

Registered number: 08405058

**MREF III GP LIMITED**  
**AUDITED**  
**DIRECTORS' REPORT**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2022**

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COMPANIES HOUSE

**MREF III GP LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	Marc Gilbard Charles Ferguson-Davie
<b>Company secretary</b>	Steven Hall
<b>Registered number</b>	08405058
<b>Registered office</b>	Moorfield Group 10 Grosvenor Street London W1K 4QB
<b>Independent auditors</b>	Wellden Turnbull Limited Chartered Accountants & Statutory Auditors Albany House Claremont Lane Esher Surrey KT10 9FQ
<b>Bankers</b>	Lloyds Banking Group London Chief Office PO Box 54873 London SW1Y SWX

**MREF III GP LIMITED**

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## **MREF III GP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their report and the financial statements for the year ended 31 December 2022.

#### **Directors' responsibilities statement**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

#### **Principal activity**

The principal activity of the Company in the year under review was that of general partner to funds managed by the Group of which the Company is a subsidiary.

#### **Directors**

The Directors who served during the year were:

Marc Gilbard  
Charles Ferguson-Davie

#### **Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Auditors**

The auditors, Wellden Turnbull Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**MREF III GP LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Small companies note**

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

*Charles Ferguson-Davie*

Charles Ferguson-Davie (Sep 22, 2023,  
12:18)

**Charles Ferguson-Davie**  
Director

Date: 22 Sep 2023

## **MREF III GP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MREF III GP LIMITED**

#### **Opinion**

We have audited the financial statements of MREF III GP Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its result 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **MREF III GP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MREF III GP LIMITED (CONTINUED)**

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 1, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **MREF III GP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MREF III GP LIMITED (CONTINUED)**

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. We have identified the greatest risk of a material impact on the financial statements from irregularities, including fraud, to relate to the override of controls by management. We have obtained an understanding of the legal and regulatory frameworks that the Company operates within including both those that directly have an impact on the financial statements and more widely those for which non-compliance could have a significant impact on the Company's operations and reputation. The Companies Act 2006 and data protection are those we have identified in this regard. Auditing standards limit the required procedures as to non-compliance with laws and regulations to enquiries of those charged with governance and review of any applicable correspondence.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance as to actual and potential litigation and claims;
- Enquiry of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

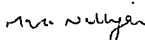


## MREF III GP LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MREF III GP LIMITED (CONTINUED)

#### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Nelligan (Sep 25, 2023, 11:13am)

Mark Nelligan FCA (Senior statutory auditor)

for and on behalf of

**Welliden Turnbull Limited**

Chartered Accountants

Statutory Auditors

Albany House

Claremont Lane

Esher

Surrey

KT10 9FQ

Date: 25 Sep 2023

**MREF III GP LIMITED**

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £000	2021 £000
<b>Profit after tax</b>	-	-

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of income and retained earnings.

The notes on pages 9 to 10 form part of these financial statements.

**MREF III GP LIMITED**  
**REGISTERED NUMBER: 08405058**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Total assets less current liabilities</b>		-	-
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	5	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

*Charles Ferguson-Davie*  
Charles Ferguson-Davie (Sep 22, 2023,  
**Charles Ferguson-Davie**  
Director

Date: 22 Sep 2023

The notes on pages 9 to 10 form part of these financial statements.

## **MREF III GP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. General information**

MREF III GP Limited is a private company, limited by shares and incorporated in England and Wales, registration number 08405058. The registered office is Moorfield Group, 10 Grosvenor Street, London, W1K 4QB.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

These financial statements are presented in sterling, which is the functional currency of the Company and rounded to the nearest £'000 unless otherwise stated.

##### **2.2 Compliance with accounting standards**

The financial statements have been prepared using FRS102, the financial reporting standard applicable in the UK and Republic of Ireland, including the disclosure and presentation requirements of Section 1A, applicable to small companies. There were no material departures from that standard.

##### **2.3 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

#### **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make judgements, estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Management do not consider the Company to have any key sources of estimation uncertainty nor any significant judgements or assumptions in preparing these financial statements.

#### **4. Employees**

The Company has no employees other than the Directors, who did not receive any remuneration (2021 - £NIL).

## MREF III GP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 5. Share capital

	2022 £	2021 £
<b>Authorised, allotted, called up and fully paid</b>		
1 (2021 - 1) Ordinary Shares share of £1.0	1.00	1.00

#### 6. Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 102 (FRS 102) paragraph 33.1A, from disclosing related party transactions with other group companies, on the grounds that 100% of the voting rights in the Company are controlled with the Group.

#### 7. Controlling party

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

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

The smallest and largest group of undertakings into which the results of the Company are consolidated is headed by Stessa Trading Limited. The registered office address of Moorfield Group Limited and Stessa Trading Limited is the same as the Company's.

The consolidated financial statements of Stessa Trading Limited can be obtained from Companies House.

**Moorfield Real Estate Fund III “A”  
Limited Partnership  
Annual report and financial statements  
for the year ended 31 December 2022**

# **Moorfield Real Estate Fund III “A” Limited Partnership**

## **Annual report and financial statements for the year ended 31 December 2022**

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# Moorfield Real Estate Fund III “A” Limited Partnership

## Partnership information

### General Partner

MREF III GP Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Carried Interest Partner

Precis (2768) Carried Interest Limited Partnership  
10 Grosvenor Street  
London  
W1K 4QB

### Investment Manager

(authorised by the Financial Conduct Authority)

Moorfield Investment Management Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Asset Manager

Moorfield Group Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Registered office

10 Grosvenor Street  
London  
W1K 4QB

### Registered number

LP015419

### Bankers

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

### Independent auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Depositary

Langham Hall UK Depositary LLP  
8<sup>th</sup> Floor  
1 Fleet Place  
London  
EC4M 7RA



# Moorfield Real Estate Fund III “A” Limited Partnership

## Strategic report for the year ended 31 December 2022

The General Partner presents its Strategic report for the year ended 31 December 2022.

### Review of the business

Moorfield Real Estate Fund III “A” Limited Partnership has commitments from Partners of £75.5 million, which when combined with the Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership total £251 million, the Partners commitments are fully drawn. The Moorfield Real Estate Fund III “A” Limited Partnership, the Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership are together referred to as “the Fund”. Investments are made by the combined Partnerships parri passu to their relative commitments. At the 31 December 2022 the Partners had received cumulative distributions of £106 million (2021: £86 million).

In 2022 the Partnership made no acquisitions and completed on the disposal of an indirectly held company (see note 7).

At the year end the underlying investments were being actively marketed for sale and were held at their anticipated realisable value. The Partnership’s carrying value of its investments is adjusted to reflect the fair value of the underlying assets and liabilities of the underlying undertakings. At 31 December 2022 the Partnership had adjusted its valuation to reflect the fair value of its investments to £2,330,000 (2021: £22,545,000) and a net fair value decrease through profit or loss of £5,841,000 (2021: decrease of £1,580,000) was recognised by the Partnership.

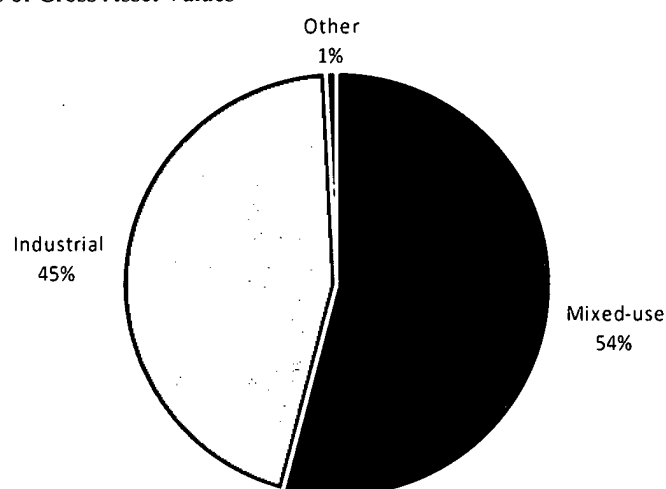
The Partnership itself generated a net decrease in net assets attributable to Partners before allocation to carried interest for the financial year of £5,033,000 (2021 loss of: £1,022,000). At 31 December 2022 the net current assets of the Partnership were £1,624,000 (2021: net current assets of £7,199,000).

Subsequent to the year end the Partnership, together with its parallel partnerships, received non-binding offers for its mixed-use leisure and retail building in Derby and for its two office and industrial parks in Aberdeen, both sales processes are progressing at the date of signing the financial statements.

### Key performance indicators

The Partnership’s investment objective is to invest in a diversified portfolio of real estate in the United Kingdom. The following chart demonstrates the sectoral analysis of the Partnership’s current investment portfolio by capital value in the underlying investment vehicles.

Sectoral Analysis of Gross Asset Values



# Moorfield Real Estate Fund III “A” Limited Partnership

## Strategic report for the year ended 31 December 2022 (continued)

### Environmental and social matters

The Partnership’s strategy is to invest in real estate, real estate related opportunities and asset rich companies in the UK where proactive and innovative corporate, asset and financial management is expected to enhance both income and capital returns.

Accordingly, through the Partnership’s Asset Manager, Moorfield Group Limited, it has responded proactively to the challenges and opportunities posed by the sustainability agenda, which in recent years has taken hold as a matter requiring additional focus for real estate funds and their assets, whilst at the same time giving rise to some notable value creation prospects across the asset classes. The General Partner recognises that, over time, more environmentally efficient and productive buildings will likely yield higher net income growth, attract lower risk and therefore deliver higher returns.

The Corporate Sustainability Report published by Moorfield Group and available on the Company’s website ([www.moorfield.com](http://www.moorfield.com)) affirms the principles which underpin the Partnership’s approach to the environmental, social and governance aspects of its real estate investment, development and management processes, and through which it will continue to engage positively with all stakeholders (Partners, tenants, service providers and advisors).

The General Partner, Investment Manager and Asset Manager have set objectives and targets to address Corporate Responsibility risks and deliver improvements. A number of programmes have been established to:

- commitment to achieving operational net zero carbon by 2030 – all partnership investments have completed a Net Zero Pathway CRREM analysis and are being managed in line with that pathway;
- incorporate evaluation of environmental criteria into the acquisition process;
- establish sustainability improvement plans at both asset and fund level to consider energy, water and waste management;
- improve awareness and understanding of sustainability issues amongst employees, partners, contractors and building occupiers;
- enable the regular measurement and monitoring of key environmental data (namely energy, water and waste) across all assets;
- participate in Global Real Estate Sustainability Benchmark (GRESB) for all operational real estate and target an improved score year on year; and
- adopting health & wellbeing best practice at both the asset and fund level, and mechanisms for measuring social impact and managing Moorfield’s contribution to social value.

### Remuneration of the Alternative Investment Fund Manager

The Partnership has appointed Moorfield Investment Management Limited as the Alternative Investment Fund Manager to the Partnership (the “Investment Manager”). The immediate parent company of the Investment Manager is Moorfield Group Limited and the ultimate parent company is Stessa Trading Limited. The AIFMD imposes certain remuneration disclosure requirements to be made by the managers of the Alternative Investment Funds (“AIFs”) which they manage. These include disclosing the remuneration, both fixed and variable, paid by the Investment Manager to its staff. Staff means senior management and members of staff of the AIFM (and its associates) whose actions have a material impact on the risk profile of the AIF.

In relation to the Investment Manager of this Partnership, the table below provides a summary of the remuneration paid to staff in 2022. This remuneration table is for this Partnership only and has been calculated based on an allocation by GAV of all AIFs.

	Head count	Fixed remuneration	Variable remuneration	Carried interest paid
Directors and senior staff	21	£137,208	£40,854	£Nil
No.				
Number of AIFs under management	12			

# Moorfield Real Estate Fund III “A” Limited Partnership

## Strategic report for the year ended 31 December 2022 (continued)

### Moorfield Investment Management Limited Remuneration policy

The general remuneration process of Moorfield Investment Management Limited (“MIML”) is applicable to all entities within the Stessa Trading Limited group. The Remuneration Committee of Stessa Trading Limited (“the Remuneration Committee”) approves the list of relevant staff annually.

The Remuneration Committee has established a Remuneration Policy and its purpose is to ensure that the remuneration of employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the relevant fund for which MIML is the Investment Advisor or Manager.

The Remuneration Committee is responsible for setting the overarching principles and parameters of Remuneration Policy covering all executives and employees of the Stessa Trading Limited’s group.

### Principal risks and uncertainties facing the partnership

#### General

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

- (i) the risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units becoming vacant. The Asset Manager oversees this process on behalf of the General Partner and directs a team of real estate professionals to manage this process in a timely and effective manner;
- (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 investing in real estate where active corporate, asset and financial management is expected to enhance both income and capital returns thereby reducing the exposure to adverse market movements; and
- (iii) letting Risk of a Private Student Scheme — the Partnerships have one student accommodation scheme held for long term investment. The Investment Manager has undertaken detailed research into this sector and location, to support its forecast of strong student demand. A detailed strategy has been developed to design, market, and brand the scheme with the support of a leading student accommodation operator.

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

#### (i) Debt financing

Each investment is held in a separate corporate structure which is owned by the combined parallel Partnerships. The debt financings are secured by fixed and floating charges over the assets of each investment and have no recourse to the Partnerships. The principal covenants relating to these borrowings are interest cover and loan to value ratios.

#### (ii) Interest rate risk

The Partnership finances its operations through a mixture of interest free loans from Limited Partners and debt financing. The Partnership has historically used interest rate swaps and caps to manage its exposure to interest rate fluctuations. At the year end in light of the ongoing marketing process, the Partnership’s bank borrowings in underlying corporate vehicles were all at floating rates.

On behalf of the Partnership



Charles Ferguson Davie  
For MREF III GP Limited  
General Partner

# **Moorfield Real Estate Fund III “A” Limited Partnership**

## **General Partner’s report for the year ended 31 December 2022**

The General Partner presents its report and audited financial statements of Moorfield Real Estate Fund III “A” Limited Partnership (the “Partnership”) for the year ended 31 December 2022.

### **Principal activities**

The principal activity of the Partnership is investing in real estate.

### **Results**

The results for the year ended 31 December 2022 are shown on page 11. The movement in net assets from operations before allocation to carried interest was a decrease of £5,033,000 (2021: decrease of £1,022,000).

### **Statement of General Partner’s responsibilities in respect of the financial statements**

The general partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the “Regulations”), requires the general partner to prepare financial statements for each financial year. Under that law the general partner has prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, as applied to qualifying partnerships, a general partner 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 partnership and of the profit or loss of the partnership for that period. In preparing the financial statements, the general partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a break up basis when the term of the partnership has expired and the partnership has entered liquidation.

The general partner is responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The general partner is also 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.

### **General partner’s confirmations**

In the case of each Director in office at the date the general partner’s report is approved:

- so far as the director of the general partner 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 a director of the general partner in order to make themselves aware of any relevant audit information and to establish that the Partnership’s auditors are aware of that information.

# Moorfield Real Estate Fund III “A” Limited Partnership

## General Partner’s report for the year ended 31 December 2022 (continued)

### Going concern – material uncertainty

The Partnership’s terms was originally due to expire on 26 March 2021, this was extended for twelve months, on two occasions, with the consent of at least 50% of the Limited Partners by Total Commitment.

On 26th March 2023 the term of the Partnership expired and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership’s financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern. The financial statements do not include any adjustments as a result of being prepared on a basis other than going concern.

### Independent auditors

During the year PricewaterhouseCoopers LLP resigned as auditor and BDO LLP were appointed. The independent auditors BDO LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Partnership



Charles Ferguson Davie  
For MREF III GP Limited  
**General Partner**

# Moorfield Real Estate Fund III “A” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “A” LIMITED PARTNERSHIP

### Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Partnership’s affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements of Moorfield Real Estate Fund III “A” Limited Partnership (“the Partnership”) for the year ended 31 December 2022 which comprise the Statement of comprehensive expense, the Statement of financial position, the Statement of changes in net assets attributable to partners, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter –financial statements prepared on a basis other than going concern

We draw attention to Note 2 to the financial statements, which explains that the Partnership is deemed to have entered liquidation and therefore the General Partner does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 2. Our opinion is not modified in respect of this matter.

