlers headquarters building

16 Capital commitments and contingent liabilities

As at 31 December 2009 there were no capital commitments or contingent liabilities (2008 £nil)

17 Reconciliation of operating loss to cash outflow from operating activities

	Partnership 2009 £’000	Partnership 2008 £’000	**Proportionate 2009 £’000**	Proportionate 2008 £’000
Operating loss	**74**	(560)	**225**	(918)
Depreciation/Amortisation	**0**	0	**227**	36
Working capital movements				
Debtors	**(6,831)**	(150)	**(125)**	(357)
Creditors	**91**	5	**(119)**	(87)
Stocks	**0**	0	**(3,174)**	(1,018)
Net cash flow from operating activities	**(6,666)**	(705)	**(2,966)**	(2,344)

Moorfield Real Estate Fund II "B" Limited

Notes to the financial statements for the year ended 31 December 2009

18 Reconciliation of net cash flow to net movement in debt

	Partnership 2009 £'000	Partnership 2008 £'000	Proportionate 2009 £'000	Proportionate 2008 £'000
Increase in cash	172	28	443	398
Cash inflow from debt	1,963	(12,519)	(5,977)	(18,378)
Non-cash changes	(869)	(533)	(762)	(558)
Net movement in debt	1,266	(13,024)	(6,296)	(18,538)
Cash acquired on acquisition of subsidiary	0	0	0	56
Bank loans acquired on acquisition of subsidiary	0	0	0	(19,603)
Net debt at start of the year	(13,024)	0	(38,085)	0
Net debt at end of the year	(11,758)	(13,024)	(44,381)	(38,085)

19 Analysis of net debt

Partnership

	1 January 2009 £'000	Cash flow in year £'000	Non-cash changes £'000	31 December 2009 £'000
Cash in hand and at bank	28	172	0	200
Bank loans due within one year	(13,052)	1,963	(869)	(11,958)
Net debt	(13,024)	2,135	(869)	(11,758)

Proportionate

	1 January 2009 £'000	Cash flow in period £'000	Non-cash changes £'000	31 December 2009 £'000
Cash in hand and at bank	454	443	0	897
Bank loans due within one year	(23,130)	5,621	(876)	(18,385)
Bank loans due after one year	(15,409)	(11,598)	114	(26,893)
Net debt	(38,085)	(5,534)	(762)	(44,381)

Further detail on bank loans is given in note 13

Moorfield Real Estate Fund II "B" Limited

Unaudited comparison to US GAAP and IFRS

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

US GAAP

Investment in Real Estate

Under UK GAAP, investments in real estate are stated at 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 profit and loss account when a decrease in value is considered permanent Under US GAAP investments are marked to fair value each period 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

For the purposes of US GAAP, management have not elected to designate any derivative instrument as a hedge of exposures and therefore all derivative instruments are fair valued and the movement in the fair value reported in the profit and loss account in the current period The financial instruments were last valued at 31 December 2009 at a cost of £319,000 (2008 £645,000)

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 2009, 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 2009, amounting to £5,832,000 (2008 £6,903,000) (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 £204,000 (2008 £30,000) 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

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 2009	(2,543)	1,620	(923)
Net assets at 31 December 2009	17,283	(5,861)	11,422

Moorfield Real Estate Fund II "B" Limited

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 profit and loss account when a decrease in value is considered permanent

Under IFRS, investments in property 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 £3,735,000 (2008 £572,000) 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 current year The financial instruments were last valued at 31 December 2009 at a cost of £319,000 (2008 £645,000)

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 £204,000 (2008 £30,000) 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

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)/profit for the year to 31 December 2009	(2,543)	4,265	1,722
Net assets at 31 December 2009	17,283	(86)	17,197