### Other information

The General Partner is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **Moorfield Real Estate Fund III “A” Limited Partnership**

## **INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “A” LIMITED PARTNERSHIP (Continued)**

### **Opinions on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and General Partner’s report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and General Partner’s report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and General Partner’s report.

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

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

### **Responsibilities of the General Partner**

As explained more fully in the General Partner’s responsibilities statement, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

### **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Moorfield Real Estate Fund III “A” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “A” LIMITED PARTNERSHIP (Continued)

### Auditor’s responsibilities for the audit of the financial statements (continued)

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding using our general commercial and sector experience and through discussions with the General Partner and other senior management of the legal and regulatory framework applicable to the company and the industry to which it operates, and considered the risk of acts by the partnership that were contrary to applicable laws and regulations, including fraud. We communicated those laws and regulations identified along with potential fraud risks throughout our audit team and remaining alert to any indications of non-compliance or fraud throughout the audit. Audit procedures performed included:

- Enquiry of management and the General Partner as to their identification of any non-compliance with laws and regulations, or any actual or potential claims;
- Performing our own checks of compliance with relevant areas identified which included the UK tax legislation as well as those laws and regulations that have a direct impact on the financial statement such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008,
- Agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- Reviewing relevant minute meetings, including those of the Board of the General Partner; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual accounting combinations and journal entries where the descriptions were indicative of inappropriate transactions with related parties of the Company, where any such journal entries were identified.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.



# **Moorfield Real Estate Fund III "A" Limited Partnership**

## **Independent auditor's report to the partners of Moorfield Real Estate Fund III "A" Limited Partnership (Continued)**

### **Use of our report**

This report is made solely to the Partnership's partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership's partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

**Chris Young**

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Christopher Young (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK

31 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Moorfield Real Estate Fund III “A” Limited Partnership

## Statement of comprehensive expense for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Income</b>			
Investment income	8	291	1,453
<b>Total income</b>		<b>291</b>	<b>1,453</b>
<b>Expenses</b>			
Administrative fees		(117)	(98)
Investment management fees		(127)	(328)
Net change in fair value of financial assets at fair value through profit or loss	7	(5,841)	(1,580)
Gain/ (loss) on disposal of investments	10	762	(469)
Finance costs – net	11	(1)	-
<b>Total expenses</b>		<b>(5,324)</b>	<b>(2,475)</b>
<b>Net decrease in net assets attributable to partners from operations before carried interest</b>		<b>(5,033)</b>	<b>(1,022)</b>
Carried interest		1,007	204
<b>Net decrease in net assets attributable to partners from operations after carried interest</b>		<b>(4,026)</b>	<b>(818)</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	2,330	22,545
<b>Total non-current assets</b>		<b>2,330</b>	<b>22,545</b>
<b>Current assets</b>			
Trade and other receivables	12	10	15
Cash and cash equivalents	13	1,730	7,320
<b>Total current assets</b>		<b>1,740</b>	<b>7,335</b>
<b>Total assets</b>		<b>4,070</b>	<b>29,880</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(116)	(136)
<b>Total current liabilities</b>		<b>(116)</b>	<b>(136)</b>
<b>Net current assets</b>		<b>1,624</b>	<b>7,199</b>
<b>Net assets attributable to Partners</b>		<b>3,954</b>	<b>29,744</b>
<b>Represented by:</b>			
Partner capital accounts		1	1
Partner loan accounts		-	-
Retained surplus		3,162	21,738
<b>Total attributable to Limited Partners</b>		<b>3,163</b>	<b>21,739</b>
<b>Carried Interest Partner Account</b>		<b>791</b>	<b>8,005</b>
<b>Total Attributable to Partners</b>		<b>3,954</b>	<b>29,744</b>

The notes on pages 15 to 28 are an integral part of these financial statements. The financial statements and the other accompanying notes on pages 11 to 28 were authorised for issue by the General Partner on 31 March 2023 and signed on behalf of the General Partner by:



Charles Ferguson Davie  
For MREF III GP Limited  
General Partner

# Moorfield Real Estate Fund III “A” Limited Partnership

## Statement of changes in net assets attributable to Partners for the year ended 31 December 2022

	Partner capital accounts £'000	Partner loan accounts £'000	Retained surplus £'000	Allocation to Carried Interest Partner £'000	Total attributable to Partners £'000
<b>At 1 January 2021</b>	<b>1</b>	<b>6,220</b>	<b>32,833</b>	<b>8,209</b>	<b>47,263</b>
Net decrease in net assets to partners from operations before carried interest allocation	-	-	(1,022)	-	(1,022)
Movement in carried interest allocation	-	-	204	(204)	-
Drawdown of Partner loans	-	-	-	-	-
Distribution to Partners	-	(6,220)	(10,277)	-	(16,497)
<b>At 31 December 2021 and 1 January 2022</b>	<b>1</b>	<b>-</b>	<b>21,738</b>	<b>8,005</b>	<b>29,744</b>
Net decrease in net assets to partners from operations before carried interest allocation	-	-	(5,033)	-	(5,033)
Movement in carried interest allocation	-	-	1,007	(1,007)	-
Drawdown of Partner loans	-	-	-	-	-
Distribution to Partners	-	-	(14,550)	(6,207)	(20,757)
<b>At 31 December 2022</b>	<b>1</b>	<b>-</b>	<b>3,162</b>	<b>791</b>	<b>3,954</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Statement of cash flows for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	16	(259)	96
Interest paid		(1)	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(260)</b>	<b>96</b>
<b>Cash flows from investing activities</b>			
Sale/Refinancing proceeds from fixed asset investments		15,427	18,044
Purchase of fixed asset investments		-	(774)
<b>Net cash generated from investing activities</b>		<b>15,427</b>	<b>17,270</b>
<b>Cash flows from financing activities</b>			
Distributions to Partners		(20,757)	(16,497)
<b>Net cash (used in) financing activities</b>		<b>(20,757)</b>	<b>(16,497)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,590)</b>	<b>869</b>
Cash and cash equivalents at 1 January	13	7,320	6,451
<b>Cash and cash equivalents at 31 December</b>	<b>13</b>	<b>1,730</b>	<b>7,320</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022

### 1 General information

Moorfield Real Estate Fund III “A” Limited Partnership completed its first close for investors on 26 March 2013. Final close was completed on 22 December 2014 with final commitments of £75.5 million, which when combined with its parallel fund Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership total £251 million. The Partnership is a Limited Partnership registered and domiciled in England. The terms of the Partnership are set out in the Limited Partnership Agreement (LPA) and it has an 8 year life from first close. The term of the Partnership has been extended by a further 2 years and expired on 26 March 2023. The Partnership’s registered address is detailed on page 1.

The Partnership’s principal activity during the year was that of investing in real estate and real estate related opportunities. The financial statements are presented in UK pound sterling.

The financial statements cover the year 1 January 2022 to 31 December 2022.

### 2 Accounting policies

The principal accounting policies as applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year presented, unless otherwise stated.

#### Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, other financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7 of the financial statements.

The financial statements present the financial information of the Partnership and are not consolidated financial statements. The Partnership does not exert control over its underlying investments as defined by the Companies Act 2006, and its policy is to hold its investments at fair value. The Partnership makes investments with its parallel fund Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership in proportion to their relative commitments. The Moorfield Real Estate Fund III “A” Limited Partnership, The Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership are together referred to as “the Fund”.

#### Going concern – material uncertainty

The Partnership’s terms was originally due to expire on 26 March 2021, this was extended for twelve months, on two occasions, with the consent of at least 50% of the Limited Partners by Total Commitment.

On 26th March 2023 the term of the Partnership expired and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership’s financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, the Partnership can no longer be considered a going concern and is in liquidation.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Changes in accounting policy and disclosure

##### (a) Amendments to standards and framework adopted during the year

No new standards were amended or adopted during the year.

##### (b) New and amendments to standards and interpretations in issue but not yet effective

The following new and amendments to standards and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting year and have not been adopted early.

- IFRS 17 - Insurance Contracts (effective 1 January 2023);
- amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective 1 January 2023);
- amendments to IAS 1 – Disclosure of Accounting Policies (effective 1 January 2023);
- amendments to IAS 8 - Definition of Accounting Estimates (effective 1 January 2023); and
- amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities from a Single Transaction (effective 1 January 2023).

#### Investment income

The main revenue stream is investment income.

Investment income represents income from underlying investments. It includes dividends receivable, interest income on loans to investment vehicles, income from preferred equity certificates and distributions from participating interests.

#### Partner loan accounts

In accordance with the LPA, upon termination of the Partnership there is a contractual requirement for the General Partner to distribute proceeds from the sale of investments to the partners.

#### Management fees

The investment management fee is charged by the General Partner quarterly in advance and recognised in the income statement over the period to which it relates. The management fee is based on amounts committed to investments from the date of a binding commitment to make an investment.

#### Carried interest/distribution of proceeds

The Carried Interest Partner (“CIP”) is entitled to receive a share of the realised profits of the Partnership which is known as Carried Interest. The CIP’s entitlement to distributions of Carried Interest is set out in the distribution mechanism in the LPA and arises when the limited partners’ loan account is repaid and the cumulative distributions paid to limited partners are above the preferred return (as defined in the LPA).

Carried Interest is recognised once it is considered probable that there will be an allocation which can be reliably measured. No amounts are recognised until the Partnership is fully invested or the investment period has ended.

The amount recognised as amounts due to the Carried Interest Partner at the Balance Sheet date is based on the net asset value of the Partnership and the mechanism as defined within the LPA. Subsequent changes to amounts due to the Carried Interest are recognised in the Statement of Comprehensive Income in the period in which they arise.

The final amount of Carried Interest paid, if any, will be determined by reference to distributions paid to limited partners and the mechanism in the LPA. Any payment of Carried Interest to the CIP is subject to clawback provisions as detailed in the LPA.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents is presented by cash at bank and in hand. The partnership holds no cash equivalents.

#### Financial assets

##### *Classification*

The Partnership classifies its financial assets into one of the following categories: loans and receivables, available-for-sale and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The Partnership determines the classification of its financial assets at initial recognition:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.
- Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.
- Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are designated as such upon their initial recognition and/or are classified as held for trading.

##### *Recognition and measurement*

Purchases and sales of financial assets are recognised on the date on which the Partnership enters in-to a binding commitment to purchase or sell the asset.

These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss in ‘Net change in fair value of financial assets at fair value through profit or loss’ in the statement of comprehensive income. Equity investments are included in this category.

#### Fair Value Measurement

Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date.

The Partnership uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Partnership recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.



# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management

#### Financial risk factors

The Partnership's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The General Partner's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Partnership's financial performance. The Partnership, through its investment vehicles, uses derivative financial instruments to hedge certain interest rate risk exposures.

Risk management is carried out by the Investment Manager under policies approved by the General Partner. The General Partner provides written principles for overall risk management, including policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Partnership's principal financial instruments comprise financial assets, borrowings, trade and other payables, trade and other receivables and cash and cash equivalents.

#### Categories of financial instruments

	Loans and Receivables at amortised cost	Assets at fair value through profit or loss	Total
31 December 2022	£'000	£'000	£'000
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit and loss	-	2,330	2,330
Other receivables	10	-	10
Cash and cash equivalents	1,730	-	1,730
<b>Total</b>	<b>1,740</b>	<b>2,330</b>	<b>4,070</b>

	Loans and Receivables at amortised cost	Assets at fair value through profit or loss	Total
31 December 2021	£'000	£'000	£'000
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit and loss	-	22,545	22,545
Other receivables	15	-	15
Cash and cash equivalents	7,320	-	7,320
<b>Total</b>	<b>7,335</b>	<b>22,545</b>	<b>29,880</b>

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### Categories of financial instruments (continued)

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2022	£'000	£'000	£'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	-	5	5
Amounts owed to related party undertakings	-	75	75
Accrued expenses excluding deferred income	-	36	36
<b>Total</b>	<b>-</b>	<b>116</b>	<b>116</b>

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2021	£'000	£'000	£'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	-	82	82
Amounts owed to related party undertakings	-	14	14
Accrued expenses excluding deferred income	-	40	40
<b>Total</b>	<b>-</b>	<b>136</b>	<b>136</b>

The fair value of the financial instruments shown above is not materially different from their carrying values.

#### (a) Market risk

##### (i) Foreign exchange risk

The Partnership has no exposure to foreign currency. At 31 December 2022 all financial instruments were denominated in UK pound sterling and all Partner Loans were received in UK pound sterling, therefore the Partnership has no transaction or translation risk.

#### Foreign exchange sensitivity

On the basis that the Partnership is not exposed to changes in foreign exchange rates in the Partnership's own financial statements no disclosure has been made of the sensitivity of the Partnership's results to changes in foreign exchange rates.

##### (ii) Price risk

The Partnership is exposed to fluctuations in the fair value of its financial assets which are classified as at fair value through profit or loss. The Partnership is not exposed to commodity price risk. To manage the price risk arising from its investments, the Partnership diversifies its portfolio. Diversification of the portfolio is done in accordance with the investment restrictions set by the LPA.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk

The Partnership finances its investments through a mixture of interest free loans from Limited Partners, and bank borrowings in the underlying entities. The Partnership does not use interest rate derivatives to manage its exposure to interest rate fluctuations; however, the underlying investment entities use interest rate derivatives to manage their exposure to interest fluctuations. At the year end all of Partnership’s bank borrowings and swaps in the underlying entities have expired and as such all of the debt is floating. A summary of the Partnership’s net exposure to interest rate risk is outlined below:

	2022 £’000	2021 £’000
Total value of variable rate borrowings	-	-
Cash	1,730	7,320
<b>Total</b>	<b>1,730</b>	<b>7,320</b>

#### Interest rate sensitivity

On the basis that the finance income and expense is immaterial in the Partnership’s own financial statements no disclosure has been made of the sensitivity of the Partnership’s results to changes in interest rates.

#### (b) Credit risk

Credit risk is managed by the General Partner for the Partnership. The Asset Manager for each underlying entity is responsible for managing and analysing the credit risk for (i) each of their new tenants before an occupational lease is offered and (ii) the purchasers of property before a sale and purchase agreement is signed. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to tenants and buyers, including outstanding receivables and committed transactions. If tenants are independently rated, these ratings are used. If there is no independent rating, the asset manager assesses the credit quality of the tenant, taking into account its financial position, past experience and other factors.

No credit limits were exceeded during the reporting year, and the General Partner does not expect any losses from non-performance by these counterparties.

An analysis of the credit quality of financial assets is as follows:

	2022 £’000	2021 £’000
Trade and other receivables – neither past due nor impaired	10	15
Less: impairment provision	-	-
<b>Total trade and other receivables, net of impairment provision</b>	<b>10</b>	<b>15</b>
<b>Total cash and cash equivalents</b>	<b>1,730</b>	<b>7,320</b>

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as and when they fall due. The ultimate responsibility for liquidity risk lies with the General Partner which monitors this risk and the liquidity position of the Partnership and its underlying investment entities and has built an appropriate liquidity risk management framework of the short, medium and long-term funding requirements of the Partnership and its underlying investment entities. The General Partner manages liquidity risk using forecasts of the Partnership and its underlying entities. The General Partner seeks to ensure the Partnership has sufficient cash to meet its operational needs and fund the capital requirements of its investments.

The investment period has expired and the investors commitments are fully drawn. The Partnership has retained a cash balance from sales proceeds to ensure it can meet its future obligations and to satisfy the current provisions of the debt arrangements in the underlying investment entities if asset values were to fall.

Surplus cash in unblocked accounts held by the underlying entities over and above balance required for working capital management are transferred to the Partnership. The Partnership invests surplus cash in interest bearing current accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Partnership held £1,730,000 (2021: £7,320,000) in interest bearing current accounts.

All of the Partnership's financial liabilities mature within one year and the amount held on the balance sheet at 31 December 2022 represents the contractual undiscounted cash flow.

#### (d) Real estate market risk

The Partnership's strategy is to acquire and create real estate, real estate related opportunities and asset rich companies thus exposing it to very specific industry risks. The General Partner has identified the following risks that are specific to the real estate market:

- (i) The risk of a general downturn in the real estate market negatively impacting on the valuation of individual real estate assets. The General Partner's investment strategy is to focus on investments where active corporate, asset and financial management is expected to enhance both income and capital returns thereby reducing the exposure to adverse market movements.
- (ii) The risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units becoming vacant or residential tenants remaining on periodic tenancies – this risk is managed by the Asset Manager on behalf of the underlying SPV. The Asset Manager oversees this process and directs a team of real estate professionals to manage this process in a timely and effective manner;

#### Capital risk management

The General Partner's objectives when managing capital are to safeguard the Partnership's ability to continue as a going concern in order to provide returns for Limited Partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At 31 December 2022 aggregate loan to value was 83% (2021: 43%).

#### Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### Valuation Techniques

The fair value of financial assets in the equity investments is determined using the adjusted net asset value. This includes these external valuations by a third party appraiser of the investment property, which is adjusted to reflect third party debt and the remaining net current asset positions (Level 2 and 3 measurements). External valuations are performed under the following methods:

*Income Capitalisation Approach:* This approach is based on the principle that value is created by the expectation of future income. This involves applying yield to rental income streams. The inputs involved include, yield, current rents, estimates rental values (ERV), and net property income. There were no changes to the valuation techniques during the year.

#### (d) Real estate market risk

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

	Level 1	Level 2	Level 3	Total
31 December 2022	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	-	2,330	-	2,330
<b>Total</b>	-	<b>2,330</b>	-	<b>2,330</b>

	Level 1	Level 2	Level 3	Total
31 December 2021	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	-	17,536	5,009	22,545
<b>Total</b>	-	<b>17,536</b>	<b>5,009</b>	<b>22,545</b>

The determination of what constitutes ‘observable’ requires significant judgement by the Partnership. The Partnership considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of the financial assets includes the fair value of investment property held in underlying entities of the Partnership. The significant unobservable inputs that have been used in determining the fair value measurement of the investment property included yield rates.

All of the Partnership’s equity investments, being categorised as fair value through profit or loss fall within Levels 2 or 3 of the fair value hierarchy. A table showing the movement in these financial assets is shown in note 8 to the financial statements. Where the Partnership has received a formal offer for the sale of an investment, then those investments are classified as Level 2.

### 4 Segments

The General Partner is charged with setting the Partnership’s investment strategy in accordance with the Partnership’s investment restrictions and overall objectives as set out in the LPA. The General Partner has delegated the day to day implementation of this strategy to the Investment Manager but retains responsibility to ensure that adequate resources of the Partnership are directed in accordance with its decisions.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 4 Segments (continued)

The Investment Manager has been given authority to act on behalf of the General Partner in certain situations. Under the terms of the Investment Management Agreement, the Investment Manager advises on the investment strategy of the Partnership, advises the Partnership on its borrowing policy and geared investment position, and advises on the use and management of derivatives and hedging by the Partnership. Any changes to the investment strategy or allocation decisions have to be approved by the General Partner, even though they may be proposed by the Investment Manager.

The General Partner therefore retains full responsibility for investment policy and strategy. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the General Partner. The General Partner has considered the requirements of IFRS 8 ‘Operating Segments’. The General Partner is of the opinion that the Partnership, through its underlying entities, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom and therefore no segmental reporting is required. The portfolio is held for long term investment purposes and consists of a student accommodation scheme, a mixed use leisure and retail property, a multi sited office and warehouse scheme and a loan to a property developer.

### 5 Net funds reconciliation

This section sets out an analysis of net funds and the movements in net funds for each of the periods presented.

	2022	2021
Net funds	£’000	£’000
Cash and cash equivalents	1,730	7,320
Borrowings – repayable within one year	-	-
<b>Net funds</b>	<b>1,730</b>	<b>7,320</b>

	Cash	Borrowings due <1 yr	Total
	£’000	£’000	£’000
Net funds as at 1 January 2022	7,320	-	7,320
Cash flows	(5,590)	-	(5,590)
<b>Net funds as at 31 December 2022</b>	<b>1,730</b>	<b>-</b>	<b>1,730</b>

### 6 Critical accounting judgements and estimation uncertainty

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. As at 31 December 2022 the Partnership had the following critical accounting estimates and assumptions:

#### (i) Estimates – Valuation of investments (note 7)

Investment property being held indirectly by the Partnership’s fixed asset investments for earning rental income and capital appreciation is measured at fair value and a key contributor to the overall investment value. Fair value of these properties is based on either (i) an offer for sale from an independent third party or (ii) a valuation by a professionally qualified and experienced independent external or internal valuers. The general partner, on the advice of the independent valuer, takes into account number of factors including risk of tenant exercising break options, impact of real estate market and demand and risks associated with development of the properties to arrive at the year end value.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 6 Critical accounting judgements and estimation uncertainty (continued)

#### (ii) Judgements - Carried Interest allocation (note 2)

The Carried Interest Partner is entitled to a Carried Interest based on the performance of the Partnership in accordance with the mechanism set out in the LPA. Judgement is required on when the Carried Interest is provided for within these Financial Statements as the amount payable is dependent on the performance of the Partnership and will only become payable once all Limited Partners' capital advances and preferred return have been fully paid. Carried interest is recognised once it is considered probable that there will be an allocation which can be reliably measured, as such, no amounts are recognised until the Partnership is fully invested or the investment period has ended.

### 7 Financial assets at fair value through profit or loss

The financial assets at fair value through profit and loss are held at fair value, based on the net asset values of the underlying investments.

	2022	2021
	£'000	£'000
<b>Investments</b>		
At 1 January	22,545	41,020
Acquisitions	-	1,618
Disposals/repayments	(14,374)	(18,513)
Net change in fair value of financial assets at fair value through profit or loss	(5,841)	(1,580)
<b>At 31 December</b>	<b>2,330</b>	<b>22,545</b>

The following table sets out the Partnerships direct and indirect financial assets.

Name	Country of Incorporation	Principal activity	Share %	Ownership class
MREF III BG Limited Partnership	Scotland	Investment entity	30.08	Partnership interest
MREF III PRS Holdings Sarl	Luxembourg	Holding entity	30.08	Ordinary
MREF III Aberdeen Holdings Limited	Jersey	Holding entity	30.08	Ordinary
Aberdeen Energy Park Limited*	Jersey	Property investment	30.08	Ordinary
Aberdeen Innovation Park Limited*	Jersey	Property investment	30.08	Ordinary
MREF III Aberdeen LP Limited*	Jersey	Property investment	30.08	Ordinary
MREF III Derby Holdings Limited	Jersey	Holding entity	30.08	Ordinary
MREF III Derby Riverlights Limited*	Jersey	Property investment	30.08	Ordinary
Derby Riverlights Hotel Limited*	UK	Hotel operator	30.08	Ordinary
MREF III Student Holdings Sarl	Luxembourg	Holding entity	30.08	Ordinary
MREF III Credit Limited	Jersey	Financing	30.08	Ordinary

\*Indirect investment

The maximum exposure to credit risk at the reporting date is the fair value of the investments classified as financial assets at fair value through profit and loss.

In 2022 the net change in fair value of £5,841,000 (2021: £1,580,000) was due to the writing down in value of the residual investments and liquidation proceeds from underlying investment entities that were dissolved during the year.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 8 Investment income

	2022 £'000	2021 £'000
Dividends receivable from subsidiaries and joint ventures	-	609
Interest income from subsidiaries	291	844
<b>Total</b>	<b>291</b>	<b>1,453</b>

### 9 Net decrease in net assets attributable to partners from operations

	2022 £'000	2021 £'000
<b>Operating loss is stated after charging:</b>		
Fees payable to the Partnership's auditors for the audit of the financial statements	24	26
Fees payable to the Partnership's auditors for other services:		
- Taxation	5	7
- Other	-	15

The Partnership had no employees during the current or previous year.

### 10 (Loss)/gain on disposal of investments

	2022 £'000	2021 £'000
Proceeds received from subsidiary undertakings	6,312	7,577
Reversal of unrealised gain recognised in prior years	(5,550)	(8,046)
<b>Total</b>	<b>762</b>	<b>(469)</b>



# Moorfield Real Estate Fund III "A" Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 11 Finance costs - net

	2022	2021
	£'000	£'000
Other finance fees	1	-
<b>Finance costs – net</b>	<b>1</b>	<b>-</b>

### 12 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts owed by related party undertakings (note 15)	8	-
Other receivables	2	15
<b>Total</b>	<b>10</b>	<b>15</b>

Amounts owed by related party undertakings are unsecured and repayable on demand. There are no provisions held against trade and other receivables balances.

### 13 Cash and cash equivalents

	2022	2021
	£'000	£'000
<b>Cash and cash equivalent</b>	<b>1,730</b>	<b>7,320</b>

### 14 Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	5	82
Amounts owed to related party undertakings (note 15)	75	14
Accruals and deferred income	36	40
<b>Total</b>	<b>116</b>	<b>136</b>

The fair value of other payables and accrued expenses is not materially different from their carrying value.

Amounts owed to related party undertakings are unsecured and repayable on demand.

The liabilities shown in the table above all mature within one year. The amounts shown above are equal to the contractual discounted cash flows.

### 15 Related party transactions

The Partnership is operated in conjunction with the Moorfield Real Estate Fund III "B" Limited Partnership, its parallel fund, and Moorfield Real Estate Fund III "PC" Limited Partnership. The three 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 three 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 III "A" Limited Partnership: 30.08%, Moorfield Real Estate Fund III "B" Limited Partnership: 31.47%, Moorfield Real Estate Fund III "PC" Limited Partnership: 38.45%). Similarly the Partnership's bear any operating expenses on a pro rata basis (except to the extent that such expenses are specifically allocable to a particular Partnership).

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 15 Related party transactions (continued)

- (i) The following amounts were identified as income from related parties during 2022 and 2021:
- Interest income of £291,000 (2021: £844,000) from underlying investment vehicles (see note 8) that Moorfield Real Estate Fund III “A” Limited Partnership holds as an investment, together with its parallel fund Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership.
  - Dividend income of £Nil (2021: £609,000) from underlying investment vehicles (see note 8) that Moorfield Real Estate Fund III “A” Limited Partnership holds as an investment, together with its parallel fund Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership.
- (ii) The following amounts were identified as balances due from/to related parties in the Balance Sheet as at 31 December 2022 and 31 December 2021:
- Fixed asset investments of £2,330,000 (2021: £22,545,000) held pari passu with its parallel fund Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership.
  - A receivable of £8,000 (2021: £Nil) with other related parties including those with Moorfield Group Limited and its associates.
  - A payable of £55,000 (2021: £Nil) with other related parties including those with Moorfield Group Limited and its associates.
  - A payable of £20,000 (2021: £14,000) owed to the Moorfield Real Estate Fund III “PC” Limited Partnership.

(iii) Investment Management Fee

The LPA provides that MREF III GP Limited shall act as the General Partner of the Partnership. The LPA also provides that the General Partner is entitled to receive an Investment Management fee.

During the year to 31 December 2022 Moorfield Real Estate Fund III “A” Limited Partnership expensed management fees of £127,000 (2021: £328,000) to MREF III GP Limited.

(iv) Carried Interest Allocation

The Carried Interest Partner is entitled to receive a share of profits of the Partnership which is known as carried interest. This allocation is set out in the Balance Sheet and the Statement of Changes in Equity. In 2022 the carried interest partner received a distribution from the retained surplus of £6,207,000. At 31 December 2022 the carried interest partner’s share of the retained surplus was £791,000 (2021: £8,005,000)

The LPA sets out the terms of the allocation of carried interest to the carried interest partner.

The members of the carried interest partnership include current and former directors and employees of Stessa Trading Limited, the ultimate parent of the Investment Manager.

# Moorfield Real Estate Fund III “A” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 16 Reconciliation of loss for the financial year to operating cash flow

	2022	2021
	£'000	£'000
<b>Loss for the financial year</b>	<b>(5,033)</b>	<b>(1,022)</b>
<b>Adjustment for:</b>		
- Net change in fair value of financial assets at fair value through profit or loss	5,841	1,580
- Interest receivable from investments	(291)	(844)
- Finance costs- net	1	-
- (Gain)/loss on sale of fixed assets	(762)	469
<b>Changes in working capital:</b>		
- Change in trade and other receivables	5	34
- Change in trade and other payables	(20)	(121)
<b>Cash (used in)/generated from operations</b>	<b>(259)</b>	<b>96</b>

### 17 Post balance sheet events

Subsequent to the year end the Partnership, together with its parallel partnerships, received non-binding offers for its mixed-use leisure and retail building in Derby and for its two office and industrial parks in Aberdeen, both sales processes are progressing at the date of signing the financial statements.

On 26th March 2023 the term of the Partnership expired, and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership's financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, the Partnership can no longer be considered a going concern and is in liquidation.

Registered number: LP015420

**Moorfield Real Estate Fund III “B”  
Limited Partnership  
Annual report and financial statements  
for the year ended 31 December 2022**

# **Moorfield Real Estate Fund III “B” Limited Partnership**

## **Annual report and financial statements for the year ended 31 December 2022**

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# Moorfield Real Estate Fund III “B” Limited Partnership

## Partnership information

### General Partner

MREF III GP Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Carried Interest Partner

Precis (2768) Carried Interest Limited Partnership  
10 Grosvenor Street  
London  
W1K 4QB

### Investment Manager

(authorised by the Financial Conduct Authority)

Moorfield Investment Management Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Asset Manager

Moorfield Group Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Registered office

10 Grosvenor Street  
London  
W1K 4QB

### Registered number

LP015420

### Bankers

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

### Independent auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Depository

Langham Hall UK Depositary LLP  
8<sup>th</sup> Floor  
1 Fleet Place  
London  
EC4M 7RA

# Moorfield Real Estate Fund III “B” Limited Partnership

## Strategic report for the year ended 31 December 2022

The General Partner presents its Strategic report for the year ended 31 December 2022.

### Review of the business

Moorfield Real Estate Fund III “B” Limited Partnership has commitments from Partners of £79.0 million, which when combined with the Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership total £251 million, the Partners commitments were fully drawn. The Moorfield Real Estate Fund III “A” Limited Partnership, the Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership are together referred to as “the Fund”. Investments are made by the combined Partnerships parri passu to their relative commitments. At the 31 December 2022 the Partners had received cumulative distributions of £112 million (2021: £90 million).

In 2022 the Partnership made no acquisitions and completed on the disposal of an indirectly held company (see note 7).

At the year end the underlying investments were valued by a combination of appropriately qualified internal and external valuers. The Partnership’s carrying value of its investments is adjusted to reflect the fair value of the underlying assets and liabilities of the underlying undertakings. At 31 December 2022 the Partnership had adjusted its valuation to reflect the fair value of its investments to £2,438,000 (2021: £23,590,000) and a net fair value decrease through profit or loss of £6,112,000 (2021: decrease of £1,653,000) was recognised by the Partnership.

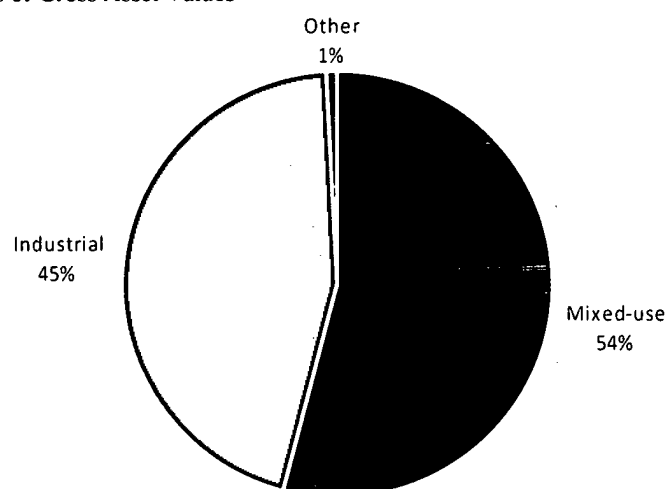
The Partnership itself generated a net decrease in net assets attributable to Partners before allocation to carried interest for the financial year of £5,225,000 (2021 loss of: £1,044,000). At 31 December 2022 the net current assets of the Partnership were £1,751,000 (2021: net current assets of £7,552,000).

Subsequent to the year end the Partnership, together with its parallel partnerships, received non-binding offers for its mixed-use leisure and retail building in Derby and for its two office and industrial parks in Aberdeen, both sales processes are progressing at the date of signing the financial statements.

### Key performance indicators

The Partnership’s investment objective is to invest in a diversified portfolio of real estate in the United Kingdom. The following chart demonstrates the sectoral analysis of the Partnership’s current investment portfolio by capital value in the underlying investment vehicles.

Sectoral Analysis of Gross Asset Values



# Moorfield Real Estate Fund III “B” Limited Partnership

## Strategic report for the year ended 31 December 2022 (continued)

### Environmental and social matters

The Partnership’s strategy is to invest in real estate, real estate related opportunities and asset rich companies in the UK where proactive and innovative corporate, asset and financial management is expected to enhance both income and capital returns.

Accordingly, through the Partnership’s Asset Manager, Moorfield Group Limited, it has responded proactively to the challenges and opportunities posed by the sustainability agenda, which in recent years has taken hold as a matter requiring additional focus for real estate funds and their assets, whilst at the same time giving rise to some notable value creation prospects across the asset classes. The General Partner recognises that, over time, more environmentally efficient and productive buildings will likely yield higher net income growth, attract lower risk and therefore deliver higher returns.

The Corporate Sustainability Report published by Moorfield Group Limited and available on the Company’s website ([www.moorfield.com](http://www.moorfield.com)) affirms the principles which underpin the Partnership’s approach to the environmental, social and governance aspects of its real estate investment, development and management processes, and through which it will continue to engage positively with all stakeholders (Partners, tenants, service providers and advisors).

The General Partner, Investment Manager and Asset Manager have set objectives and targets to address Corporate Responsibility risks and deliver improvements. A number of programmes have been established to:

- commitment to achieving operational net zero carbon by 2030 – all partnership investments have completed a Net Zero Pathway CRREM analysis and are being managed in line with that pathway;
- incorporate evaluation of environmental criteria into the acquisition process;
- establish sustainability improvement plans at both asset and fund level to consider energy, water and waste management;
- improve awareness and understanding of sustainability issues amongst employees, partners, contractors and building occupiers;
- enable the regular measurement and monitoring of key environmental data (namely energy, water and waste) across all assets;
- participate in Global Real Estate Sustainability Benchmark (GRESB) for all operational real estate and target an improved score year on year; and
- adopting health & wellbeing best practice at both the asset and fund level, and mechanisms for measuring social impact and managing Moorfield’s contribution to social value.

### Remuneration of the Alternative Investment Fund Manager

The Partnership has appointed Moorfield Investment Management Limited as the Alternative Investment Fund Manager to the Partnership (the “Investment Manager”). The immediate parent company of the Investment Manager is Moorfield Group Limited and the ultimate parent company is Stessa Trading Limited. The AIFMD imposes certain remuneration disclosure requirements to be made by the managers of the Alternative Investment Funds (“AIF’s”) which they manage. These include disclosing the remuneration, both fixed and variable, paid by the Investment Manager to its staff. Staff means senior management and members of staff of the AIFM (and its associates) whose actions have a material impact on the risk profile of the AIF.

In relation to the Investment Manager of this Partnership, the table below provides a summary of the remuneration paid to staff in 2022. This remuneration table is for this Partnership only and has been calculated based on an allocation by GAV of all AIFs.

	Head count	Fixed remuneration	Variable remuneration	Carried interest paid
Directors and senior staff	21	£143,569	£42,748	£Nil
Number of AIFS under management	No. 12			



# Moorfield Real Estate Fund III “B” Limited Partnership

## Strategic report for the year ended 31 December 2022 (continued)

### Moorfield Investment Management Limited Remuneration policy

The general remuneration process of Moorfield Investment Management Limited (“MIML”) is applicable to all entities within the Stessa Trading Limited group. The Remuneration Committee of Stessa Trading Limited (“the Remuneration Committee”) approves the list of relevant staff annually.

The Remuneration Committee has established a Remuneration Policy and its purpose is to ensure that the remuneration of employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the relevant fund for which MIML is the Investment Advisor or Manager.

The Remuneration Committee is responsible for setting the overarching principles and parameters of Remuneration Policy covering all executives and employees of the Stessa Trading Limited’s group.

### Principal risks and uncertainties facing the partnership

#### General

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

- (i) the risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units becoming vacant. The Asset Manager oversees this process on behalf of the General Partner and directs a team of real estate professionals to manage this process in a timely and effective manner;
- (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 investing in real estate where active corporate, asset and financial management is expected to enhance both income and capital returns thereby reducing the exposure to adverse market movements; and
- (iii) letting Risk of a Private Student Scheme — the Partnerships have one student accommodation scheme held for long term investment. The Investment Manager has undertaken detailed research into this sector and location, to support its forecast of strong student demand. A detailed strategy has been developed to design, market, and brand the scheme with the support of a leading student accommodation operator.

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

#### (i) Debt financing

Each investment is held in a separate corporate structure which is owned by the combined parallel Partnerships. The debt financings are secured by fixed and floating charges over the assets of each investment and have no recourse to the Partnerships. The principal covenants relating to these borrowings are interest cover and loan to value ratios.

#### (ii) Interest rate risk

The Partnership finances its operations through a mixture of interest free loans from Limited Partners and debt financing. The Partnership uses interest rate swaps and caps to manage its exposure to interest rate fluctuations. At the year end 24% of the Partnership’s bank borrowings in underlying corporate vehicles were at fixed rates after taking into account interest rate swaps.

On behalf of the Partnership



Charles Ferguson Davie  
For MREF III GP Limited  
**General Partner**

# **Moorfield Real Estate Fund III “B” Limited Partnership**

## **General Partner’s report for the year ended 31 December 2022**

The General Partner presents its report and audited financial statements of Moorfield Real Estate Fund III “B” Limited Partnership (the “Partnership”) for the year ended 31 December 2022.

### **Principal activities**

The principal activity of the Partnership is investing in real estate.

### **Results**

The results for the year ended 31 December 2022 are shown on page 11. The movement in net assets from operations before allocation to carried interest was a decrease of £5,225,000 (2021: decrease of £1,044,000).

### **Statement of General Partner’s responsibilities in respect of the financial statements**

The general partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the “Regulations”), requires the general partner to prepare financial statements for each financial year. Under that law the general partner has prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, as applied to qualifying partnerships, a general partner 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 the financial statements, the general partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a break up basis when the term of the partnership has expired and the partnership has entered liquidation.

The general partner is responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The general partner is also 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.

### **General partner’s confirmations**

In the case of each Director in office at the date the general partner’s report is approved:

- so far as the director of the general partner 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 a director of the general partner in order to make themselves aware of any relevant audit information and to establish that the Partnership’s auditors are aware of that information.

# Moorfield Real Estate Fund III “B” Limited Partnership

## General Partner’s report for the year ended 31 December 2022 (continued)

### Going concern – material uncertainty

The Partnership’s terms was originally due to expire on 26 March 2021, this was extended for twelve months, on two occasions, with the consent of at least 50% of the Limited Partners by Total Commitment.

On 26th March 2023 the term of the Partnership expired and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership’s financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern. The financial statements do not include any adjustments as a result of being prepared on a basis other than going concern.

### Independent auditors

During the year PricewaterhouseCoopers LLP resigned as auditor and BDO LLP were appointed. The independent auditors BDO LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Partnership



Charles Ferguson Davie  
For MREF III GP Limited  
**General Partner**

# Moorfield Real Estate Fund III “B” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “B” LIMITED PARTNERSHIP

### Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Partnership’s affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements of Moorfield Real Estate Fund III “B” Limited Partnership (“the Partnership”) for the year ended 31 December 2022 which comprise the Statement of comprehensive expense, the Statement of financial position, the Statement of changes in net assets attributable to partners, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter –financial statements prepared on a basis other than going concern

We draw attention to Note 2 to the financial statements, which explains that the Partnership is deemed to have entered liquidation and therefore the General Partner does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 2. Our opinion is not modified in respect of this matter.

### Other information

The General Partner is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **Moorfield Real Estate Fund III “B” Limited Partnership**

## **INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “B” LIMITED PARTNERSHIP (Continued)**

### **Opinions on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and General Partner’s report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and General Partner’s report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and General Partner’s report.

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

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

### **Responsibilities of the General Partner**

As explained more fully in the General Partner’s responsibilities statement, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

### **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# Moorfield Real Estate Fund III “B” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “B” LIMITED PARTNERSHIP (Continued)

### Auditor’s responsibilities for the audit of the financial statements (continued)

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding using our general commercial and sector experience and through discussions with the General Partner and other senior management of the legal and regulatory framework applicable to the company and the industry to which it operates, and considered the risk of acts by the partnership that were contrary to applicable laws and regulations, including fraud. We communicated those laws and regulations identified along with potential fraud risks throughout our audit team and remaining alert to any indications of non-compliance or fraud throughout the audit. Audit procedures performed included:

- enquiry of management and the General Partner as to their identification of any non-compliance with laws and regulations, or any actual or potential claims;
- performing our own checks of compliance with relevant areas identified which included the UK tax legislation as well as those laws and regulations that have a direct impact on the financial statement such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008;
- agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- reviewing relevant minute meetings, including those of the Board of the General Partner; and
- identifying and testing journal entries, in particular any journal entries posted with unusual accounting combinations and journal entries where the descriptions were indicative of inappropriate transactions with related parties of the Company, where any such journal entries were identified.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

# **Moorfield Real Estate Fund III "B" Limited Partnership**

## **Independent auditor's report to the partners of Moorfield Real Estate Fund III "B" Limited Partnership (Continued)**

### **Use of our report**

This report is made solely to the Partnership's partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership's partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

**Chris Young**

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Christopher Young (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

31 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Moorfield Real Estate Fund III “B” Limited Partnership

## Statement of comprehensive expense for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Income</b>			
Investment income	8	305	1,520
<b>Total income</b>		<b>305</b>	<b>1,520</b>
<b>Expenses</b>			
Administrative fees		(91)	(103)
Investment management fees		(123)	(317)
Net change in fair value of financial assets at fair value through profit or loss	7	(6,112)	(1,653)
Gain/(loss) on disposal of investments	10	797	(491)
Finance costs – net	11	(1)	-
<b>Total expenses</b>		<b>(5,530)</b>	<b>(2,564)</b>
<b>Net decrease in net assets attributable to partners from operations before carried interest</b>		<b>(5,225)</b>	<b>(1,044)</b>
Carried interest		1,046	208
<b>Net decrease in net assets attributable to partners from operations after carried interest</b>		<b>(4,179)</b>	<b>(836)</b>

The notes on pages 15 to 28 are an integral part of these financial statements.



# Moorfield Real Estate Fund III “B” Limited Partnership

## Statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	2,438	23,590
<b>Total non-current assets</b>		<b>2,438</b>	<b>23,590</b>
<b>Current assets</b>			
Trade and other receivables	12	42	21
Cash and cash equivalents	13	1,810	7,659
<b>Total current assets</b>		<b>1,852</b>	<b>7,680</b>
<b>Total assets</b>		<b>4,290</b>	<b>31,270</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(101)	(128)
<b>Total current liabilities</b>		<b>(101)</b>	<b>(128)</b>
<b>Net current assets</b>		<b>1,751</b>	<b>7,552</b>
<b>Net assets attributable to Partners</b>		<b>4,189</b>	<b>31,142</b>
<b>Represented by:</b>			
Partner capital accounts		1	1
Partner loan accounts		-	-
Retained surplus		3,351	22,681
<b>Total attributable to Limited Partners</b>		<b>3,352</b>	<b>22,682</b>
<b>Carried Interest Partner Account</b>		<b>837</b>	<b>8,460</b>
<b>Total Attributable to Partners</b>		<b>4,189</b>	<b>31,142</b>

The notes on pages 15 to 28 are an integral part of these financial statements. The financial statements and the other accompanying notes on pages 11 to 28 were authorised for issue by the General Partner on 31 March 2023 and signed on behalf of the General Partner by:



Charles Ferguson Davie  
For MREF III GP Limited  
General Partner

# Moorfield Real Estate Fund III “B” Limited Partnership

## Statement of changes in net assets attributable to Partners for the year ended 31 December 2022

	Partner capital accounts £'000	Partner loan accounts £'000	Retained surplus £'000	Allocation to Carried Interest Partner £'000	Total attributable to Partners £'000
<b>At 1 January 2021</b>	<b>1</b>	<b>6,164</b>	<b>34,674</b>	<b>8,668</b>	<b>49,507</b>
Net decrease in net assets to partners from operations before carried interest allocation	-	-	(1,044)	-	(1,044)
Movement in carried interest allocation	-	-	208	(208)	-
Drawdown of Partner loans	-	-	-	-	-
Distribution to Partners	-	(6,164)	(11,157)	-	(17,321)
<b>At 31 December 2021 and 1 January 2022</b>	<b>1</b>	<b>-</b>	<b>22,681</b>	<b>8,460</b>	<b>31,142</b>
Net decrease in net assets to partners from operations before carried interest allocation	-	-	(5,225)	-	(5,225)
Movement in carried interest allocation	-	-	1,046	(1,046)	-
Drawdown of Partner loans	-	-	-	-	-
Distribution to Partners	-	-	(15,151)	(6,577)	(21,728)
<b>At 31 December 2022</b>	<b>1</b>	<b>-</b>	<b>3,351</b>	<b>837</b>	<b>4,189</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Statement of cash flows for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	16	(262)	159
Interest paid		(1)	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(263)</b>	<b>159</b>
<b>Cash flows from investing activities</b>			
Sale/Refinancing proceeds from fixed asset investments		16,142	18,880
Purchase of fixed asset investments		-	(810)
<b>Net cash generated from investing activities</b>		<b>16,142</b>	<b>18,070</b>
<b>Cash flows from financing activities</b>			
Distributions to Partners		(21,728)	(17,321)
<b>Net cash (used in) financing activities</b>		<b>(21,728)</b>	<b>(17,321)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,849)</b>	<b>908</b>
Cash and cash equivalents at 1 January	13	7,659	6,751
<b>Cash and cash equivalents at 31 December</b>	<b>13</b>	<b>1,810</b>	<b>7,659</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022

### 1 General information

Moorfield Real Estate Fund III “B” Limited Partnership completed its first close for investors on 26 March 2013. Final close was completed on 22 December 2014 with final commitments of £79.0 million, which when combined with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership total £251 million. The Partnership is a Limited Partnership registered and domiciled in England. The terms of the Partnership are set out in the Limited Partnership Agreement (LPA) and it has an 8 year life from first close. The term of the Partnership has been extended by a further 2 years and expired on 26 March 2023. The Partnership’s registered address is detailed on page 1.

The Partnership’s principal activity during the year was that of investing in real estate and real estate related opportunities. The financial statements are presented in UK pound sterling.

The financial statements cover the year 1 January 2022 to 31 December 2022.

### 2 Accounting policies

The principal accounting policies as applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year presented, unless otherwise stated.

#### Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, other financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6 of the financial statements.

The financial statements present the financial information of the Partnership and are not consolidated financial statements. The Partnership does not exert control over its underlying investments as defined by the Companies Act 2006, and its policy is to hold its investments at fair value. The Partnership makes investments with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership in proportion to their relative commitments. The Moorfield Real Estate Fund III “A” Limited Partnership, The Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership are together referred to as “the Fund”.

#### Going concern – material uncertainty

The Partnership’s terms was originally due to expire on 26 March 2021, this was extended for twelve months, on two occasions, with the consent of at least 50% of the Limited Partners by Total Commitment.

On 26th March 2023 the term of the Partnership expired and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership’s financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, the Partnership can no longer be considered a going concern and is in liquidation.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Changes in accounting policy and disclosure

##### (a) Amendments to standards and framework adopted during the year

No new standards were amended or adopted during the year.

##### (b) New and amendments to standards and interpretations in issue but not yet effective

The following new and amendments to standards and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting year and have not been adopted early.

- IFRS 17 - Insurance Contracts (effective 1 January 2023);
- amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective 1 January 2023);
- amendments to IAS 1 – Disclosure of Accounting Policies (effective 1 January 2023);
- amendments to IAS 8 - Definition of Accounting Estimates (effective 1 January 2023); and
- amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities from a Single Transaction (effective 1 January 2023).

#### Investment income

The main revenue stream is investment income.

Investment income represents income from underlying investments. It includes dividends receivable, interest income on loans to investment vehicles, income from preferred equity certificates and distributions from participating interests.

#### Partner loan accounts

In accordance with the LPA, upon termination of the Partnership there is a contractual requirement for the General Partner to distribute proceeds from the sale of investments to the partners.

#### Management fees

The investment management fee is charged by the General Partner quarterly in advance and recognised in the income statement over the period to which it relates. The management fee is based on amounts committed to investments from the date of a binding commitment to make an investment.

#### Carried interest/distribution of proceeds

The Carried Interest Partner (“CIP”) is entitled to receive a share of the realised profits of the Partnership which is known as Carried Interest. The CIP’s entitlement to distributions of Carried Interest is set out in the distribution mechanism in the LPA and arises when the limited partners’ loan account is repaid and the cumulative distributions paid to limited partners are above the preferred return (as defined in the LPA).

Carried Interest is recognised once it is considered probable that there will be an allocation which can be reliably measured. No amounts are recognised until the Partnership is fully invested or the investment period has ended.

The amount recognised as amounts due to the Carried Interest Partner at the Balance Sheet date is based on the net asset value of the Partnership and the mechanism as defined within the LPA. Subsequent changes to amounts due to the Carried Interest are recognised in the Statement of Comprehensive Income in the period in which they arise.

The final amount of Carried Interest paid, if any, will be determined by reference to distributions paid to limited partners and the mechanism in the LPA. Any payment of Carried Interest to the CIP is subject to clawback provisions as detailed in the LPA.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents is presented by cash at bank and in hand. The partnership holds no cash equivalents.

#### Financial assets

##### *Classification*

The Partnership classifies its financial assets into one of the following categories: loans and receivables, available-for-sale and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The Partnership determines the classification of its financial assets at initial recognition:

- loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets;
- available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date; and
- financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are designated as such upon their initial recognition and/or are classified as held for trading.

##### *Recognition and measurement*

Purchases and sales of financial assets are recognised on the date on which the Partnership enters in-to a binding commitment to purchase or sell the asset.

These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss in ‘Net change in fair value of financial assets at fair value through profit or loss’ in the statement of comprehensive income. Equity investments are included in this category.

#### Fair Value Measurement

Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date.

The Partnership uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Partnership recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management

#### Financial risk factors

The Partnership’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The General Partner’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Partnership’s financial performance. The Partnership, through its investment vehicles, uses derivative financial instruments to hedge certain interest rate risk exposures.

Risk management is carried out by the Investment Manager under policies approved by the General Partner. The General Partner provides written principles for overall risk management, including policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Partnership’s principal financial instruments comprise financial assets, borrowings, trade and other payables, trade and other receivables and cash and cash equivalents.

#### Categories of financial instruments

	Loans and Receivables at amortised cost	Assets at fair value through profit or loss	Total
31 December 2022	£'000	£'000	£'000
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit and loss	-	2,438	2,438
Amounts owed by related party undertakings	41	-	41
Other receivables	1	-	1
Cash and cash equivalents	1,810	-	1,810
<b>Total</b>	<b>1,852</b>	<b>2,438</b>	<b>4,290</b>

	Loans and Receivables at amortised cost	Assets at fair value through profit or loss	Total
31 December 2021	£'000	£'000	£'000
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit and loss	-	23,590	23,590
Amounts owed by related party undertakings	6	-	6
Other receivables	15	-	15
Cash and cash equivalents	7,659	-	7,659
<b>Total</b>	<b>7,680</b>	<b>23,590</b>	<b>31,270</b>

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### Categories of financial instruments (continued)

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2022	£'000	£'000	£'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	-	6	6
Amounts owed to related party undertakings (note 14)	-	57	57
Accrued expenses excluding deferred income	-	38	38
<b>Total</b>	-	101	101

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2021	£'000	£'000	£'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	-	86	86
Accrued expenses excluding deferred income	-	42	42
<b>Total</b>	-	128	128

The fair value of the financial instruments shown above is not materially different from their carrying values.

#### (a) Market risk

##### (i) Foreign exchange risk

The Partnership has no exposure to foreign currency. At 31 December 2022 all financial instruments were denominated in UK pound sterling and all Partner Loans were received in UK pound sterling, therefore the Partnership has no transaction or translation risk.

#### Foreign exchange sensitivity

On the basis that the Partnership is not exposed to changes in foreign exchange rates in the Partnership's own financial statements no disclosure has been made of the sensitivity of the Partnership's results to changes in foreign exchange rates.

##### (ii) Price risk

The Partnership is exposed to fluctuations in the fair value of its financial assets which are classified as at fair value through profit or loss. The Partnership is not exposed to commodity price risk. To manage the price risk arising from its investments, the Partnership diversifies its portfolio. Diversification of the portfolio is done in accordance with the investment restrictions set by the LPA.



# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk

The Partnership finances its investments through a mixture of interest free loans from Limited Partners, and bank borrowings in the underlying entities. The Partnership does not use interest rate derivatives to manage its exposure to interest rate fluctuations; however, the underlying investment entities use interest rate derivatives to manage their exposure to interest fluctuations. At the year end all of Partnership’s bank borrowings and swaps in the underlying entities have expired and as such all of the debt is floating. A summary of the Partnership’s net exposure to interest rate risk is outlined below:

	2022 £’000	2021 £’000
Total value of variable rate borrowings	-	-
Cash	1,810	7,659
<b>Total</b>	<b>1,810</b>	<b>7,659</b>

#### Interest rate sensitivity

On the basis that the finance income and expense is immaterial in the Partnership’s own financial statements no disclosure has been made of the sensitivity of the Partnership’s results to changes in interest rates.

#### (b) Credit risk

Credit risk is managed by the General Partner for the Partnership. The Asset Manager for each underlying entity is responsible for managing and analysing the credit risk for (i) each of their new tenants before an occupational lease is offered and (ii) the purchasers of property before a sale and purchase agreement is signed. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to tenants and buyers, including outstanding receivables and committed transactions. If tenants are independently rated, these ratings are used. If there is no independent rating, the asset manager assesses the credit quality of the tenant, taking into account its financial position, past experience and other factors.

No credit limits were exceeded during the reporting year, and the General Partner does not expect any losses from non-performance by these counterparties.

An analysis of the credit quality of financial assets is as follows:

	2022 £’000	2021 £’000
Trade and other receivables – neither past due nor impaired	42	21
Less: impairment provision	-	-
<b>Total trade and other receivables, net of impairment provision</b>	<b>42</b>	<b>21</b>
<b>Total cash and cash equivalents</b>	<b>1,810</b>	<b>7,659</b>

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as and when they fall due. The ultimate responsibility for liquidity risk lies with the General Partner which monitors this risk and the liquidity position of the Partnership and its underlying investment entities and has built an appropriate liquidity risk management framework of the short, medium and long-term funding requirements of the Partnership and its underlying investment entities. The General Partner manages liquidity risk using forecasts of the Partnership and its underlying entities. The General Partner seeks to ensure the Partnership has sufficient cash to meet its operational needs and fund the capital requirements of its investments.

The investment period has expired and the investors commitments are fully drawn. The Partnership has retained a cash balance from sales proceeds to ensure it can meet its future obligations and to satisfy the current provisions of the debt arrangements in the underlying investment entities if asset values were to fall.

Surplus cash in unblocked accounts held by the underlying entities over and above balance required for working capital management are transferred to the Partnership. The Partnership invests surplus cash in interest bearing current accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Partnership held £1,810,000 (2021: £7,659,000) in interest bearing current accounts.

All of the Partnership's financial liabilities mature within one year and the amount held on the balance sheet at 31 December 2022 represents the contractual undiscounted cash flow.

#### (d) Real estate market risk

The Partnership's strategy is to acquire and create real estate, real estate related opportunities and asset rich companies thus exposing it to very specific industry risks. The General Partner has identified the following risks that are specific to the real estate market:

- (i) the risk of a general downturn in the real estate market negatively impacting on the valuation of individual real estate assets. The General Partner's investment strategy is to focus on investments where active corporate, asset and financial management is expected to enhance both income and capital returns thereby reducing the exposure to adverse market movements.
- (ii) the risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units becoming vacant or residential tenants remaining on periodic tenancies – this risk is managed by the Asset Manager on behalf of the underlying SPV. The Asset Manager oversees this process and directs a team of real estate professionals to manage this process in a timely and effective manner.

#### Capital risk management

The General Partner's objectives when managing capital are to safeguard the Partnership's ability to continue as a going concern in order to provide returns for Limited Partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At 31 December 2022 aggregate loan to value was 83% (2021: 43%).

#### Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within Level 1. that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (d) Real estate market risk (continued)

##### Valuation Techniques

The fair value of financial assets in the equity investments is determined using the adjusted net asset value. This includes these external valuations by a third party appraiser of the investment property, which is adjusted to reflect third party debt and the remaining net current asset positions (Level 2 and 3 measurements). External valuations are performed under the following methods:

*Income Capitalisation Approach:* This approach is based on the principle that value is created by the expectation of future income. This involves applying yield to rental income streams. The inputs involved include, yield, current rents, estimates rental values (ERV), and net property income. There were no changes to the valuation techniques during the year.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

	Level 1	Level 2	Level 3	Total
31 December 2022	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	-	2,438	-	2,438
<b>Total</b>	-	2,438	-	2,438

	Level 1	Level 2	Level 3	Total
31 December 2021	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	-	18,349	5,241	23,590
<b>Total</b>	-	18,349	5,241	23,590

The determination of what constitutes ‘observable’ requires significant judgement by the Partnership. The Partnership considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of the financial assets includes the fair value of investment property held in underlying entities of the Partnership. The significant unobservable inputs that have been used in determining the fair value measurement of the investment property included yield rates.

All of the Partnership’s equity investments, being categorised as fair value through profit or loss fall within Levels 2 or 3 of the fair value hierarchy. A table showing the movement in these financial assets is shown in note 7 to the financial statements. Where the Partnership has received a formal offer for the sale of an investment, then those investments are classified as Level 2.

### 4 Segments

The General Partner is charged with setting the Partnership’s investment strategy in accordance with the Partnership’s investment restrictions and overall objectives as set out in the LPA. The General Partner has delegated the day to day implementation of this strategy to the Investment Manager but retains responsibility to ensure that adequate resources of the Partnership are directed in accordance with its decisions.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 4 Segments (continued)

The Investment Manager has been given authority to act on behalf of the General Partner in certain situations. Under the terms of the Investment Management Agreement, the Investment Manager advises on the investment strategy of the Partnership, advises the Partnership on its borrowing policy and geared investment position, and advises on the use and management of derivatives and hedging by the Partnership. Any changes to the investment strategy or allocation decisions have to be approved by the General Partner, even though they may be proposed by the Investment Manager.

The General Partner therefore retains full responsibility for investment policy and strategy. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the General Partner. The General Partner has considered the requirements of IFRS 8 ‘Operating Segments’. The General Partner is of the opinion that the Partnership, through its underlying entities, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom and therefore no segmental reporting is required. The portfolio is held for long term investment purposes and consists of a student accommodation scheme, a mixed use leisure and retail property, a multi sited office and warehouse scheme and a loan to a property developer.

### 5 Net funds reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2022	2021
Net funds	£’000	£’000
Cash and cash equivalents	1,810	7,659
Borrowings – repayable within one year	-	-
<b>Net funds</b>	<b>1,810</b>	<b>7,659</b>

	Cash	Borrowings due <1 yr	Total
	£’000	£’000	£’000
Net funds as at 1 January 2022	7,659	-	7,659
Cash flows	(5,849)	-	(5,849)
<b>Net funds as at 31 December 2022</b>	<b>1,810</b>	<b>-</b>	<b>1,810</b>

### 6 Critical accounting judgements and estimation uncertainty

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. As at 31 December 2022 the Partnership had the following critical accounting estimates and assumptions:

#### (i) Estimates – Valuation of investments (note 7)

Investment property being held indirectly by the Partnership’s fixed asset investments for earning rental income and capital appreciation is measured at fair value and a key contributor to the overall investment value. Fair value of these properties is based on either (i) an offer for sale from an independent third party or (ii) a valuation by a professionally qualified and experienced independent external or internal valuers. The general partner, on the advice of the independent valuer, takes into account number of factors including risk of tenant exercising break options, impact of real estate market and demand and risks associated with development of the properties to arrive at the year end value.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 6 Critical accounting judgements and estimation uncertainty (continued)

#### (ii) Judgements - Carried Interest allocation (note 2)

The Carried Interest Partner is entitled to a Carried Interest based on the performance of the Partnership in accordance with the mechanism set out in the LPA. Judgement is required on when the Carried Interest is provided for within these Financial Statements as the amount payable is dependent on the performance of the Partnership and will only become payable once all Limited Partners' capital advances and preferred return have been fully paid. Carried interest is recognised once it is considered probable that there will be an allocation which can be reliably measured, as such, no amounts are recognised until the Partnership is fully invested or the investment period has ended.

### 7 Financial assets at fair value through profit or loss

The financial assets at fair value through profit and loss are held at fair value, based on the net asset values of the underlying investments.

	2022	2021
Investments	£'000	£'000
At 1 January	23,590	42,921
Acquisitions	-	1,693
Disposals/repayments	(15,040)	(19,371)
Net change in fair value of financial assets at fair value through profit or loss	(6,112)	(1,653)
At 31 December	2,438	23,590

The following table sets out the Partnerships direct and indirect financial assets.

Name	Country of Incorporation	Principal activity	Share %	Ownership class
MREF III BG Limited Partnership	Scotland	Investment entity	31.47	Partnership interest
MREF III PRS Holdings Sarl	Luxembourg	Holding entity	31.47	Ordinary
MREF III Aberdeen Holdings Limited	Jersey	Holding entity	31.47	Ordinary
Aberdeen Energy Park Limited*	Jersey	Property investment	31.47	Ordinary
Aberdeen Innovation Park Limited*	Jersey	Property investment	31.47	Ordinary
MREF III Aberdeen LP Limited*	Jersey	Property investment	31.47	Ordinary
MREF III Derby Holdings Limited	Jersey	Holding entity	31.47	Ordinary
MREF III Derby Riverlights Limited*	Jersey	Property investment	31.47	Ordinary
Derby Riverlights Hotel Limited*	UK	Hotel operator	31.47	Ordinary
MREF III Student Holdings Sarl	Luxembourg	Holding entity	31.47	Ordinary
MREF III Preston Property Sarl*	Luxembourg	Property investment	31.47	Ordinary

\*Indirect investment

The maximum exposure to credit risk at the reporting date is the fair value of the investments classified as financial assets at fair value through profit and loss.

In 2022 the net change in fair value of £6,112,000 (2021: £1,653,000) was due to the writing down in value of the residual investments and liquidation proceeds from underlying investment entities that were dissolved during the year.

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 8 Investment income

	2022 £'000	2021 £'000
Dividends receivable from subsidiaries and joint ventures	-	637
Interest income from subsidiaries	305	883
<b>Total</b>	<b>305</b>	<b>1,520</b>

### 9 Net decrease in net assets attributable to partners from operations

	2022 £'000	2021 £'000
<b>Operating loss is stated after charging:</b>		
Fees payable to the Partnership's auditors for the audit of the financial statements	25	27
Fees payable to the Partnership's auditors for other services:		
- Taxation	6	7
- Other	-	16

The Partnership had no employees during the current or previous year.

### 10 Gain/(loss) on disposal of investments

	2022 £'000	2021 £'000
Proceeds received from subsidiary undertakings	6,604	7,928
Reversal of unrealised gain recognised in prior years	(5,807)	(8,419)
<b>Total</b>	<b>797</b>	<b>(491)</b>

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 11 Finance costs - net

	2022	2021
	£'000	£'000
Other finance fees	1	-
<b>Finance costs – net</b>	<b>1</b>	<b>-</b>

### 12 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts owed by related party undertakings (note 15)	41	6
Other receivables	1	15
<b>Total</b>	<b>42</b>	<b>21</b>

Amounts owed by related party undertakings are unsecured and repayable on demand. There are no provisions held against trade and other receivables balances.

### 13 Cash and cash equivalents

	2022	2021
	£'000	£'000
<b>Cash and cash equivalent</b>	<b>1,810</b>	<b>7,659</b>

### 14 Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	6	86
Amounts owed to related party undertakings (note 15)	57	-
Accruals and deferred income	38	42
<b>Total</b>	<b>101</b>	<b>128</b>

The fair value of other payables and accrued expenses is not materially different from their carrying value.

Amounts owed to related party undertakings are unsecured and repayable on demand.

The liabilities shown in the table above all mature within one year. The amounts shown above are equal to the contractual discounted cash flows.

### 15 Related party transactions

The Partnership is operated in conjunction with the Moorfield Real Estate Fund III “A” Limited Partnership, its parallel fund, and Moorfield Real Estate Fund III “PC” Limited Partnership. The three 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 three 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 III “A” Limited Partnership: 30.08%, Moorfield Real Estate Fund III “B” Limited Partnership: 31.47%, Moorfield Real Estate Fund III “PC” Limited Partnership: 38.45%). Similarly the Partnership’s bear any operating expenses on a pro rata basis (except to the extent that such expenses are specifically allocable to a particular Partnership).

# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 15 Related party transactions (continued)

- (i) The following amounts were identified as income from related parties during 2022 and 2021:
- Interest income of £305,000 (2021: £883,000) from underlying investment vehicles (see note 8) that Moorfield Real Estate Fund III “B” Limited Partnership holds as an investment, together with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership.
  - Dividend income of £Nil (2021: £637,000) from underlying investment vehicles (see note 8) that Moorfield Real Estate Fund III “B” Limited Partnership holds as an investment, together with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership.
- (ii) The following amounts were identified as balances due from/to related parties in the Balance Sheet as at 31 December 2022 and 31 December 2021:
- Fixed asset investments of £2,438,000 (2021: £23,590,000) held pari passu with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership.
  - A receivable of £9,000 (2021: £Nil) with other related parties including those with Moorfield Group Limited and its associates.
  - A receivable of £32,000 (2021 receivable: £6,000) owed to the Moorfield Real Estate Fund III “PC” Limited Partnership.

(iii) Investment Management Fee

The LPA provides that MREF III GP Limited shall act as the General Partner of the Partnership. The LPA also provides that the General Partner is entitled to receive an Investment Management fee.

During the year to 31 December 2022 Moorfield Real Estate Fund III “B” Limited Partnership expensed management fees of £123,000 (2021: £317,000) to MREF III GP Limited.

(iv) Carried Interest Allocation

The Carried Interest Partner is entitled to receive a share of profits of the Partnership which is known as carried interest. This allocation is set out in the Balance Sheet and the Statement of Changes in Equity. In 2022 the carried interest partner’s share of the retained surplus was £837,000 (2021: £8,460,000).

The LPA sets out the terms of the allocation of carried interest to the carried interest partner.

The members of the carried interest partnership include current and former directors and employees of Stessa Trading Limited, the ultimate parent of the Investment Manager.



# Moorfield Real Estate Fund III “B” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 16 Reconciliation of loss for the financial year to operating cash flow

	2022	2021
	£'000	£'000
<b>Loss for the financial year</b>	<b>(5,225)</b>	<b>(1,044)</b>
<b>Adjustment for:</b>		
- Net change in fair value of financial assets at fair value through profit or loss	6,112	1,653
- Interest receivable from investments	(305)	(883)
- Finance costs- net	1	-
- (Gain)/loss on sale of fixed assets	(797)	491
<b>Changes in working capital:</b>		
- Change in trade and other receivables	(21)	36
- Change in trade and other payables	(27)	(94)
<b>Cash (used in)/generated from operations</b>	<b>(262)</b>	<b>159</b>

### 17 Post balance sheet events

Subsequent to the year end the Partnership, together with its parallel partnerships, received non-binding offers for its mixed-use leisure and retail building in Derby and for its two office and industrial parks in Aberdeen, both sales processes are progressing at the date of signing the financial statements.

On 26th March 2023 the term of the Partnership expired, and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership's financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, the Partnership can no longer be considered a going concern and is in liquidation.

**Registered number: LP015418**

**Moorfield Real Estate Fund III “PC”  
Limited Partnership  
Annual report and financial statements  
for the year ended 31 December 2022**

# **Moorfield Real Estate Fund III “PC” Limited Partnership**

## **Annual report and financial statements for the year ended 31 December 2022**

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# Moorfield Real Estate Fund III “PC” Limited Partnership

## Partnership information

### General Partner

MREF III GP Limited  
Moorfield Group  
10 Grosvenor Street  
London  
England  
W1K 4QB

### Carried Interest Partner

Precis (2768) Carried Interest Limited Partnership  
10 Grosvenor Street  
London  
W1K 4QB

### Investment Manager

(authorised by the Financial Conduct Authority)

Moorfield Investment Management Limited  
Moorfield Group  
10 Grosvenor Street  
London  
England  
W1K 4QB

### Asset Manager

Moorfield Group Limited  
10 Grosvenor Street  
London  
W1K 4QB

### Registered office

10 Grosvenor Street  
London  
W1K 4QB

### Registered number

LP015418

### Bankers

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

### Independent auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Depository

Langham Hall UK Depository LLP  
8<sup>th</sup> Floor  
1 Fleet Place  
London  
EC4M 7RA

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Strategic report for the year ended 31 December 2022

The General Partner presents its Strategic report for the year ended 31 December 2022.

### Review of the business

Moorfield Real Estate Fund III “PC” Limited Partnership has commitments from Partners of £96.5 million, which when combined with the Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “B” Limited Partnership total £251 million, the Partners commitments were fully drawn. The Moorfield Real Estate Fund III “A” Limited Partnership, the Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership are together referred to as “the Fund”. Investments are made by the combined Partnerships parri passu to their relative commitments. At the 31 December 2022 the Partners had received cumulative distributions of £142 million (2021: £115 million).

In 2022 the Partnership made no acquisitions and completed on the disposal of an indirectly held company (see note 7).

At the year end the underlying investments were valued by a combination of appropriately qualified internal and external valuers. The Partnership’s carrying value of its investments is adjusted to reflect the fair value of the underlying assets and liabilities of the underlying undertakings. At 31 December 2022 the Partnership had adjusted its valuation to reflect the fair value of its investments to £2,978,000 (2021: £28.816,000) and a net fair value decrease through profit or loss of £7,465,000 (2021: decrease of £2,020,000) was recognised by the Partnership.

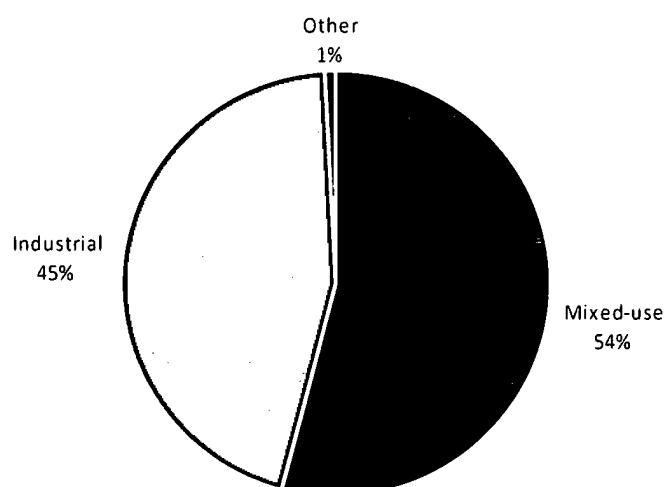
The Partnership itself generated a net decrease in net assets attributable to Partners before allocation to carried interest for the financial year of £6,233,000 (2021 decrease of: £888,000). At 31 December 2022 the net current assets of the Partnership were £2,156,000 (2021: net current assets of £9,225,000).

Subsequent to the year end the Partnership, together with its parallel partnerships, received non-binding offers for its mixed-use leisure and retail building in Derby and for its two office and industrial parks in Aberdeen, both sales processes are progressing at the date of signing the financial statements.

### Key performance indicators

The Partnership’s investment objective is to invest in a diversified portfolio of real estate in the United Kingdom. The following chart demonstrates the sectoral analysis of the Partnership’s current investment portfolio by capital value in the underlying investment vehicles.

Sectoral Analysis of Gross Asset Values



# Moorfield Real Estate Fund III “PC” Limited Partnership

## Strategic report for the year ended 31 December 2022 (continued)

### Environmental and social matters

The Partnership’s strategy is to invest in real estate, real estate related opportunities and asset rich companies in the UK where proactive and innovative corporate, asset and financial management is expected to enhance both income and capital returns.

Accordingly, through the Partnership’s Asset Manager, Moorfield Group Limited, it has responded proactively to the challenges and opportunities posed by the sustainability agenda, which in recent years has taken hold as a matter requiring additional focus for real estate funds and their assets, whilst at the same time giving rise to some notable value creation prospects across the asset classes. The General Partner recognises that, over time, more environmentally efficient and productive buildings will likely yield higher net income growth, attract lower risk and therefore deliver higher returns.

The Corporate Sustainability Report published by Moorfield Group and available on the Company’s website ([www.moorfield.com](http://www.moorfield.com)) affirms the principles which underpin the Partnership’s approach to the environmental, social and governance aspects of its real estate investment, development and management processes, and through which it will continue to engage positively with all stakeholders (Partners, tenants, service providers and advisors).

The General Partner, Investment Manager and Asset Manager have set objectives and targets to address Corporate Responsibility risks and deliver improvements. A number of programmes have been established to:

- commitment to achieving operational net zero carbon by 2030 – all partnership investments have completed a Net Zero Pathway CRREM analysis and are being managed in line with that pathway;
- incorporate evaluation of environmental criteria into the acquisition process;
- establish sustainability improvement plans at both asset and fund level to consider energy, water and waste management;
- improve awareness and understanding of sustainability issues amongst employees, partners, contractors and building occupiers;
- enable the regular measurement and monitoring of key environmental data (namely energy, water and waste) across all assets;
- participate in Global Real Estate Sustainability Benchmark (GRESB) for all operational real estate and target an improved score year on year; and
- adopting health & wellbeing best practice at both the asset and fund level, and mechanisms for measuring social impact and managing Moorfield’s contribution to social value.

### Remuneration of the Alternative Investment Fund Manager

The Partnership has appointed Moorfield Investment Management Limited as the Alternative Investment Fund Manager to the Partnership (the “Investment Manager”). The immediate parent company of the Investment Manager is Moorfield Group Limited and the ultimate parent company is Stessa Trading Limited. The AIFMD imposes certain remuneration disclosure requirements to be made by the managers of the Alternative Investment Funds (“AIF’s”) which they manage. These include disclosing the remuneration, both fixed and variable, paid by the Investment Manager to its staff. Staff means senior management and members of staff of the AIFM (and its associates) whose actions have a material impact on the risk profile of the AIF.

In relation to the Investment Manager of this Partnership, the table below provides a summary of the remuneration paid to staff in 2022. This remuneration table is for this Partnership only and has been calculated based on an allocation by GAV of all AIFs.

	Head count	Fixed remuneration	Variable remuneration	Carried interest paid
Directors and senior staff	21	£175,372	£52,218	£Nil
Number of AIFs under management	No. 12			

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Strategic report for the year ended 31 December 2022 (continued)

### Moorfield Investment Management Limited Remuneration policy

The general remuneration process of Moorfield Investment Management Limited (“MIML”) is applicable to all entities within the Stessa Trading Limited group. The Remuneration Committee of Stessa Trading Limited (“the Remuneration Committee”) approves the list of relevant staff annually.

The Remuneration Committee has established a Remuneration Policy and its purpose is to ensure that the remuneration of employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the relevant fund for which MIML is the Investment Advisor or Manager.

The Remuneration Committee is responsible for setting the overarching principles and parameters of Remuneration Policy covering all executives and employees of the Stessa Trading Limited’s group.

### Principal risks and uncertainties facing the partnership

#### General

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

- (i) the risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units becoming vacant. The Asset Manager oversees this process on behalf of the General Partner and directs a team of real estate professionals to manage this process in a timely and effective manner;
- (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 investing in real estate where active corporate, asset and financial management is expected to enhance both income and capital returns thereby reducing the exposure to adverse market movements; and
- (iii) letting Risk of a Private Student Scheme — the Partnerships have one student accommodation scheme held for long term investment. The Investment Manager has undertaken detailed research into this sector and location, to support its forecast of strong student demand. A detailed strategy has been developed to design, market, and brand the scheme with the support of a leading student accommodation operator.

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

#### (i) Debt financing

Each investment is held in a separate corporate structure which is owned by the combined parallel Partnerships. The debt financings are secured by fixed and floating charges over the assets of each investment and have no recourse to the Partnerships. The principal covenants relating to these borrowings are interest cover and loan to value ratios.

#### (ii) Interest rate risk

The Partnership finances its operations through a mixture of interest free loans from Limited Partners and debt financing. The Partnership uses interest rate swaps and caps to manage its exposure to interest rate fluctuations. At the year end in light of the ongoing marketing process, the Partnership’s bank borrowings in underlying corporate vehicles were all at floating rates.

On behalf of the Partnership



Charles Ferguson Davie  
For MREF III GP Limited  
**General Partner**

# **Moorfield Real Estate Fund III “PC” Limited Partnership**

## **General Partner’s report for the year ended 31 December 2022**

The General Partner presents its report and audited financial statements of Moorfield Real Estate Fund III PC” Limited Partnership (the “Partnership”) for the year ended 31 December 2022.

### **Principal activities**

The principal activity of the Partnership is investing in real estate.

### **Results**

The results for the year ended 31 December 2022 are shown on page 11. The movement in net assets from operations before allocation to carried interest was a decrease of £6,233,000 (2021: decrease of £888,000).

### **Statement of General Partner’s responsibilities in respect of the financial statements**

The general partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the “Regulations”), requires the general partner to prepare financial statements for each financial year. Under that law the general partner has prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, as applied to qualifying partnerships, a general partner 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 the financial statements, the general partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a break up basis when the term of the partnership has expired and the partnership has entered liquidation.

The general partner is responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The general partner is also 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.

### **General partner’s confirmations**

In the case of each Director in office at the date the general partner’s report is approved:

- so far as the director of the general partner 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 a director of the general partner in order to make themselves aware of any relevant audit information and to establish that the Partnership’s auditors are aware of that information.



# **Moorfield Real Estate Fund III “PC” Limited Partnership**

## **General Partner’s report for the year ended 31 December 2022 (continued)**

### **Going concern – material uncertainty**

The Partnership’s terms was originally due to expire on 26 March 2021, this was extended for twelve months, on two occasions, with the consent of at least 50% of the Limited Partners by Total Commitment.

On 26th March 2023 the term of the Partnership expired and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership’s financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern. The financial statements do not include any adjustments as a result of being prepared on a basis other than going concern.

### **Independent auditors**

During the year PricewaterhouseCoopers LLP resigned as auditor and BDO LLP were appointed. The independent auditors BDO LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Partnership



Charles Ferguson Davie  
For MREF III GP Limited  
**General Partner**

# Moorfield Real Estate Fund III “PC” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “PC” LIMITED PARTNERSHIP

### Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Partnership’s affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

We have audited the financial statements of Moorfield Real Estate Fund III “PC” Limited Partnership (“the Partnership”) for the year ended 31 December 2022 which comprise the Statement of comprehensive expense, the Statement of financial position, the Statement of changes in net assets attributable to partners, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards..

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter –financial statements prepared on a basis other than going concern

We draw attention to Note 2 to the financial statements, which explains that the Partnership is deemed to have entered liquidation and therefore the General Partner does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 2. Our opinion is not modified in respect of this matter.

### Other information

The General Partner is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “PC” LIMITED PARTNERSHIP (Continued)

### Opinions on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and General Partner’s report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and General Partner’s report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and General Partner’s report.

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

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

### Responsibilities of the General Partner

As explained more fully in the statement of General Partner’s responsibilities in respect of the financial statements, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

# **Moorfield Real Estate Fund III “PC” Limited Partnership**

## **INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “PC” LIMITED PARTNERSHIP (Continued)**

### **Auditor’s responsibilities for the audit of the financial statements (continued)**

We gained an understanding using our general commercial and sector experience and through discussions with the General Partner and other senior management of the legal and regulatory framework applicable to the company and the industry to which it operates, and considered the risk of acts by the partnership that were contrary to applicable laws and regulations, including fraud. We communicated those laws and regulations identified along with potential fraud risks throughout our audit team and remaining alert to any indications of non-compliance or fraud throughout the audit. Audit procedures performed included:

- Enquiry of management and the General Partner as to their identification of any non-compliance with laws and regulations, or any actual or potential claims;
- Performing our own checks of compliance with relevant areas identified which included the UK tax legislation as well as those laws and regulations that have a direct impact on the financial statement such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008;
- Agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- Reviewing relevant minute meetings, including those of the board of the General Partner; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual accounting combinations and journal entries where the descriptions were indicative of inappropriate transactions with related parties of the Company, where any such journal entries were identified.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## INDEPENDENT AUDITOR’S REPORT TO THE GENERAL PARTNER OF MOORFIELD REAL ESTATE FUND III “PC” LIMITED PARTNERSHIP (Continued)

### Use of our report

This report is made solely to the Partnership’s partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership’s partners those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership’s partners as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

**Chris Young**

Christopher Young (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK

31 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Statement of comprehensive expense for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Income</b>			
Investment income	8	373	1,857
<b>Total income</b>		<b>373</b>	<b>1,857</b>
<b>Expenses</b>			
Administrative fees		(113)	(126)
Net change in fair value of financial assets at fair value through profit or loss	7	(7,465)	(2,020)
Gain/ (loss) on disposal of investments	10	973	(599)
Finance costs – net	11	(1)	-
<b>Total expenses</b>		<b>(6,606)</b>	<b>(2,745)</b>
<b>Net decrease in net assets attributable to partners from operations before carried interest</b>		<b>(6,233)</b>	<b>(888)</b>
Carried interest		1,247	178
<b>Net decrease in net assets attributable to partners from operations after carried interest</b>		<b>(4,986)</b>	<b>(710)</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III "PC" Limited Partnership

## Statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	2,978	28,816
<b>Total non-current assets</b>		<b>2,978</b>	<b>28,816</b>
<b>Current assets</b>			
Trade and other receivables	12	12	27
Cash and cash equivalents	13	2,211	9,356
<b>Total current assets</b>		<b>2,223</b>	<b>9,383</b>
<b>Total assets</b>		<b>5,201</b>	<b>38,199</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(67)	(158)
<b>Total current liabilities</b>		<b>(67)</b>	<b>(158)</b>
<b>Net current assets</b>		<b>2,156</b>	<b>9,225</b>
<b>Net assets attributable to Partners</b>		<b>5,134</b>	<b>38,041</b>
<b>Represented by:</b>			
Partner capital accounts		1	1
Partner loan accounts		-	-
Retained surplus		4,107	26,754
<b>Total attributable to Limited Partners</b>		<b>4,108</b>	<b>26,755</b>
<b>Carried Interest Partner Account</b>		<b>1,026</b>	<b>11,286</b>
<b>Total Attributable to Partners</b>		<b>5,134</b>	<b>38,041</b>

The notes on pages 15 to 28 are an integral part of these financial statements. The financial statements and the accompanying notes on pages 11 to 28 were authorised for issue by the General Partner on 31 March 2023 and signed on behalf of the General Partner by:



Charles Ferguson Davie  
For MREF III GP Limited  
General Partner

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Statement of changes in net assets attributable to Partners for the year ended 31 December 2022

	Partner capital accounts £'000	Partner loan accounts £'000	Retained surplus £'000	Allocation to Carried Interest Partner £'000	Total attributable to Partners £'000
<b>At 1 January 2021</b>	<b>1</b>	<b>3,614</b>	<b>45,858</b>	<b>11,464</b>	<b>60,937</b>
Net decrease in net assets to partners from operations before carried interest allocation	-	-	(888)	-	(888)
Movement in carried interest allocation	-	-	178	(178)	-
Drawdown of Partner loans	-	-	-	-	-
Distribution to Partners	-	(3,614)	(18,394)	-	(22,008)
<b>At 31 December 2021 and 1 January 2022</b>	<b>1</b>	<b>-</b>	<b>26,754</b>	<b>11,286</b>	<b>38,041</b>
Net decrease in net assets to partners from operations before carried interest allocation	-	-	(6,233)	-	(6,233)
Movement in carried interest allocation	-	-	1,247	(1,247)	-
Drawdown of Partner loans	-	-	-	-	-
Distribution to Partners	-	-	(17,661)	(9,013)	(26,674)
<b>At 31 December 2022</b>	<b>1</b>	<b>-</b>	<b>4,107</b>	<b>1,026</b>	<b>5,134</b>

The notes on pages 15 to 28 are an integral part of these financial statements.



# Moorfield Real Estate Fund III “PC” Limited Partnership

## Statement of cash flows for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	16	(188)	1,043
Interest paid		(1)	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(189)</b>	<b>1,043</b>
<b>Cash flows from investing activities</b>			
Sale/Refinancing proceeds from fixed asset investments		19,718	23,063
Purchase of fixed asset investments		-	(989)
<b>Net cash generated from investing activities</b>		<b>19,718</b>	<b>22,074</b>
<b>Cash flows from financing activities</b>			
Distributions to Partners		(26,674)	(22,008)
<b>Net cash (used in) financing activities</b>		<b>(26,674)</b>	<b>(22,008)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,145)</b>	<b>1,109</b>
Cash and cash equivalents at 1 January	13	9,356	8,247
<b>Cash and cash equivalents at 31 December</b>	13	<b>2,211</b>	<b>9,356</b>

The notes on pages 15 to 28 are an integral part of these financial statements.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022

### 1 General information

Moorfield Real Estate Fund III “PC” Limited Partnership completed its first close for investors on 26 March 2013. Final close was completed on 22 December 2014 with final commitments of £96.5 million, which when combined with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “B” Limited Partnership total £251 million. The Partnership is a Limited Partnership registered and domiciled in England. The terms of the Partnership are set out in the Limited Partnership Agreement (LPA) and it has an 8 year life from first close. The term of the Partnership has been extended by a further 2 years and expired on 26 March 2023. The Partnership’s registered address is detailed on page 1.

The Partnership’s principal activity during the year was that of investing in real estate and real estate related opportunities. The financial statements are presented in UK pound sterling.

The financial statements cover the year 1 January 2022 to 31 December 2022.

### 2 Accounting policies

The principal accounting policies as applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year presented, unless otherwise stated.

#### Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, other financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6 of the financial statements.

The financial statements present the financial information of the Partnership and are not consolidated financial statements. The Partnership does not exert control over its underlying investments as defined by the Companies Act 2006, and its policy is to hold its investments at fair value. The Partnership makes investments with its parallel fund Moorfield Real Estate Fund III “A” Limited Partnership and the Moorfield Real Estate Fund III “B” Limited Partnership in proportion to their relative commitments. The Moorfield Real Estate Fund III “A” Limited Partnership, The Moorfield Real Estate Fund III “B” Limited Partnership and the Moorfield Real Estate Fund III “PC” Limited Partnership are together referred to as “the Fund”.

#### Going concern – material uncertainty

The Partnership’s terms was originally due to expire on 26 March 2021, this was extended for twelve months, on two occasions, with the consent of at least 50% of the Limited Partners by Total Commitment.

On 26th March 2023 the term of the Partnership expired and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership’s financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, the Partnership can no longer be considered a going concern and is in liquidation.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Changes in accounting policy and disclosure

##### (a) Amendments to standards and framework adopted during the year

No new standards were amended or adopted during the year.

##### (b) New and amendments to standards and interpretations in issue but not yet effective

The following new and amendments to standards and interpretations were in issue at the date of approval of these financial statements but were not yet effective for the current accounting year and have not been adopted early:

- IFRS 17 - Insurance Contracts (effective 1 January 2023);
- amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective 1 January 2023);
- amendments to IAS 1 – Disclosure of Accounting Policies (effective 1 January 2023);
- amendments to IAS 8 - Definition of Accounting Estimates (effective 1 January 2023); and
- amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities from a Single Transaction (effective 1 January 2023).

#### Investment income

The main revenue stream is investment income.

Investment income represents income from underlying investments. It includes dividends receivable, interest income on loans to investment vehicles, income from preferred equity certificates and distributions from participating interests.

#### Partner loan accounts

In accordance with the LPA, upon termination of the Partnership there is a contractual requirement for the General Partner to distribute proceeds from the sale of investments to the partners.

#### Management fees

The investment management fee is charged by the General Partner quarterly in advance and recognised in the income statement over the period to which it relates. The management fee is based on amounts committed to investments from the date of a binding commitment to make an investment.

#### Carried interest/distribution of proceeds

The Carried Interest Partner (“CIP”) is entitled to receive a share of the realised profits of the Partnership which is known as Carried Interest. The CIP’s entitlement to distributions of Carried Interest is set out in the distribution mechanism in the LPA and arises when the limited partners’ loan account is repaid and the cumulative distributions paid to limited partners are above the preferred return (as defined in the LPA).

Carried Interest is recognised once it is considered probable that there will be an allocation which can be reliably measured. No amounts are recognised until the Partnership is fully invested or the investment period has ended.

The amount recognised as amounts due to the Carried Interest Partner at the Balance Sheet date is based on the net asset value of the Partnership and the mechanism as defined within the LPA. Subsequent changes to amounts due to the Carried Interest are recognised in the Statement of Comprehensive Income in the period in which they arise.

The final amount of Carried Interest paid, if any, will be determined by reference to distributions paid to limited partners and the mechanism in the LPA. Any payment of Carried Interest to the CIP is subject to clawback provisions as detailed in the LPA.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents is presented by cash at bank and in hand. The partnership holds no cash equivalents.

#### Financial assets

##### *Classification*

The Partnership classifies its financial assets into one of the following categories: loans and receivables, available-for-sale and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. The Partnership determines the classification of its financial assets at initial recognition:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.
- Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.
- Financial assets and liabilities at fair value through profit or loss are financial assets or liabilities that are designated as such upon their initial recognition and/or are classified as held for trading.

##### *Recognition and measurement*

Purchases and sales of financial assets are recognised on the date on which the Partnership enters in-to a binding commitment to purchase or sell the asset.

These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss in ‘Net change in fair value of financial assets at fair value through profit or loss’ in the statement of comprehensive income. Equity investments are included in this category.

#### Fair Value Measurement

Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date.

The Partnership uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Partnership recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management

#### Financial risk factors

The Partnership’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The General Partner’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Partnership’s financial performance. The Partnership, through its investment vehicles, uses derivative financial instruments to hedge certain interest rate risk exposures.

Risk management is carried out by the Investment Manager under policies approved by the General Partner. The General Partner provides written principles for overall risk management, including policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Partnership’s principal financial instruments comprise financial assets, borrowings, trade and other payables, trade and other receivables and cash and cash equivalents.

#### Categories of financial instruments

	Loans and Receivables at amortised cost	Assets at fair value through profit or loss	Total
31 December 2022	£’000	£’000	£’000
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit and loss	-	2,978	2,978
Amounts owed by related party undertakings	10	-	10
Other receivables	2	-	2
Cash and cash equivalents	2,211	-	2,211
<b>Total</b>	<b>2,223</b>	<b>2,978</b>	<b>5,201</b>

	Loans and Receivables at amortised cost	Assets at fair value through profit or loss	Total
31 December 2021	£’000	£’000	£’000
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit and loss	-	28,816	28,816
Amounts owed by related party undertakings	7	-	7
Other receivables	20	-	20
Cash and cash equivalents	9,356	-	9,356
<b>Total</b>	<b>9,383</b>	<b>28,816</b>	<b>38,199</b>

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### Categories of financial instruments (continued)

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2022	£'000	£'000	£'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	-	7	7
Amounts owed by related party undertakings (note 15)	-	14	14
Accrued expenses excluding deferred income	-	46	46
<b>Total</b>	<b>-</b>	<b>67</b>	<b>67</b>

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2021	£'000	£'000	£'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	-	106	106
Accrued expenses excluding deferred income	-	52	52
<b>Total</b>	<b>-</b>	<b>158</b>	<b>158</b>

The fair value of the financial instruments shown above is not materially different from their carrying values.

#### (a) Market risk

##### (i) Foreign exchange risk

The Partnership has no exposure to foreign currency. At 31 December 2022 all financial instruments were denominated in UK pound sterling and all Partner Loans were received in UK pound sterling, therefore the Partnership has no transaction or translation risk.

#### Foreign exchange sensitivity

On the basis that the Partnership is not exposed to changes in foreign exchange rates in the Partnership's own financial statements no disclosure has been made of the sensitivity of the Partnership's results to changes in foreign exchange rates.

##### (ii) Price risk

The Partnership is exposed to fluctuations in the fair value of its financial assets which are classified as at fair value through profit or loss. The Partnership is not exposed to commodity price risk. To manage the price risk arising from its investments, the Partnership diversifies its portfolio. Diversification of the portfolio is done in accordance with the investment restrictions set by the LPA.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk

The Partnership finances its investments through a mixture of interest free loans from Limited Partners, and bank borrowings in the underlying entities. The Partnership does not use interest rate derivatives to manage its exposure to interest rate fluctuations; however, the underlying investment entities use interest rate derivatives to manage their exposure to interest fluctuations. At the year end all of Partnership’s bank borrowings and swaps in the underlying entities have expired and as such all of the debt is floating. A summary of the Partnership’s net exposure to interest rate risk is outlined below:

	2022 £’000	2021 £’000
Total value of variable rate borrowings	-	-
Cash	2,211	9,356
<b>Total</b>	<b>2,211</b>	<b>9,356</b>

#### Interest rate sensitivity

On the basis that the finance income and expense is immaterial in the Partnership’s own financial statements no disclosure has been made of the sensitivity of the Partnership’s results to changes in interest rates.

#### (b) Credit risk

Credit risk is managed by the General Partner for the Partnership. The Asset Manager for each underlying entity is responsible for managing and analysing the credit risk for (i) each of their new tenants before an occupational lease is offered and (ii) the purchasers of property before a sale and purchase agreement is signed. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to tenants and buyers, including outstanding receivables and committed transactions. If tenants are independently rated, these ratings are used. If there is no independent rating, the asset manager assesses the credit quality of the tenant, taking into account its financial position, past experience and other factors.

No credit limits were exceeded during the reporting year, and the General Partner does not expect any losses from non-performance by these counterparties.

An analysis of the credit quality of financial assets is as follows:

	2022 £’000	2021 £’000
Trade and other receivables – neither past due nor impaired	2	20
Less: impairment provision	-	-
<b>Total trade and other receivables, net of impairment provision</b>	<b>2</b>	<b>20</b>
<b>Total cash and cash equivalents</b>	<b>2,211</b>	<b>9,356</b>

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as and when they fall due. The ultimate responsibility for liquidity risk lies with the General Partner which monitors this risk and the liquidity position of the Partnership and its underlying investment entities and has built an appropriate liquidity risk management framework of the short, medium and long-term funding requirements of the Partnership and its underlying investment entities. The General Partner manages liquidity risk using forecasts of the Partnership and its underlying entities. The General Partner seeks to ensure the Partnership has sufficient cash to meet its operational needs and fund the capital requirements of its investments.

The investment period has expired and the investors commitments are fully drawn. The Partnership has retained a cash balance from sales proceeds to ensure it can meet its future obligations and to satisfy the current provisions of the debt arrangements in the underlying investment entities if asset values were to fall.

Surplus cash in unblocked accounts held by the underlying entities over and above balance required for working capital management are transferred to the Partnership. The Partnership invests surplus cash in interest bearing current accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Partnership held £2,211,000 (2021: £9,356,000) in interest bearing current accounts.

All of the Partnership's financial liabilities mature within one year and the amount held on the balance sheet at 31 December 2022 represents the contractual undiscounted cash flow.

#### (d) Real estate market risk

The Partnership's strategy is to acquire and create real estate, real estate related opportunities and asset rich companies thus exposing it to very specific industry risks. The General Partner has identified the following risks that are specific to the real estate market:

- (i) The risk of a general downturn in the real estate market negatively impacting on the valuation of individual real estate assets. The General Partner's investment strategy is to focus on investments where active corporate, asset and financial management is expected to enhance both income and capital returns thereby reducing the exposure to adverse market movements.
- (ii) The risk of tenants exercising their break options or leases not being renewed at the end of their term, both resulting in properties or units becoming vacant or residential tenants remaining on periodic tenancies – this risk is managed by the Asset Manager on behalf of the underlying SPV. The Asset Manager oversees this process and directs a team of real estate professionals to manage this process in a timely and effective manner.

#### Capital risk management

The General Partner's objectives when managing capital are to safeguard the Partnership's ability to continue as a going concern in order to provide returns for Limited Partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At 31 December 2022 aggregate loan to value was 83% (2021: 43%).

#### Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.



# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 3 Financial risk management (continued)

#### Valuation Techniques

The fair value of financial assets in the equity investments is determined using the adjusted net asset value. This includes these external valuations by a third party appraiser of the investment property, which is adjusted to reflect third party debt and the remaining net current asset positions (Level 2 and 3 measurements). External valuations are performed under the following methods:

*Income Capitalisation Approach:* This approach is based on the principle that value is created by the expectation of future income. This involves applying yield to rental income streams. The inputs involved include, yield, current rents, estimates rental values (ERV), and net property income. There were no changes to the valuation techniques during the year.

#### (d) Real estate market risk

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

	Level 1	Level 2	Level 3	Total
31 December 2022	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	-	2,978	-	2,978
<b>Total</b>	-	<b>2,978</b>	-	<b>2,978</b>

	Level 1	Level 2	Level 3	Total
31 December 2021	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss	-	22,414	6,402	28,816
<b>Total</b>	-	<b>22,414</b>	<b>6,402</b>	<b>28,816</b>

The determination of what constitutes ‘observable’ requires significant judgement by the Partnership. The Partnership considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of the financial assets includes the fair value of investment property held in underlying entities of the Partnership. The significant unobservable inputs that have been used in determining the fair value measurement of the investment property included yield rates.

All of the Partnership’s equity investments, being categorised as fair value through profit or loss fall within Levels 2 or 3 of the fair value hierarchy. A table showing the movement in these financial assets is shown in note 7 to the financial statements. Where the Partnership has received a formal offer for the sale of an investment, then those investments are classified as Level 2.

### 4 Segments

The General Partner is charged with setting the Partnership’s investment strategy in accordance with the Partnership’s investment restrictions and overall objectives as set out in the LPA. The General Partner has delegated the day to day implementation of this strategy to the Investment Manager but retains responsibility to ensure that adequate resources of the Partnership are directed in accordance with its decisions.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 4 Segments (continued)

The Investment Manager has been given authority to act on behalf of the General Partner in certain situations. Under the terms of the Investment Management Agreement, the Investment Manager advises on the investment strategy of the Partnership, advises the Partnership on its borrowing policy and geared investment position, and advises on the use and management of derivatives and hedging by the Partnership. Any changes to the investment strategy or allocation decisions have to be approved by the General Partner, even though they may be proposed by the Investment Manager.

The General Partner therefore retains full responsibility for investment policy and strategy. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the General Partner. The General Partner has considered the requirements of IFRS 8 ‘Operating Segments’. The General Partner is of the opinion that the Partnership, through its underlying entities, operates in one reportable industry segment, namely real estate investment, and across one primary geographical area, namely the United Kingdom and therefore no segmental reporting is required. The portfolio is held for long term investment purposes and consists of a student accommodation scheme, a mixed use leisure and retail property, a multi sited office and warehouse scheme and a loan to a property developer.

### 5 Net funds reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2022	2021
Net funds	£’000	£’000
Cash and cash equivalents	2,211	9,356
Borrowings – repayable within one year	-	-
<b>Net funds</b>	<b>2,211</b>	<b>9,356</b>

	Cash	Borrowings due <1 yr	Total
	£’000	£’000	£’000
Net funds as at 1 January 2022	9,356	-	9,356
Cash flows	(7,145)	-	(7,145)
<b>Net funds as at 31 December 2022</b>	<b>2,211</b>	<b>-</b>	<b>2,211</b>

### 6 Critical accounting judgements and estimation uncertainty

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. As at 31 December 2022 the Partnership had the following critical accounting estimates and assumptions:

(i) *Estimates – Valuation of investments (note 7)*

Investment property being held indirectly by the Partnership’s fixed asset investments for earning rental income and capital appreciation is measured at fair value and a key contributor to the overall investment value. Fair value of these properties is based on either (i) an offer for sale from an independent third party or (ii) a valuation by a professionally qualified and experienced independent external or internal valuers. The general partner, on the advice of the independent valuer, takes into account number of factors including risk of tenant exercising break options, impact of real estate market and demand and risks associated with development of the properties to arrive at the year end value.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 6 Critical accounting judgements and estimation uncertainty (continued)

#### (ii) Judgements - Carried Interest allocation (note 2)

The Carried Interest Partner is entitled to a Carried Interest based on the performance of the Partnership in accordance with the mechanism set out in the LPA. Judgement is required on when the Carried Interest is provided for within these Financial Statements as the amount payable is dependent on the performance of the Partnership and will only become payable once all Limited Partners' capital advances and preferred return have been fully paid. Carried interest is recognised once it is considered probable that there will be an allocation which can be reliably measured, as such, no amounts are recognised until the Partnership is fully invested or the investment period has ended.

### 7 Financial assets at fair value through profit or loss

The financial assets at fair value through profit and loss are held at fair value, based on the net asset values of the underlying investments.

	2022	2021
Investments	£'000	£'000
At 1 January	28,816	52,429
Acquisitions	-	2,069
Disposals/repayments	(18,373)	(23,662)
Net change in fair value of financial assets at fair value through profit or loss	(7,465)	(2,020)
At 31 December	2,978	28,816

The following table sets out the Partnerships direct and indirect financial assets.

Name	Country of Incorporation	Principal activity	Share %	Ownership class
MREF III BG Limited Partnership	Scotland	Investment entity	38.45	Partnership interest
MREF III PRS Holdings Sarl	Luxembourg	Holding entity	38.45	Ordinary
MREF III Aberdeen Holdings Limited	Jersey	Holding entity	38.45	Ordinary
Aberdeen Energy Park Limited*	Jersey	Property investment	38.45	Ordinary
Aberdeen Innovation Park Limited*	Jersey	Property investment	38.45	Ordinary
MREF III Aberdeen LP Limited*	Jersey	Property investment	38.45	Ordinary
MREF III Derby Holdings Limited	Jersey	Holding entity	38.45	Ordinary
MREF III Derby Riverlights Limited*	Jersey	Property investment	38.45	Ordinary
Derby Riverlights Hotel Limited*	UK	Hotel operator	38.45	Ordinary

\*Indirect investment

The maximum exposure to credit risk at the reporting date is the fair value of the investments classified as financial assets at fair value through profit and loss.

In 2022 the net change in fair value of £7,465,000 (2021: £2,020,000) was due to the writing down in value of the residual investments and liquidation proceeds from underlying investment entities that were dissolved during the year.

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 8 Investment income

	2022	2021
	£'000	£'000
Dividends receivable from subsidiaries and joint ventures	-	778
Interest income from subsidiaries	373	1,079
<b>Total</b>	<b>373</b>	<b>1,857</b>

### 9 Net decrease in net assets attributable to partners from operations

	2022	2021
	£'000	£'000
<b>Operating loss is stated after charging:</b>		
Fees payable to the Partnership’s auditors for the audit of the financial statements	31	32
Fees payable to the Partnership’s auditors for other services:		
- Taxation	7	9
- Other	-	19

The Partnership had no employees during the current or previous year.

### 10 Gain/(loss) on disposal of investments

	2022	2021
	£'000	£'000
Proceeds received from subsidiary undertakings	8,067	9,685
Reversal of unrealised loss recognised in prior years	(7,094)	(10,284)
<b>Total</b>	<b>973</b>	<b>(599)</b>

# Moorfield Real Estate Fund III “PC” Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 11 Finance costs - net

	2022	2021
	£'000	£'000
Other finance fees	1	-
<b>Finance costs – net</b>	<b>1</b>	<b>-</b>

### 12 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts owed by related party undertakings (note 15)	10	7
Other receivables	2	20
<b>Total</b>	<b>12</b>	<b>27</b>

Amounts owed by related party undertakings are unsecured and repayable on demand. There are no provisions held against trade and other receivables balances.

### 13 Cash and cash equivalents

	2022	2021
	£'000	£'000
<b>Cash and cash equivalent</b>	<b>2,211</b>	<b>9,356</b>

### 14 Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	7	106
Amounts owed by related party undertakings (note 15)	14	-
Accruals and deferred income	46	52
<b>Total</b>	<b>67</b>	<b>158</b>

The fair value of other payables and accrued expenses is not materially different from their carrying value.

Amounts owed to related party undertakings are unsecured and repayable on demand.

The liabilities shown in the table above all mature within one year. The amounts shown above are equal to the contractual discounted cash flows.

### 15 Related party transactions

The Partnership is operated in conjunction with the Moorfield Real Estate Fund III "A" Limited Partnership, its parallel fund, and Moorfield Real Estate Fund III "B" Limited Partnership. The three 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 three 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 III “A” Limited Partnership: 30.08%, Moorfield Real Estate Fund III “B” Limited Partnership: 31.47%, Moorfield Real Estate Fund III “PC” Limited Partnership: 38.45%). Similarly the Partnership’s bear any operating expenses on a pro rata basis (except to the extent that such expenses are specifically allocable to a particular Partnership).

# Moorfield Real Estate Fund III "PC" Limited Partnership

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 15 Related party transactions (continued)

- (i) The following amounts were identified as income from related parties during 2022 and 2021:
- interest income of £373,000 (2021: £1,079,000) from underlying investment vehicles (see note 8) that Moorfield Real Estate Fund III "PC" Limited Partnership holds as an investment, together with its parallel fund Moorfield Real Estate Fund III "A" Limited Partnership and the Moorfield Real Estate Fund III "B" Limited Partnership.
  - dividend income of £Nil (2021: £778,000) from underlying investment vehicles (see note 8) that Moorfield Real Estate Fund III "PC" Limited Partnership holds as an investment, together with its parallel fund Moorfield Real Estate Fund III "A" Limited Partnership and the Moorfield Real Estate Fund III "B" Limited Partnership.
- (ii) The following amounts were identified as balances due from/to related parties in the Balance Sheet as at 31 December 2022 and 31 December 2021:
- fixed asset investments of £2,978,000 (2021: £28,816,000) held pari passu with its parallel fund Moorfield Real Estate Fund III "A" Limited Partnership and the Moorfield Real Estate Fund III "B" Limited Partnership.
  - a receivable of £10,000 (2021: £7,000) owed by Moorfield Real Estate Fund III "A" Limited Partnership and Moorfield Real Estate Fund III "B" Limited Partnership.
- (iii) Carried Interest Allocation

The Carried Interest Partner is entitled to receive a share of profits of the Partnership which is known as carried interest. This allocation is set out in the Balance Sheet and the Statement of Changes in Equity. In 2022 the carried interest partner's share of the retained surplus was £1,026,000 (2021: £11,286,000).

The LPA sets out the terms of the allocation of carried interest to the carried interest partner.

The members of the carried interest partnership include current and former directors and employees of Stessa Trading Limited, the ultimate parent of the Investment Manager.

### 16 Reconciliation of loss for the financial year to operating cash flow

	2022 £'000	2021 £'000
<b>Loss for the financial year</b>	<b>(6,233)</b>	<b>(888)</b>
<b>Adjustment for:</b>		
- Net change in fair value of financial assets at fair value through profit or loss	7,465	2,020
- Interest receivable from investments	(372)	(1,079)
- Finance costs- net	1	-
- (Gain)/loss on sale of fixed assets	(973)	599
<b>Changes in working capital:</b>		
- Change in trade and other receivables	15	266
- Change in trade and other payables	(91)	125
<b>Cash (used in)/ generated from operations</b>	<b>(188)</b>	<b>1,043</b>

# **Moorfield Real Estate Fund III “PC” Limited Partnership**

## **Notes to the financial statements for the year ended 31 December 2022 (continued)**

### **17 Post balance sheet events**

Subsequent to the year end the Partnership, together with its parallel partnerships, received non-binding offers for its mixed-use leisure and retail building in Derby and for its two office and industrial parks in Aberdeen, both sales processes are progressing at the date of signing the financial statements.

On 26th March 2023 the term of the Partnership expired, and the Partnership is deemed to have entered liquidation. The LPA identifies the General Partner as the liquidating trustee, it is the responsibility of the General Partner to wind up the Partnership in an orderly manner over the course of the next twelve months. The liquidating trustee is responsible for overseeing the dissolution and winding up of the Partnership, including the sale of any underlying Investment properties and any other realisable assets on the best terms reasonably available and as soon as practicable and consistent with obtaining fair value, but in any event, within twelve months. The liquidating trustee is required to settle all outstanding debts, obligations and liabilities and to make adequate provision for any present or future contemplated obligations or contingencies before any proceeds are distributed to the Partners. The General Partner has assessed Partnership's financial position and retained sufficient cash resources to meet future liabilities as they fall due, however, the Partnership can no longer be considered a going concern and is in liquidation.